# SKYLINE INVESTMENTS INC.

## Consolidated financial statements

## for the years ended

## December 31, 2024 and 2023

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# Independent Auditor's Report

To the Shareholders and the Board of Directors of
SKYLINE INVESTMENTS INC.

## Opinion

We have audited the consolidated financial statements of SKYLINE INVESTMENTS INC. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2024, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2024 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

## Basis for Opinion

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

Without qualifying our conclusion above, we refer the attention to Note 1b regarding Company’s financial position including its obligations, and managements and the board’s plans. Based on the analysis of debt repayment dates made by the Company, the alternatives and available sources, the Company’s board of directors and management are of the opinion that the company will repay its liabilities when they come due. See also Key Audit Matter related to Company's financial position below.

## Key Audit Matters

Key audit matters are those matters 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.

## Company’s financial position – Refer to note 1b

*Key Audit Matter Description*

As mentioned in note 1b to the company's consolidated financial statements as of December 31, 2024 regarding Company's financial position, based on analyses of Management and the Company’s Board of Directors of the cash needs and available sources the Company expects to meet all of its financial obligations in the foreseeable future when they come due. Auditing the judgments made by management required a high degree of auditor judgment and an increased extent of audit effort. See also the emphasis matter paragraph included in this audit report.

*How the Key Audit Matter Was Addressed in the Audit*

We have conducted the following main audit procedures regarding the key judgments made by management around company’s financial position: (1) Gained an understanding and evaluated the internal controls related to the preparation of cash flow forecast, the assessment of available sources and Company’s assessment of the going concern assumption; (2) Tested key assumptions underlying management’s cash flow forecast; (3) Performed sensitivity analysis on certain significant assumptions underlying management’s cash flow forecast; (4) Performed procedures to review events after the end of the reporting period (5) Assessed management’s plans in the context of other audit evidence obtained during the audit to determine whether it supported or contradicted the conclusion reached by management (5) Assessed the adequacy of the disclosure in the consolidated financial statements regarding the company’s financial position.

## Valuation of Property, Plant and Equipment – Refer to notes 2(f), 3 and 10 to the consolidated financial statements

*Key Audit Matter Description*

As discussed in note 2(f), 3 and 10 of the consolidated financial statements as of 31 December 2024, the Company’s Property, Plant and Equipment are presented in the statements of financial position at their revaluated amount as of 31 December 2024 in accordance with the accounting policy described in note 2. The Company’s property, plant, and equipment as of 31 of December 2024 is 277 million Canadian Dollars. During the year ended December 31, 2024, the Company recognized a negative revaluation through revaluation surplus of 20.6 million Canadian Dollars and impairment through profit and loss of 2.2 million Canadian Dollars.

As discussed in note 3, the Company’s evaluation of property plant and equipment is measured using the revaluation model. Revaluation model is supported by external valuations with recognized valuation techniques. The techniques used comprise the capitalized net operating income method and the discounted cash flow method. These techniques include estimating the operating profit of the property for a period of up to 10 years, discount rates, required amount of investment in the property improvement plans, estimations of average occupancy rates and other factors. These valuations are subject to judgements, valuations, and significant estimates regarding relevant market conditions to the date of the financial position statement.

Deloitte.

Because the fair value of property, plant and equipment is a significant accounting estimate, subject to uncertainties and based on valuations which include assumptions some of which are subjective, we have determined, by applying our professional judgement, that the fair value of property, plant, and equipment, with emphasis on discount rates, is a key audit matter.

*How the Key Audit Matter Was Addressed in the Audit*

As a response to uncertainties that underly the determination of the fair value of property, plant, and equipment, we have conducted the following main audit procedures with emphasis on discount rates determined in the valuations: 1. Gained an understanding and evaluated the internal controls related to management determination of fair value of PP&E. 2.Reviewed and evaluated the PP&E valuations prepared by management and its external appraisers, on a sample basis based on quantitative and qualitative considerations. 3. Evaluated the reasonableness of the key assumptions underlying the valuations of PP&E, especially the discount rates and the operating profit. 4. With the assistance of fair value specialists, evaluated the reasonableness of the discount rates used in PP&E valuations, on a sample basis. 5. Conducted inquiries of the management and Company's external appraisers.

## Expected Credit Losses (ECL) – Refer to notes 2(k), 3, 4 and 12 to the consolidated financial statements

*Key Audit Matter Description*

As discussed in note 2(k), 3, 4 and 12 of the consolidated financial statements as of 31 December 2024, the estimation of Expected Credit Losses (ECL) on Vendor Take Back Loans (VTBs) and Equity Loan involves significant judgement and assumptions. The ECL model incorporates Probability of Default (PD), Loss Given Default (LGD), and forward-looking information, including macroeconomic factors like GDP growth rates and industry trends. The Company's VTBs and Equity Loan as of 31 of December 2024 amount to 91 million Canadian Dollars, net of ECL.

The Company's ECL on the VTBs and Equity Loan as of 31 of December 2024 is 5.4 million Canadian Dollars (during the year ended December 31, 2024, the Company recognized provision for ECL through profit and loss of 3.9 million Canadian Dollars).

As discussed in note 4, the buyer Freed has requested an extension of the payment date, the Company has not agreed to any extension terms, and discussions are ongoing. Additionally, as discussed in note 12, the buyer of Port McNicoll is in default.

Given the above, we have determined, by applying our professional judgement, that the ECL on the loans to purchasers is a Key Audit Matter.

*How the Key Audit Matter Was Addressed in the Audit*

Our audit procedures in relation to this matter included, but were not limited to, the following: 1. Gained an understanding of main terms and conditions of the VTBs and Equity Loan. 2. Gained an understanding of the process implemented by management to measure ECL. 3. With the assistance of audit team specialist, evaluated the appropriateness of the ECL model used, the reasonableness of its key assumptions, and the accuracy of the data inputs. 3. Reperformed calculation to assess the mathematical accuracy 4. Evaluated the adequacy of the disclosures in the financial statements.

## Other Information

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

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do 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, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to 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 this 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 IASB, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Company'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 Company'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 Company 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Marina Kaplun.

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Certified Public Accountants
A Firm in the Deloitte Global Network
Haifa, Israel
13 March 2025

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| Consolidated statements of financial position, as at December 31, | Note | 2024 | 2023 |
|---|---|---|---|
| **Assets:** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 24,622 | 57,139 |
| Trade receivables, other receivables and prepayments | 5 | 8,002 | 8,633 |
| Inventories | 7 | 491 | 405 |
| Real estate inventory | 8,12 | - | 9,986 |
| Loans to purchasers | 12 | 56,243 | 2,120 |
| Financial derivative | 17(b) | - | 2,435 |
| Restricted bank deposits | 6 | 5,520 | 9,959 |
| Disposal group classified as held for sale | 10(d) | 20,755 | - |
| | | **115,633** | **90,677** |
| **Non-current assets** | | | |
| Investment properties | 9 | 14,609 | 13,769 |
| Property, plant and equipment | 10 | 276,639 | 436,878 |
| Loans to purchasers | 12 | 35,180 | 80,863 |
| Other non-current assets | 19(b) | 466 | 2,801 |
| Restricted bank deposits | 6 | 9,530 | 15,909 |
| Deferred tax | 11 | 6,718 | - |
| | | **343,142** | **550,220** |
| **Total assets** | | **458,775** | **640,897** |
| | | | |
| **Liabilities and equity:** | | | |
| **Current liabilities** | | | |
| Loans and leases payable | 15 | 54,825 | 10,092 |
| Bonds | 13 | - | 52,037 |
| Trade payables | | 7,779 | 6,620 |
| Other payables and accruals | 14 | 19,705 | 38,030 |
| Deferred revenue | | 6,303 | 1,206 |
| Income taxes payable | 25 | 7 | 1,793 |
| Disposal group classified as held for sale | 10(d) | 19,534 | - |
| | | **108,153** | **109,778** |
| **Non-current liabilities** | | | |
| Loans and leases payable | 15 | 129,592 | 248,699 |
| Other liabilities | 15(f) | 13,210 | 5,966 |
| Deferred tax | 11 | - | 9,759 |
| | | **142,802** | **264,424** |
| **Total liabilities** | | **250,955** | **374,202** |
| | | | |
| **Equity** | | | |
| Equity attributable to shareholders of the Company | 18 | 180,016 | 234,959 |
| Non-controlling interest | 18 | 27,804 | 31,736 |
| **Total equity** | | **207,820** | **266,695** |
| **Total liabilities and equity** | | **458,775** | **640,897** |

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the board of directors:

| *"Amir Tamari"* | *"Blake Lyon"* | *"Neha Kapelus"* | March 13, 2025 |
|---|---|---|---|
| Amir Tamari | Blake Lyon | Neha Kapelus | Date |
| Chairman | CEO | CFO | |

**SKYLINE INVESTMENTS INC.**
**Consolidated statements of income (loss)**
(in thousands of Canadian Dollars, except for per share amounts)

| Consolidated statements of income (loss) for the year ended December 31, | Note | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| Revenue | | | | |
| Income from hotels and resorts | 20 | 111,889 | 121,335 | 132,130 |
| Sale of residential real estate | 8, 12 | 9,502 | 4 | 1,570 |
| **Total revenue** | | **121,391** | **121,339** | **133,700** |
| Expenses and costs | | | | |
| Operating expenses from hotels and resorts | 21 | (96,901) | (107,278) | (104,595) |
| Cost of sales of residential real estate | 22 | (12,470) | (28) | (1,033) |
| **Total expenses and costs** | | **(109,371)** | **(107,306)** | **(105,628)** |
| **Gross profit** | | **12,020** | **14,033** | **28,072** |
| Real estate selling and marketing expenses | | - | - | (80) |
| Administrative and general expenses | 23 | (8,153) | (9,035) | (8,265) |
| **Operating income before depreciation, valuation adjustments and other income** | | **3,867** | **4,998** | **19,727** |
| Impairment of real estate properties | 10 | (2,201) | (234) | - |
| Depreciation | 10 | (20,457) | (14,579) | (14,409) |
| Gain from fair value adjustments of investment properties | 9 | - | 945 | 497 |
| Gain (loss) from fair value adjustments of financial instruments, net | 4 | - | (6,880) | 8,261 |
| Gain (loss) on sale and other capital gains (losses), net | 10 | (18,048) | (282) | (4) |
| Other income (expenses) | 28 | 453 | (3,141) | (522) |
| **Net income (loss) from operations** | | **(36,386)** | **(19,173)** | **13,550** |
| Financial expense | 24 | (40,393) | (38,695) | (18,583) |
| Financial income | | 5,789 | 5,072 | 4,963 |
| **Net income (loss) before income taxes** | | **(70,990)** | **(52,796)** | **(70)** |
| Income tax recovery (expense) | 11, 25 | 12,454 | 4,502 | (1,955) |
| **Net income (loss) for the year** | | **(58,536)** | **(48,294)** | **(2,025)** |
| | | | | |
| **Attributable to:** | | | | |
| Shareholders of the Company | 18 | (49,864) | (40,303) | (1,549) |
| Non-controlling interest | | (8,672) | (7,991) | (476) |
| **Net income (loss) for the year** | | **(58,536)** | **(48,294)** | **(2,025)** |
| | | | | |
| **Net income (loss) per share:** | | | | |
| Basic | 18 | (3.02) | (2.44) | (0.09) |
| Diluted | | (3.02) | (2.44) | (0.09) |

The accompanying notes are an integral part of these consolidated financial statements.

**SKYLINE INVESTMENTS INC.**
**Consolidated statements of comprehensive income (loss)**
(in thousands of Canadian Dollars)

| Consolidated statements of comprehensive income (loss) for the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Net income (loss) for the year** | **(58,536)** | **(48,294)** | **(2,025)** |
| | | | |
| **Other comprehensive income (loss):** | | | |
| Items that will not be reclassified subsequently to net income (loss): | | | |
| Revaluation of property, plant and equipment, before income taxes | (20,604) | (8,927) | 5,487 |
| Income taxes | 4,667 | 1,424 | (1,345) |
| **Net gain (loss) from revaluation of property, plant and equipment** | **(15,937)** | **(7,503)** | **4,142** |
| Items that will or may be reclassified subsequently to net income (loss): | | | |
| Foreign exchange differences on translation of foreign operations | 14,077 | (3,832) | 13,005 |
| **Other comprehensive income (loss) for the year net of income tax** | **(1,860)** | **(11,335)** | **17,147** |
| **Total comprehensive income (loss) for the year, net of income tax** | **(60,396)** | **(59,629)** | **15,122** |
| | | | |
| **Attributable to:** | | | |
| Shareholders of the Company | (55,115) | (45,510) | 14,610 |
| Non-controlling interest | (5,281) | (14,119) | 512 |
| **Total comprehensive income (loss) for the year, net of income tax** | **(60,396)** | **(59,629)** | **15,122** |

The accompanying notes are an integral part of these consolidated financial statements.

**SKYLINE INVESTMENTS INC.**

**Consolidated statements of changes in equity**

(in thousands of Canadian Dollars)

| Consolidated statements of changes in equity | Share capital and premium | Related party surplus | Treasury shares | Revaluation surplus | Share based compensation surplus | Foreign exchange translation | Retained earnings | Attributable to shareholders of the Company | Non-controlling interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the year ended December 31, 2024:** | | | | | | | | | | |
| Balance at the beginning of the year | 80,188 | 125 | (433) | 42,074 | 396 | 9,238 | 103,371 | 234,959 | 31,736 | 266,695 |
| Net loss for the year | - | - | - | - | - | - | (49,864) | (49,864) | (8,672) | (58,536) |
| Other comprehensive loss for the year | - | - | - | (16,704) | - | 11,453 | - | (5,251) | 3,391 | (1,860) |
| Total comprehensive loss for the year | - | - | - | (16,704) | - | 11,453 | (49,864) | (55,115) | (5,281) | (60,396) |
| Transfer upon recognition of depreciation | - | - | - | (740) | - | - | 740 | - | - | - |
| Contribution from non-controlling shareholders | - | | - | - | - | - | - | | 1,349 | 1,349 |
| Contribution from shareholders (see note 15(j)) | - | 172 | - | - | - | - | - | 172 | - | 172 |
| **Balance at the end of the year** | **80,188** | **297** | **(433)** | **24,630** | **396** | **20,691** | **54,247** | **180,016** | **27,804** | **207,820** |
| | | | | | | | | | | |
| **For the year ended December 31, 2023:** | | | | | | | | | | |
| Balance at the beginning of the year | 79,867 | 125 | (433) | 45,166 | 706 | 12,453 | 142,574 | 280,458 | 35,508 | 315,966 |
| Net loss for the year | - | - | - | - | - | - | (40,303) | (40,303) | (7,991) | (48,294) |
| Other comprehensive loss for the year | - | - | - | (1,992) | - | (3,215) | - | (5,207) | (6,128) | (11,335) |
| Total comprehensive loss for the year | - | - | - | (1,992) | - | (3,215) | (40,303) | (45,510) | (14,119) | (59,629) |
| Transfer upon recognition of depreciation | - | - | - | (1,100) | - | - | 1,100 | - | - | - |
| Contribution from non-controlling shareholders | - | - | - | - | - | - | - | - | 10,347 | 10,347 |
| Recognition of share-based payment | - | - | - | - | 11 | - | - | 11 | - | 11 |
| Transfer upon expiration | 321 | - | - | - | (321) | - | - | - | - | - |
| **Balance at the end of the year** | **80,188** | **125** | **(433)** | **42,074** | **396** | **9,238** | **103,371** | **234,959** | **31,736** | **266,695** |
| | | | | | | | | | | |
| **For the year ended December 31, 2022:** | | | | | | | | | | |
| Balance at the beginning of the year | 79,867 | 125 | - | 42,189 | 674 | 713 | 142,681 | 266,249 | 30,827 | 297,076 |
| Net loss for the year | - | - | - | - | - | - | (1,549) | (1,549) | (476) | (2,025) |
| Other comprehensive income for the year | - | - | - | 4,419 | - | 11,740 | - | 16,159 | 988 | 17,147 |
| Total comprehensive income (loss) for the year | - | - | - | 4,419 | - | 11,740 | (1,549) | 14,610 | 512 | 15,122 |
| Transfer upon recognition of depreciation | - | - | - | (1,442) | - | - | 1,442 | - | - | - |
| Contribution from non-controlling shareholders | - | - | - | - | - | - | - | - | 4,169 | 4,169 |
| Recognition of share-based payment | - | - | - | - | 32 | - | - | 32 | - | 32 |
| Repurchase of shares (see note 18(a)) | - | - | (433) | - | - | - | - | (433) | - | (433) |
| **Balance at the end of the year** | **79,867** | **125** | **(433)** | **45,166** | **706** | **12,453** | **142,574** | **280,458** | **35,508** | **315,966** |

The accompanying notes are an integral part of these consolidated financial statements.

**SKYLINE INVESTMENTS INC.**
**Consolidated statements of cash flows**
(in thousands of Canadian Dollars)

| Consolidated statements of cash flows for the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Operating activities:** | | | |
| **Net income (loss) for the year** | (58,536) | (48,294) | (2,025) |
| Adjustments for: | | | |
| Depreciation and amortization | 27,917 | 17,128 | 15,353 |
| Gain from fair value adjustments on investment properties and financial instruments | - | 5,935 | (8,758) |
| Loss (gain) on sale of investment and other property | 18,048 | 3,578 | 4 |
| Financing costs from bonds including foreign exchange | 1,038 | (285) | 3,083 |
| Financing expense on (income from) financial derivative | 1,938 | 1,649 | 396 |
| Finance costs from shareholders' loan | 4,252 | - | - |
| Deferred tax, net | (12,102) | (5,962) | (353) |
| Share based compensation | - | 11 | 31 |
| Changes in non-cash working capital: | | | |
| Trade receivables, other receivables, prepayments and others | (3,806) | 12,296 | 6,455 |
| Inventories | (47) | 420 | (65) |
| Real estate inventory | 9,986 | (3,352) | 340 |
| Trade and other payables and credit balances | 8,786 | 6,739 | (4,030) |
| Income taxes | (688) | 2,687 | 1,712 |
| Purchasers' deposits | - | - | 1 |
| **Cash provided by (used in) operating activities** | **(3,214)** | **(7,450)** | **12,144** |
| **Investing activities:** | | | |
| Additions to investment properties | (22) | - | (4) |
| Release from (Investment in) restricted deposit | 12,413 | (14,511) | 7,699 |
| Additions to property, plant and equipment | (37,631) | (82,351) | (56,066) |
| Income taxes | (1,259) | - | (7,762) |
| Proceeds of loans given to purchasers | - | 41,489 | 3,167 |
| Net proceeds from sale of disposal group | - | 10,027 | - |
| Disposition (Purchase) of financial derivative | 575 | - | (4,568) |
| Proceeds from sale of property, plant and equipment | 130,403 | 1,300 | 13 |
| **Cash provided by (used in) investing activities** | **104,479** | **(44,046)** | **(57,521)** |
| **Financing activities:** | | | |
| Bank credit and other short-term loans | 24,631 | 7,507 | 3,539 |
| Repayment of bonds | (54,825) | (4,033) | (3,897) |
| Issuance of bonds | - | 10,464 | - |
| Proceeds from long term loans | 19,019 | 88,593 | 132,063 |
| Repayments of long-term loans and capital leases | (154,416) | (23,785) | (132,949) |
| Capital contribution from shareholders | 172 | - | - |
| Proceeds on loans payable to related parties | 30,018 | | |
| Contribution from (Distribution to) non-controlling shareholders | 1,349 | 10,347 | 4,169 |
| Repurchase of shares | - | - | (433) |
| **Cash provided by (used in) financing activities** | **(134,052)** | **89,093** | **2,492** |
| **Foreign exchange translation of cash balances** | 270 | 39 | 899 |
| **Net increase (decrease) in cash and cash equivalents** | (32,517) | 37,636 | (41,986) |
| Cash and cash equivalents at beginning of year | 57,139 | 19,503 | 61,489 |
| **Cash and cash equivalents at end of year** | **24,622** | **57,139** | **19,503** |

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian Dollars)

| Supplemental cash flow information for the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Interest paid | 19,924 | 19,523 | 12,990 |
| Interest received | 881 | 6,928 | 2,815 |
| Income taxes paid * | 1,582 | (981) | 8,347 |

* Income taxes paid for the year ended December 31, 2024 includes CAD1,259 (year ended December 31, 2023: CAD 0; year ended December 31, 2022: CAD 7,762) related to investing activities.

| Significant non-cash investing and financing activities for the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Right-of-use assets and lease liabilities | 368 | 149 | 1,447 |
| Loans to purchasers | | 38,325 | - |
| Other investments measured at fair value through profit or loss | - | - | - |
| Other non-current assets | - | - | - |
| Share capital and premium increase | | 321 | - |

The accompanying notes are an integral part of these consolidated financial statements.

## 1 - Nature of operations

### (a) Nature of operations

Skyline Investments Inc. (the "Company", the "Group" or "Skyline") was incorporated on December 4, 1998 under the Ontario Business Corporations Act, and its registered office is located at 43 Colborne Street, Suite 300, Toronto, Ontario, Canada.

Skyline is a Canadian company that has hospitality real estate investments in the United States and financial assets related to real estate assets sold in Canada. On November 4, 2024, the Company provided an update on its strategy as follows:

- The Company will not continue to develop or pursue new opportunities in its hotel and resort operations in North America.
- The Company will examine, from time to time, the most appropriate timing and price for the realization of existing assets.
- The Board of Directors, through the Strategy Committee, will continue to review the Company's strategy, including options for entering new areas of activity and/or territories.

As at December 31, 2024, the Company is approximately 52.75% owned by its controlling shareholder, Mishorim Real Estate Investments Ltd (“Mishorim”) and approximately 25.69% owned by The Israel Land Development Co. Ltd (“ILDC”). Both are public companies whose shares are traded on the Tel-Aviv Stock Exchange ("TASE").

The Company's shares trade on the Tel Aviv Stock Exchange (the "TASE"), and the Company is a reporting issuer in Canada.

### (b) The Company’s Financial Position

As of December 31, 2024, the Company presents a positive working capital of approximately CAD 12.3 million compared to a negative working capital position of CAD 19.1 million as of December 31, 2023. The Company has certain loans classified in short-term liabilities in the approximate amount of CAD 55 million, as below:

- Loans from the Company’s major shareholders, Mishorim Real Estate Investments Ltd. and The Israel Land Development Company Ltd., in the amount of approximately CAD 33 million (NIS 82 million), which were originally to be payable in April 2025 (Refer to Note 15(j) for further detail). On March 13, 2025, this date was extended to January 5, 2026 (refer to note 30(d) for further detail).
- A credit facility in the amount of CAD 28.7 million (USD 20 million) which is payable in September 2025, with CAD 16 million (USD 11.4 million) being classified as held for sale (Refer to Note 15(d) for further detail).
- A construction bridge loan in the amount of CAD 631 thousand (USD 438 thousand) which is payable in June 2025, related to the Company’s subsidiary Hotel Cleveland. This loan is expected to be repaid entirely from proceeds expected to be received from the Company’s Historic Tax Credit investor related to the renovation and rehabilitation of the Hotel Cleveland, prior to the loan maturity date. Refer to Note 15(f) for the discussion on the Historic Tax Credit.
- Smaller loans related to the Company’s Golf Cottages development (CAD 3.98 million) due in November 2025, and Port McNicoll assets (CAD 3.8 million, refer to Note 15(i) for further detail), and a bank line of credit of CAD 980 thousand.

The repayment of these loans, is done by receiving fixed payments on loans to purchasers, and examining the potential sale of certain properties. For details on the agreement to sell Courtyard Tucson Airport, see Note 30 (b) for events after the balance sheet date.

The Company is scheduled to receive payment on the Freed VTBs in the amount of CAD 55 million in principal and accrued interest on March 31, 2025 (the “Freed Transaction”, see Note 4). The borrower has approached the Company to request for an extension of the maturity date, but has not indicated a lack of ability or intent to pay the loan. The Company has denied this extension, but remains in discussions with the borrower. For details on the expected credit losses related to the Freed VTBs, see Note 4 Freed Transaction.

In the event that the Company's VTB repayments are delayed or unsuccessful or no sales of certain properties materialize, there may be additional funding required for the repayment of the Company's obligations, as well as for certain capital expenditures including Property Improvement Plans that may be mandated by the Franchisor for some of the Company's hotels.

The Company is a guarantor under certain existing loan agreements, where the related guarantor covenants require the Company to maintain a minimum liquidity of CAD 12.5 million.

Based on analyses of Management and the Company's Board of Directors of the cash needs and available sources the Company expects to meet all of its financial obligations in the foreseeable future when they come due.

## 2 - Material accounting policies

### (a) Statement of compliance

The Company has prepared these consolidated financial statements in accordance with **IFRS® Accounting Standards** as issued by the International Accounting Standards Board ("IASB®") and in accordance with the Israeli Securities Regulations (Annual Financial Statements), 2010. These policies have been consistently applied to all periods presented, unless stated otherwise.

In accordance with Regulation 4 of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, the company did not attach separate financial information according to Regulation 9C of the aforementioned regulations to the periodic report for the year ended December 31, 2024.

In the company's judgment, the separate financial information would not provide any material additional information to the reasonable investor that is not already included in the company's consolidated financial statements.

The company examined the insignificance of the additional information derived from the separate financial information in relation to the consolidated reports based on the following parameters:

- The majority of the Company's economic activity is run through subsidiaries.
- Most of the material information that would be included in the separate financial information relate to the Company's loans to purchasers, which have extensive disclosure in the consolidated financial statements.
- Lack of significant creditors of the parent Company, other than the major shareholders that provided the Company with a loan as described in note 15.

### (b) Basis of presentation

These consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is the functional currency of the Company. These consolidated financial statements have been prepared on a historical cost basis except for investment properties, and certain financial instruments (which are measured at fair value), property, plant and equipment (which is measured based on the revaluation model) and real estate inventory (which has been measured at the lower of cost and net realizable value).

### (c) Principles of consolidation

These consolidated financial statements comprise the assets and liabilities of all subsidiaries and the results of all subsidiaries for the financial period. The Company and its subsidiaries are collectively referred to as "Skyline" or "the Company" in these consolidated financial statements. Subsidiaries are all entities over which the Company has control.

All inter-entity balances, income and expenses, and unrealized gains and losses resulting from inter-entity transactions are eliminated in full. Where the Company consolidates a subsidiary in which it does not have 100% ownership, the non-controlling interest is presented separately within the Company's equity. Net income (loss) and each component of other comprehensive income (loss) are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income (loss) of the subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(in thousands of Canadian Dollars except where otherwise stated)

### (d) Foreign currency

*Functional and presentation currency*
Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The functional currency of the Company's U.S. subsidiaries is the U.S. dollar. The functional currency of the Company's Canadian subsidiaries is the Canadian dollar. The functional and presentation currency of the Company is the Canadian dollar.

In light of the sale of the Company's Canadian resorts in December 2021, the sale of equity holdings in Resort Communities LP Partnership in November 2023 (See note 4 for details), and changes in the Company strategy during 2024, the Company examined whether it is necessary to change its functional currency from Canadian dollars to US dollars. The Company's conclusion is that the functional and presentation currency for the Company on a consolidated basis remains Canadian dollars, supported by:

(1) The Company is incorporated in Canada, and its headquarters and all corporate employees are in Canada.
(2) During 2024, the Company sold 11 assets in the US. After the reporting period an additional asset located in the US was also sold. In addition, in accordance with the Company's current strategy, the Company will review, from time to time, the most appropriate timing and price for selling the existing assets.
(3) The Company continues to review its strategy, including options for entering new areas of activity and/or territories.

In addition, it should be noted that the functional currency of the US subsidiaries is US dollars; the treatment of these operations in the Consolidated Financial Statements is that their functional currency is US dollars, and their presentation currency is Canadian dollars.

*Transactions and balances*
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated into the functional currency using the prevailing rate of exchange at the statement of financial position date. Foreign exchange gains and losses from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statements of income in the period in which they arise, except for exchange differences on monetary items receivable from a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are recognized initially in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate). These foreign exchange differences are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

See further detail on the foreign currency exchange rates used during the period:

| Exchange rates - At balance sheet date for the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| CAD / USD | 1.439 | 1.323 | 1.354 |
| CAD / NIS | 2.535 | 2.739 | 2.597 |

(in thousands of Canadian Dollars except where otherwise stated)

| Exchange rates - Average during the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| CAD / USD | 1.370 | 1.350 | 1.301 |
| CAD / NIS | 2.701 | 2.733 | 2.581 |

| Change in rate - during the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| CAD / USD | 8.8% | (2.3%) | 6.8% |
| CAD / NIS | (7.4%) | 5.5% | 6.3% |

**(e) Operating cycle**

The Company's normal operating cycle is twelve months except for development activities of real estate inventory, which are in excess of twelve months and typically range between one to four years.

**(f) Property, plant and equipment**

*Recognition and measurement*

The company has selected the revaluation model to account for its property, plant and equipment ("PP&E") under IAS 16, "Property, Plant and Equipment" ("IAS 16"). Under the revaluation model, the Company's assets that are classified as PP&E, are presented in the statement of financial position at their revalued amounts, which is the fair value at the most recent date of revaluation, less any accumulated depreciation and accumulated impairment losses.

Revaluations are performed with sufficient regularity by qualified, independent third-party appraisers who hold recognized relevant professional qualifications and have recent experience in the location and category of similar properties. The Company discusses the valuation process and verifies all major inputs to the valuations and reviews the results with the external appraisers for all independent valuations. The Company received independent third-party valuations for 4 of the remaining 5 of its hotels during the year ended December 31, 2024. The Company has not performed external valuation for the fifth property, which was valued at sales price less cost to sell, as it was sold in the following year. Please refer to Note 10(d) for further discussion on held for sale assets. For periods when an independent third-party valuation is not performed, the Company undertakes specific actions to determine if there is any change in the value of its PP&E, including discussions with independent, third-party experts, referencing market transactions and any non-binding offers received on its hotels, and review of updated internal forecasts. The Company then uses these inputs in a discounted cash flow analysis over ten years to determine if there is any required revaluation at each reporting date.

Property Plant & Equipment is valued on a highest and best use basis, and does not include any portfolio premium that may be derived from economies of scale associated with owning a large portfolio, or the consolidation value from having compiled a large portfolio over a long period of time primarily through individual acquisitions. Similarly, there is no discount considered for a portfolio sale which may be considered for business purposes, for the ease of crystallizing returns from the sale of multiple properties.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties' revaluation reserve through other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued PP&E is recognized in net income (loss). On sale or retirement of revalued PP&E, the attributable revaluation surplus remaining in accumulated other comprehensive income is transferred directly to retained earnings.

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use.

(in thousands of Canadian Dollars except where otherwise stated)

*Depreciation*

Depreciation is calculated on a straight-line basis based on the useful lives of each component of PP&E as follows:

| Component | Useful life |
|---|---|
| Freehold buildings | 25-60 years |
| Furniture and equipment | 3 to 10 years |
| Computers and monitors | 3 to 5 years |
| Appliances in buildings | 10 years |
| Leasehold improvements | Lesser of lease term or useful life of improvements |

A write down or impairment charge is made against the carrying value of PP&E where an impairment in value is deemed to have occurred.

Depreciation methods, useful lives and residual values are reviewed periodically and adjusted, if appropriate.

Benefits provided with reference to a specific property and which market participants would have taken into account when the property was acquired, for example Tax Increment Financing, ("TIF") are taken into account in determining the property's fair value insofar as it is measured at fair value. Also, when the Company is obligated to make principal and interest payments for the TIF, the Company recognizes a financial liability for the TIF amounts received.

*IFRS 16, "Leases" ("IFRS 16")*

The Company recognizes certain lease liabilities under the scope of IFRS 16. Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the Company's incremental borrowing rate. Lease payments included in the measurement of lease liabilities comprise future fixed lease payments. Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

**(g) Investment property**

The Company considers its non-hotel income producing properties to be investment properties under IAS 40, Investment Property ("IAS 40"), and has chosen the fair value method to account for investment properties in its consolidated financial statements

Investment property is valued on a highest and best use basis and does not include any portfolio premium that may be derived from economies of scale associated with owning a large portfolio, or the consolidation value from having compiled a large portfolio over a long period of time primarily through individual acquisitions. Similarly, there is no discount considered for a portfolio sale which may be considered for business purposes, for the ease of crystallizing returns from the sale of multiple properties.

All investment properties are recorded at cost, including transaction costs, at their respective acquisition dates, and are subsequently remeasured at fair value at each statement of financial position date, with any gain or loss arising from the change in fair value recognized within he consolidated statement of income for the period.

The fair value of the Company's investment properties is assessed internally with sufficient regularity such that the fair value does not differ materially from the carrying amount at each reporting date. Management regularly undertakes a review of the valuation of its investment properties to assess the continuing validity of the underlying assumptions used, such as cash flows, capitalization rates and discount rates. These assumptions are then tested against market information. Where increases or decreases are warranted, the Company adjusts the carrying value of its investment properties.

**(h) Revenue recognition**

The Company's principal sources of revenues under IFRS 15 and their method of recognition are as follows:

*Hotel Revenue*

Revenue from hotel operations is recognized when services are provided, and collectability is reasonably assured.

The Company may collect advance deposits prior to the use of a hotel facility. These deposits are recorded as deferred revenue until such time as the related facility is utilized, at which time the customer deposit is recognized in revenue.

*Sale of Real Estate Inventory*
Revenue from contracts with customers for the sale of real estate is recognized at the point in time when control over the property is ready for transfer, which is generally when possession passes to the customer, as the customer then has the ability to direct the use and obtain substantially all of the benefits of the respective property. Revenue is measured at the transaction price agreed to under the contract.

Deposits received from the customer prior to the customer taking possession are recognized as purchasers' deposits (a liability account) until such time as the property is ready for transfer to the customer, at which time the deposit is recognized in revenue.

*Season Pass Ski Revenue*
This relates to Bear Valley which was sold in November 2023. Revenue from membership and season passes was initially recognized as deferred revenue. As the Company performed its performance obligations over a set period of time, the Company recognized this prepayment in revenue over the length of the contract.

**(i) Interest and other financing costs**
Interest and other financing costs include interest on credit facilities, mortgages and bonds, which are expensed at the effective interest rate, and amortization of transaction costs incurred in connection with the loans, which are capitalized and amortized over the term of the facility to which they relate. Interest expense and other financing costs are presented collectively as financial expense as part of the profit and loss for the period, and as part of the cash flows from operating activities.

**(j) Income taxes**
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income, except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period 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 using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date, and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probably that future taxable profit will be available against which the temporary differences can be utilized. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

**(k) Financial instruments**

*Financial assets and financial liabilities*
Under IFRS 9, Financial Instruments ("IFRS 9"), financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The standard requires that all financial assets and financial liabilities be classified as fair value through profit or loss ("FVTPL"), amortized cost, or fair value through other comprehensive income ("FVOCI"). Amortized cost is determined using the effective interest method.

*Classification of financial instruments*
The following table summarizes the type and measurement the Company has applied to each of its significant categories of financial instruments:

| Financial assets | Measurement Base |
|---|---|
| Cash and cash equivalents | Amortized cost |
| Restricted bank deposits | Amortized cost |
| Trade and other receivables | Amortized cost |
| Loans to purchasers | Amortized cost |
| Financial derivative | FVTPL |
| Other investments measured at fair value through profit or loss (*) | FVTPL |

(*) Realized during 2023, see note 4 for more details.

| Financial liabilities | Measurement Base |
|---|---|
| Loans and leases payable | Amortized cost |
| Bonds | Amortized cost |
| Trade payables | Amortized cost |
| Other payables and credit balances | Amortized cost |
| Purchasers' deposits | Amortized cost |
| Derivative financial liability | FVTPL |

**Cash and cash equivalents**

In the Consolidated Statements of Financial Position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes. Bank balances for which use by the Company is subject to third party contractual restrictions are included as part of Restricted Bank Deposits. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

As mentioned in note 1(b), the Company is required to maintain minimum liquidity balances in the amount of CAD12.5 million dollars. These balances are included in the section of cash and cash equivalents within the current assets since the use of these funds is not subject to the supervision of any party and the Company has the option of using other means (such as unused credit lines) beyond maintaining minimal liquidity balances.

**Expected losses for loans to purchasers, trade receivables and other receivables ("receivables")**

A provision for impairment is established based on the expected credit loss ("ECL") model. Under the ECL model, the Company estimates lifetime expected losses for its trade receivables and lease receivables at each statement of financial position date based on available information. For all other financial instruments, the group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

To measure the expected losses, trade receivables and lease receivables are grouped based on the days past due. The results of the ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the consolidated statement of income within financial expenses. Bad debt write-offs occur when the Company determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against financial expenses.

**Derivatives (assets and liabilities)**

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivatives not designated as a hedging relationship are measured at fair value with changes recognized directly in the consolidated statement of income. The Company does not currently have any derivatives that are designated as a hedging relationship.

**Financial liabilities**

All financial liabilities are recorded initially at fair value, and subsequently at amortized cost, with the exception of derivative financial liabilities.

**Loans and leases payable**

Loans and leases payable are recognized at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs and discounts directly related to the loan are recognized in finance expenses in the consolidated statement of income over the expected term of the loan. Loan maturities and repayments due more than 12 months after the consolidated statement of financial position date are classified as non-current.

**(l) Non-current assets held for sale and discontinuing operation**

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**(m) New and amended IFRS Accounting Standards that are effective for the current year**

*Classification of Liabilities as Current or Non-Current*

The amendments clarify that the classification of liabilities as current or non-current is based on rights as opposed to the expectations about whether an entity will exercise its right to defer settlement of a liability. In addition, IAS 1 introduces a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. In October 2022, the IASB issued amendments that clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability’s classification as current or non-current. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The Company does not have a material impact due to this amendment.

**(n) Future accounting policy changes**

*IFRS 18 "Presentation and Disclosure in Financial Statements" ("IFRS 18")*

On April 9, 2024, IFRS 18 was published, which replaces International Accounting Standard 1 "Presentation of Financial Statements" ("IAS 1"). The purpose of the standard is to improve the way information is communicated by entities to users in their financial statements. The standard focuses on the following areas:

(1) Structure of the profit or loss statement - presentation of defined sub-totals and categorization in the profit or loss statement.

(2) Requirements regarding the improvement of the grouping and disaggregation of information in financial statements and notes.

(3) Display of information regarding management-defined performance measures ("MPM") that are not based on accounting standards (non-GAAP) in the notes to the financial statements.

In addition, when IFRS 18 is implemented, amendments to additional IFRS will come into effect, including International Accounting Standard 7 " Statement of Cash Flows" designed to improve the comparability between entities. The changes mainly include:

- The use of an operating profit sub-total as a sole starting point in implementing the indirect method of reporting cash flows from operating activities
- The elimination of alternatives regarding the accounting policy choice for presenting interest and dividends. As a result, except in certain cases, interest and dividends received will be included within cash flows from investing activities, while interest paid and dividends paid will be included within financing activities.

The standard will take effect for annual reporting periods beginning on or after January 1, 2027. The standard is applied retrospectively, with specific transition provisions. Early adoption is permitted, but according to the decision of the Israel Securities Authority, early adoption will be allowed only for periods beginning on or after January 1, 2025 (for financial statements for the first quarter of 2025).

The Company is assessing the impact of IFRS 18, including the impact of amendments to additional IFRS resulting from its implementation, on the financial statements.

*IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"*

On April 9, 2024, amendments to IFRS 9 and IFRS 7 were published, mainly addressing changes related to the classification and measurement requirements of financial instruments and introducing additional disclosure requirements) ("IFRS 7").

Main amendments to IFRS 9:

(1) Introducing a derecognition option for a financial liability that is settled via an electronic payment system before the settlement date, provided that:

- The entity has no practical ability to withdraw, stop or cancel the payment instruction;

- The entity has no practical ability to access the cash to be used for settlement as a result of the payment instruction;

- The settlement risk associated with the electronic payment system is insignificant.

- An entity that elects to apply this derecognition option must apply it to all settlements made through the same electronic payment system.

(2) Providing application guidance and illustrative examples on how an entity can assess whether the expected contractual cash flows of a financial asset reflect solely payments of principal and interest for the outstanding principal amount, for classifying the financial asset.

(3) Clarifying that a financial asset has non-recourse features if the entity’s ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.

(4) Clarifying the characteristics of contractually linked instruments that distinguish them from other transactions.

Main amendments to IFRS 7:

(1) Updated disclosure requirements for investments in equity instruments designated at FVTOCI.

(2) Introducing additional disclosure requirements for financial instruments that include contractual terms that could change the timing or amount of contractual cash flows upon the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in risks and costs of a basic lending arrangement (such as the time value of money or credit risk).

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, and will be applied retrospectively. Early application is permitted if all the amendments are applied simultaneously or if the amendments applied are related only to the classification of financial assets. An entity is not required to restate prior periods to reflect the application of the amendments, but it may restate prior periods if, and only if, it is possible to do so without the use of hindsight.

The Company is assessing the impact of IFRS 7, including the impact of amendments to additional IFRS resulting from its implementation, on the financial statements.

## 3 - Critical accounting estimates, assumptions, and judgements

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates, assumptions and judgements that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the consolidated financial statements and accompanying notes. Areas of such estimation include, but are not limited to: valuation of investment properties; valuation of PP&E, remeasurement at fair value of financial instruments, valuation of expected credit losses for loans and receivables measured at amortized cost, the depreciation of certain assets, and account of deferred income taxes. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions.

The estimates deemed to be more significant, due to subjectivity and the potential risk of causing a material adjustment to the carrying amounts of assets and liabilities, are discussed below:

*Valuation of PP&E*

PP&E is measured at fair value as at the consolidated statement of financial position date using the revaluation model. Revaluation is supported by independent external valuations, detailed internal valuations using market-based assumptions, each in accordance with recognized valuation techniques. The techniques used comprise comparable sales approach, the capitalized net operating income method and the discounted cash flow method. These techniques include estimating, among other things, future stabilized net operating income, capitalization rates, terminal capitalization rates, discount rates and other future cash flows applicable to PP&E. PP&E under the revaluation model are classified as Level 3 in the fair value hierarchy. These valuations are subject to significant judgements, estimates and assumptions about market conditions in effect as at the consolidated statement of financial position date. See note 10 for further detail of the valuation methods and the significant assumptions and estimates used.

*Expected Credit Losses (ECL)*

The estimation of Expected Credit Losses (ECL) on Vendor Take Back Loans (VTBs) involves significant judgement and assumptions. The Company engages an external independent appraiser to ensure reliable and accurate ECL estimates. This appraiser assesses the credit risk of each VTB, considering factors such as the borrower's financial health, historical repayment patterns, and the economic environment. The ECL model incorporates Probability of Default (PD), Loss Given Default (LGD), and forward-looking information, including macroeconomic factors like GDP growth rates and industry trends.

The Company monitors for any significant increase in credit risk (SICR) since initial recognition, adjusting the ECL measurement accordingly. The estimation of ECL impacts the financial statements, particularly the allowance for credit losses and the carrying amount of the VTBs. While the use of an independent appraiser enhances the objectivity of the estimates, actual credit losses may differ from the estimated ECL due to inherent uncertainties in the process.

## 4 - Freed Transaction

On December 6, 2021, Skyline completed the sale of its interest in the resort assets and surrounding development lands at Deerhurst and Horseshoe, as well as the remaining development lands at Blue Mountain Resort (“Blue Mountain”) (collectively, the “Assets”, the “Freed Transaction”), for an aggregate purchase price of CAD 210 million, subject to standard working capital adjustments on closing, to Freed Corporation (“Freed”). Freed, through a newly formed subsidiary, Resort Communities LP ("RCLP") combined the Assets with Muskoka Bay Resort ("Muskoka Bay"), an asset previously owned by Freed and its partners, at an agreed value of CAD 90 million. On closing in 2021, the Company recorded approximately CAD104 million in net cash inflows from investing activities in its statement of cash flows, as well as the VTB, the Bridge Loan, and the Equity Investment (all as defined below).

*Vendor Take Back Mortgage*

As part of the Freed Transaction, Skyline provided a secured vendor-take back mortgage loan (“VTB”) in the amount of approximately CAD 60 million, bearing annual interest at 5%.

On November 24, 2023, the Company signed an agreement with Freed (the “Freed Agreement”) according to which VTB principal of CAD 11 million was discounted, CAD 30 million of principal has been received at the close of the transaction, and the remaining CAD 19 million will be received on March 31, 2025, meaning a total principal of CAD 49 million compared to the prior balance of CAD 60 million. The Company accepted the CAD 11 million discount, acknowledging the following benefits from the transaction:

- Earlier settlement of the VTB with CAD 30 million cash received upfront on November 24, 2023 and CAD 19 million to be received in February 2025, earlier than original contractual timelines. The offer price of CAD 49 million is within the range of the present value of the VTB’s discounted cash flows, assuming a cost of capital at 10%, which approximates the Company’s current cost of borrowing;
- Interest rate on the remaining debt has increased from 5% to 9% (from the date of signing until February 28, 2025, and thereafter, the interest rate will be 15% until March 31, 2025), providing higher interest income from the VTB;
- Securities of the loan have increased, which includes a guarantee by each of Freed Corporation and Freed Resort Communities LP (FRCLP), and a pledge of 100% of the limited partnership units of RCLP which are held in escrow by the Company’s legal counsel, in addition to the original second lien mortgage which remains registered to the title of the lands from the inception of the VTB in December 2021.
- The Company was able to crystallize the value of its 29% equity interest at a CAD 30 million value, and with an earlier payout in February 2025, compared to the original transaction which contemplated for the recovery of equity value through put/ call options in December 2025 and December 2026.

The Company notes that the acceptance of this negotiated price was a business decision to take fair compensation for changes in the underlying contract that provide cash earlier than originally due, as well as improved returns and security. As a result of this transaction, the total principal balance outstanding for the Freed VTBs has been reduced to CAD 19 million as at December 31, 2023, compared to CAD 60 million prior to the transaction (CAD 60 million was comprised of the CAD 30 million received in November 2023, CAD 19 million to be received in March 2025, and the CAD 11 million discount provided on closing the Freed Agreement).

*Bridge Loan*

As part of the Freed Transaction from 2021, Skyline provided a two-year bridge loan (the “Bridge Loan”) to RCLP in the amount of CAD 8 million

As part of the Freed Agreement completed in November 2023, the Company received full repayment of the Bridge loan and all outstanding accrued interest accumulated as at the date of the transaction, for a total payment of CAD 9.9 million, and with a corresponding release and discharge of the associated security.

*Equity Investment and Purchase Option*

As part of the Freed Transaction, Skyline held 29% of the Limited Partnership units in RCLP (the “Equity Investment”), with a fair value at inception of CAD 28.81 million, and certain protective rights laid out in the partnership agreement, including the right to approve certain decisions such as the issuance of additional equity, or issuance of debt above certain amounts. Freed or its affiliates operate and manage the RCLP assets as General Partner, in return for fees set out in the purchase and sale agreements.

(in thousands of Canadian Dollars except where otherwise stated)

The Freed Agreement from November 2023 crystallized a value of CAD 30 million for the Company's Equity Investment in RCLP. The CAD 30 million value is a Note Receivable, to be paid on March 31, 2025, accruing interest at 9% (from the date of signing until February 28, 2025, and thereafter, the interest rate will be 15% until March 31, 2025), annually. The Company considers this to be a favorable value, acknowledging the benefits of transacting at fair value for the 29% equity interest, with earlier and better secured payout than the original transaction, which contemplated for the recovery of equity value through put/ call options in December 2025 and December 2026.

The VTB loans and Equity Loan related to RCLP are debt instruments carried on the balance sheet at amortized cost under IFRS 9. The Company considered the Freed loans as performing Stage 2 loans (i.e., there has been a significant increase in credit risk since initial recognition), and specifically looked at the loan to value ("LTV") on RCLP's total debt, which was noted as being 61.7% (based on December 31, 2024 unaudited RCLP monthly financial information), which is substantially low and means that if the entire portfolio defaults, there would still be a 38.4% buffer. The Company engaged with an external appraiser in order to assist with the ECL calculation, in the Company's conclusion, the total ECL related to the Freed loans of CAD 2.24 million was considered sufficient. Freed has requested an extension of the payment date; the Company has not agreed to any extension terms, and discussions are ongoing. Although the borrower has not indicated that they lack the ability or willingness to pay, the extension request indicates that for the purpose of calculating ECL, the credit profiles of the borrower and loan have deteriorated. Therefore, the credit rating of the borrower was downgraded to CCC, which is one level before default. The underlying resort and development assets of RCLP constitute the collateral for all the debt arrangements of the Partnership. The fair value of the assets is well in excess of any liabilities, including any costs that may be incurred on disposition. This low loan to value ("LTV") combined with legal rights available to the Company both contractually and under Common Law in Ontario as second mortgagor (behind the senior lender as first mortgagor), support the position that even in the event of default, the Company would recover the value of its Exposure at Default ("EAD"), the total principal of CAD 49 million. The Company has guarantees and the pledges at various levels, protecting its investment. The loans receivable by the Company mature ahead of the senior debt of RCLP.

## 5 - Trade receivables, other receivables and prepayments

| As at December 31, | 2024 | 2023 |
|---|---|---|
| Due from hospitality guests and clients | 6,313 | 6,984 |
| Prepayments | 1,174 | 1,393 |
| Government institutions | 672 | 525 |
| Allowance for doubtful accounts | (157) | (269) |
| | **8,002** | **8,633** |

## 6 - Restricted bank deposits

Restricted bank deposits are amounts held with financial institutions that are subject to externally imposed restrictions with respect to the Company's access to, and use of these funds, including deposits for the sale of real estate, letters of credit in favour of local authorities where development activities are taking place, and collateral and capital expenditures at hotels and resorts (which are classified as long-term) .

## 7 - Inventories

| As at December 31, | 2024 | 2023 |
|---|---|---|
| Food & beverage | 317 | 308 |
| Retail | 10 | 34 |
| Other inventory | 164 | 63 |
| | **491** | **405** |

## 8 Real estate inventory

| As at December 31, | 2024 | 2023 |
|---|---|---|
| Serviced parcels of land – Golf Cottages | - | 9,986 |
| | **-** | **9,986** |

(in thousands of Canadian Dollars except where otherwise stated)

In 2024, the Company completed the sale of all of the Golf Cottages for CAD 9.5 million. For further discussion on the sale, please refer to the discussion in Note 12 below.

## 9 - Investment properties

| As at December 31, | 2024 | 2023 |
|---|---|---|
| Balance as at the beginning of the year | 13,769 | 13,046 |
| Expenditures subsequent to acquisition | 22 | - |
| Net gain (loss) from fair value adjustments | - | 945 |
| Foreign exchange translation and other | 818 | (222) |
| | **14,609** | **13,769** |

| As at December 31, | 2024 | 2023 |
|---|---|---|
| Income producing retail components | 10,134 | 9,294 |
| Lands | 4,475 | 4,475 |
| | **14,609** | **13,769** |

### Valuation basis

The fair value of the Company's income producing retail properties is primarily determined using the discounted cash flow ("DCF") and the comparable sales methods. The fair value of these properties is measured in conjunction with the Company's Property, plant and equipment; please refer to note 10(a) for valuation basis and other relevant information.

## 10 - Property, plant and equipment

| As at December 31, | Lands, buildings & improvements (2024) | Furniture, equipment and other (2024) | Total (2024) | Lands, buildings & improvements (2023) | Furniture, equipment and other (2023) | Total (2023) |
|---|---|---|---|---|---|---|
| Gross carrying amount as at beginning of year | 471,794 | 49,080 | 520,874 | 391,693 | 79,675 | 471,368 |
| Accumulated depreciation as at beginning of year | (48,637) | (35,359) | (83,996) | (31,134) | (38,728) | (69,862) |
| | **423,157** | **13,721** | **436,878** | **360,559** | **40,947** | **401,506** |
| Expenditures subsequent to acquisitions, including payable amounts (see note 14) | 20,728 | 3,634 | 24,362 | 93,144 | 5,344 | 98,488 |
| Adjustment to fair value through revaluation surplus | (20,604) | - | (20,604) | (8,407) | (520) | (8,927) |
| Transfers to disposal group (see note (d)) | (17,987) | (2,768) | (20,755) | - | - | - |
| Transfer from Construction In Progress * | (50,529) | 50,529 | - | - | - | - |
| Right-of-use assets and lease liabilities | 368 | - | 368 | 149 | - | 149 |
| Depreciation | (12,766) | (7,691) | (20,457) | (7,898) | (6,681) | (14,579) |
| Impairment | (2,201) | (934) | (3,135) | (234) | - | (234) |
| Disposals (see note (c)) | (147,461) | (990) | (148,451) | (5,163) | (25,002) | (30,165) |
| Foreign exchange translation | 27,820 | 613 | 28,433 | (8,993) | (367) | (9,360) |
| **Balance as at the end of the year** | **220,525** | **56,114** | **276,639** | **423,157** | **13,721** | **436,878** |

* This relates to Autograph assets that were classified under Buildings during the renovation period which were subsequently reclassified under furniture and equipment after the completion of the renovation.

(in thousands of Canadian Dollars except where otherwise stated)

| Balance as at the end of year for items measured at: | 2024 | 2023 |
|---|---|---|
| Fair value | 276,337 | 435,860 |
| Cost | 302 | 1,018 |
| **Balance as at the end of the year** | **276,639** | **436,878** |

| Carrying amount under cost model | 2024 | 2023 |
|---|---|---|
| **Balance as at the end of the year** | **256,314** | **376,837** |

**(a) Valuation basis**

The value of the Company's PP&E is primarily determined using the DCF method. As a result, PP&E are classified as level 3 in the fair value hierarchy. Changes in level 3 fair values are analyzed at each reporting date as part of the discussion between the Company and its appraisers. Refer to notes 2(g) and 3.

Significant unobservable (level 3) inputs used to determine the fair value of PP&E as at December 31, 2024 are as follows:

(1) Forecast of the operating profit of the property for a period of up to 10 years;
(2) Specific terminal capitalization rate for each asset according to its condition, location and risks specific to the asset;
(3) Required timing and amount of investment in the property improvement plans;
(4) Estimations of the average occupancy as well as the average daily rate;
(5) Other factors such as building rights, planning and legal status.

Discount rates used in applying the DCF method ranged between 10.25%-13.0% (2023: 10.25%-12.25%), and terminal capitalization rates ranged between 8.50%-10.50% (2023: 8.50%-9.75%).

As at December 31, 2024, a 25-basis point ("bps") decreases in both the discount and terminal capitalization rates would increase the fair value of the Company's PP&E by CAD 4,029. As at December 31, 2024, a 25-bps increase in both the discount and terminal capitalization rates would decrease the estimated fair value of the Company's PP&E by CAD 3,741.

**(b) Acquisition**

On July 11, 2022, the Company closed an agreement of purchase and sale with an unrelated third party for the purchase of the Courtyard by Marriott hotel in Ithaca, New York (the "Courtyard Ithaca") for a purchase price of USD 11,250. The Courtyard Ithaca is a leasehold property with the land owned by Cornell University. As part of the Ithaca Acquisition and as a condition precedent, the Company entered into a new lease with Cornell University for a 49-year term, with an upfront payment of USD 1,080. For more information about the financing of the acquisition see note 15(d) below.

**(c) Disposals**

(1) On September 30, 2024, the sale of 11 of the Company's Courtyard Hotels (Chicago Arlington Heights, Chicago Deerfield, Chicago Rockford, Birmingham Hoover, Huntsville University Drive, Manassas Battlefield Park, Lexington North, Dayton Miamisburg, Little Rock, Oklahoma City, Toledo Holland) to third parties for USD 101 million was completed.

The Company has contracted with another lender for a USD 20 million credit facility, net of a USD 2.0 million interest reserve held by the lender, whereby the Company pledged its rights in the Courtyard Tucson and Ft. Myers hotels. The interest rate on the loan is at the rate of the Wall Street Journal Prime Interest (WSJP) (currently 8.50%) + 1.00% for the first USD 14 million, and WSJP+2.25% for the remaining USD 6 million. Interest will not be less than 7.50% for the first USD 14 million and 8.50% for the remaining USD 6 million. The loan will be for a period of 12 months and will be repaid at the end of the period. The Company has the option to make early repayment of the loan without penalty (as of publication date, USD 11.4 million has been repaid).

On September 30, 2024, the Company fully repaid its two existing loans which were secured against the sold 11 hotels in the approximate amount of USD 106.7M from the proceeds of the completion of the sale of the hotels and the credit facility.

The net cash from the transactions listed above, including proceeds from the credit facility above and release of reserves and cash management, after settlement of all transaction costs and working capital amounts related to the 11 hotels sold, was approximately USD 16.9 million, of which USD 8.3 million was received during Q3 2024, and a further USD 8.6 million related to the release of reserves was received in Q4 2024. The Company recorded a loss of USD 12.9 million in its financial statements.

Following the completion of the transaction, the Company retained ownership of three Courtyard properties: Ft. Myers, Ithaca and Tucson. For details on an agreement to sell the Tucson Hotel, see note 30 (b) for events after the balance sheet date.

(2) On November 01, 2023, the Company signed an agreement with a third party unrelated to the Company (the "Purchaser") for the sale of the Bear Valley resort for a total of USD 19.5 million, which will be paid as follows: USD 13.5 million to be paid in cash (subject to various deductions relating to, inter alia, working capital, lease liabilities related to ski lifts and other equipment, income from ski passes sold in advance, restoration works of weather damages incurred during the ski season, which are the subject of an insurance claim, and other liabilities). The net cash receivable on closing, after such adjustments but before taxes, approximately USD 4.3 million. Deferred consideration in the amount of USD 6.0 million is receivable on November 2, 2026. This amount will bear interest at the short-term interest annual AFR (Applicable Federal Rate, which, as of December 31, 2024, is 5.3%), but not exceeding 5.0%, secured by a first lien on the real estate assets (if the EBITDA of the resort exceeds a threshold set in the agreement, principal repayments will be accelerated).

In addition, the Company received USD 1.9 million of insurance proceeds in 2024 for property damage as well as lost revenues due to multiple heavy snowstorms that occurred at the resort during the 2022- 2023 ski season.

(3) On February 8, 2023, the Company completed the donation of the Keewatin passenger ship to a local charity under a special Canadian federal government gifting program. The resulting donation will allow Skyline to receive a donation receipt for an amount to be determined by a Canadian government authority, that will provide the Company with a deferred tax benefit. The carrying value of the Keewatin, as at December 31, 2022, was approximatively CAD 3.9 million (CAD 2.2 million in Property, Plant and Equipment; CAD 1.7 million in Other Receivables), the asset was fully derecognized through other expenses as of March 31, 2023. As part of the donation, the Company had originally committed to provide up to CAD 1 million of cash donation on December 31, 2023 in accordance with the transaction terms (if there will be no other donor), and this amount has been accrued as a contingent donation liability through other expenses. However, in October 2023, the Company received a determination from the Canadian government authority responsible for such determination. The amount was for a donation receipt of CAD 1.4 million. The Company believes this amount to be very low, and that errors were made in such determination, and is in the process of appealing this decision to a Canadian tax court. As well, given that the Company's CAD 1 million contingent cash donation was predicated on a much larger donation receipt determination, the Company has informed the charity that it is reconsidering this amount pending the appeal outcome to the Canadian tax court. As at December 31, 2024, the Company has not accrued any benefit for the donation receipt, no amounts have been paid to the charity as these are still under discussion, and the Company has updated the donation payable liability to CAD 0.6 million on its balance sheet.

**(d) Disposal group classified as held for sale**

On January 22, 2025, after the reporting period, the company completed an agreement for the sale of the Courtyard Tucson Airport Hotel to a third party for a total of approximately USD 14.9 million (CAD 21.4 million). The net cash flow from the transaction, net of transaction costs, amounted to approximately USD 14.5 million (CAD20.8 million). In addition, the Company repaid USD 11.4 million (CAD 16.5 million) of a USD 20 million (CAD 28.8 million) credit facility in connection with the Courtyard Tucson property; the remaining USD 8.6 million (CAD12.37 million) remains outstanding with Courtyard Ft. Myers hotel as collateral. Please refer to Note 30 (b) for further detail. The Company has treated Courtyard Tucson Airport Hotel as a disposal group as at December 31, 2024, wherein all assets are current and measured at fair value less cost to sell. All liabilities are treated as current. The assets and liabilities forming the disposal group related to Courtyard Tucson Airport Hotel as at December 31, 2024, are as follows:

(in thousands of Canadian Dollars except where otherwise stated)

| | |
|---|---|
| **Assets** | |
| Property, plant and equipment | 20,755 |
| **Liabilities** | |
| Security deposit | 3,064 |
| Loans payable | 16,470 |
| | **19,534** |

## 11 - Deferred tax

### (a) Taxation in Canada

The taxable income of the Canadian Group of companies is subject to effective corporate tax rate (combined Federal and Provincial) of 26.5%. A Canadian resident corporation is subject to tax on only one half of realized capital gains. Capital gains for this purpose is generally defined as a difference between the net proceeds and cost. In general, and subject to certain conditions, dividends received by a Canadian company from other Canadian companies and/or from foreign affiliate companies should not be subject to Canadian corporate income tax. Dividends between companies in the Canadian Group are not taxable to the recipient, and are not deductible to the payer. According to the FAPI (Foreign Accrual Property Income) rules, a Canadian resident company may be liable for tax in Canada on undistributed passive income of a foreign affiliate company, but can receive relief for foreign tax imposed on this income. Generally, dividends paid by a Canadian resident company to a foreign resident are subject to withholding tax of 25%. Reduced withholding tax rates may apply under the relevant tax treaty (if applicable). Effective January 1, 2017, under the new Canada-Israel Tax treaty, withholding tax on dividends and interest is limited to 15% and 10% for residents of the treaty country (or 5% for dividends paid to a company that holds directly (or indirectly) at least 25% of the capital of the Company that paid the dividends).

Non capital losses can be carried forward 20 years or back 3 years to apply against taxable income earned in those years. Allowable capital losses (i.e. one half of actual capital losses) can be carried back three years, but forward indefinitely to apply against capital gains in those years.

### (b) Taxation in the U.S.

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act (the Tax Act). This significantly changed US tax laws in a number of ways including but not limited to reducing the corporate tax rate from 35% to 21% and moving from a worldwide tax system to a territorial system.

**(c)** Some income and expenses for accounting purposes may be recognized in earlier or later years for tax purposes. These temporary differences result in deferred tax balances and reflect taxes that are expected to become payable, or recoverable, in future periods.

The composition and movement in deferred taxes are as follows:

| Year ended December 31, 2024 | Investment Properties & Real estate Inventory | Property Plant and Equipment | Carry Forward Losses | Depreciation Temporary Differences | Other | Total |
|---|---|---|---|---|---|---|
| Balance at beginning of year | **(686)** | **(26,167)** | **17,094** | **-** | **-** | **(9,759)** |
| Amounts carried to: | | | | | | |
| Net income (loss) | 1,859 | 2,437 | 7,806 | - | - | 12,102 |
| Other comprehensive income (loss) | - | 4,667 | - | - | - | 4,667 |
| Foreign currency translation reserve | - | (2,301) | 2,009 | - | - | (292) |
| **Balance as at the end of the year** | **1,173** | **(21,364)** | **26,909** | **-** | **-** | **6,718** |

(in thousands of Canadian Dollars except where otherwise stated)

| Year ended December 31,2023 | Investment Properties & Real estate Inventory | Property Plant and Equipment | Carry Forward Losses | Investments Measured at Fair Value through Profit or Loss | Total |
|---|---|---|---|---|---|
| **Balance at beginning of year** | **(3,163)** | **(32,455)** | **20,153** | **(1,893)** | (17,358) |
| Amounts carried to: | | | | | |
| Net income (loss) | 2,477 | 4,102 | (2,510) | 1,893 | 5,962 |
| Other comprehensive income (loss) | - | 1,424 | - | - | 1,424 |
| Foreign currency translation reserve | - | 762 | (549) | - | 213 |
| **Balance as at the end of the year** | **(686)** | **(26,167)** | **17,094** | **-** | **(9,759)** |

The deferred taxes are calculated at tax rates ranging between 13.25% and 27.98% (2023 - 13.25% and 27.98%) - see note 11(d) below. The realization of deferred tax assets is dependent on the existence of sufficient taxable income in the subsequent years.

**(d) Tax rates**

Deferred Canadian and U.S. federal and provincial income tax is calculated based on the following combined rates:

| Non-capital gain (loss) tax rates: | 2024 and forward | 2023 |
|---|---|---|
| Ontario | 26.50% | 26.50% |
| Ohio, USA | 22.98% | 22.98% |
| California, USA | 27.98% | 27.98% |
| Other states (on average), USA | 23.73% | 23.73% |

| Capital gain (loss) tax rates: | 2024 and forward | 2023 |
|---|---|---|
| Ontario | 13.25% | 13.25% |
| Ohio, USA | 22.98% | 22.98% |
| California, USA | 27.98% | 27.98% |
| Other states (on average), USA | 23.73% | 23.73% |

**(e) Non-capital losses**

The Company has non-capital losses carried forward for US and Canadian tax purposes of CAD 129,889 as at December 31, 2023, which expire at various dates commencing December 31, 2032 (December 31, 2023: CAD 75,942).

**12 - Loans to purchasers**

*Port McNicoll VTB*

In July 2017 the Company completed the sale of the Port McNicoll development lands for CAD 41,967. The buyer paid CAD 4,197 on closing, and the Company provided a VTB for the balance of the purchase price, secured by a first mortgage on the project lands. Due to a dispute between shareholders of the purchaser, the Original VTB was in default, and the Company initiated a power of sale process. On December 2, 2021, the Company announced the closing of an agreement with an unrelated third-party (the “New Buyer”) for the sale of the Port McNicoll site for a total amount of CAD 32,500 (the “Port McNicoll Transaction”). Upon completion of the Port McNicoll Transaction, a total of CAD 3,000 was paid to the Company. The balance of the consideration, totaling CAD 29,500 was provided to the New Buyer as a first ranking VTB bearing an annual interest rate of 2.5% for a 5-year period (the “New VTB”). The New Buyer is and will be making monthly payments of CAD 200 every month for the length of the New VTB, which will be applied against both interest and principal. As the New Buyer develops the land over the next five years, the New Buyer will require partial discharges of security from Skyline, and, as a result, additional principal payments are expected over the life of the New VTB. At the end of the New VTB, any remaining balance will be due in full.

As of December 31, 2024 the Company has a provision for Expected Credit Losses (“ECL”) for a total of CAD 3.2 million from Port McNicoll VTB (CAD 1.5 million as of December 31, 2023). The Company utilized for its analysis any information available to it in the capacity as a creditor, and taking into account a Q2 2024 appraisal of the underlying land that was completed by an independent expert. The buyer of Port McNicoll is in default with the last payment received for November 2023. As of December 31, 2024, total unpaid principal is CAD 2.0 million and unpaid interest is CAD 0.7 million. The Company has provided notice to the borrower in July 2024 and commenced the power of sale process due to the loan being in default in November 2024. The loan is currently considered to be a financial asset impaired due to credit risk; therefore, the loan was classified as Stage 3 asset. The Port McNicoll VTB has first place security over the underlying collateral. The appraised value less the outstanding taxes covers the outstanding loan amount in the low scenario, however, the analysis of the high scenario assumed a 10% reduction over the value of the underlying collateral and did not fully cover the outstanding loan amount and associated costs; the difference was added to the loss given default. In Q4 2024, the Company concluded that there was an increase in the exposure to expected credit losses on the Port McNicoll VTB, and recorded an additional provision CAD 0.9 million, for a total ECL amount of CAD 3.18 million. This provision was recorded in accordance with IFRS 9 requirements and results from the Company's assessment of the credit risk associated with the loan. As of December 31, 2024, the balance of the Port McNicoll VTB was CAD 26.2 million, with the total provision for credit losses amounting to CAD 3.2 million. The Company continues to monitor the borrower's ability to meet the loan terms and will reevaluate the credit loss provisions as necessary.

*Freed Transaction loans*

On November 24, 2023, the Company has completed the sale of its equity holdings in Resorts Communities Limited Partnership, modified the terms of the VTB loans, and received full repayment on the Bridge loan. Please refer to note 4 for details related to the Freed Transaction.

*Bear Valley VTB*

Please refer to note 10(c)(2).

*Golf Cottages VTB*

During the second quarter of 2024, the Company completed a partial sale of 27 out of 56 lots of its real estate inventory in Golf Cottages for CAD 4.3 million to two unrelated parties. As part of the sale, which closed on June 2024, a VTB with a total of CAD 3.2 million was given to the purchasers. In Q2 2024, the Company recognized losses of CAD 0.5 million from the sale and CAD 0.6 million from the write-down to record the remaining Golf Cottages inventory at its net realizable value. In Q3 2024, the Company recorded an additional write down of CAD 0.7 million.

In Q4 2024, all of the remaining lots were sold for CAD 5.2 million, a VTB with a total of CAD 4.4 million was given to the purchasers. As at December 31, 2024, total VTB receivable is CAD 7.5 million, the balance of the VTB classified as current receivable is CAD 0.3 million, while the remaining CAD 7.2 million, which is due in three years, is classified as non-current receivable. The VTBs are interest free until two years and thereafter bear interest at 4.0% per annum, and compounded monthly for the third and final year. In Q4, the Company recorded additional loss of CAD 1.1 million, resulting in a total loss of CAD 2.9 million.

## 13 - Bonds

### Series B Bonds

**(a)** In September 2017, the Company issued its Series B Bonds and raised NIS 164,464 (CAD 57,786), net of borrowing costs. The nominal annual interest rate was 5.65%, payable semi-annually (effective interest rate: 6.60%).

**(b)** On July 16 2023, the Company completed a private bonds placement to institutional investors. The Company issued 29,600,000 bond units by extending the original debentures (Series B) with an effective interest rate of 8.96% and at a price of 0.98 New Israeli Shekels to each unit, and raised 29,008,000 New Israeli Shekels (raise with a discount), net of fees (approximately CAD 10.4 million).

(in thousands of Canadian Dollars except where otherwise stated)

**(c)** On May 23, 2024, the Company's Board of Directors decided on the full early redemption of the company's Series B debentures. The total redemption amount, which was executed on June 13, 2024, is NIS 144.55 million (approximately CAD 53.44 million), including principal and interest.

## 14 - Other payables and accruals

| As at December 31, | 2024 | 2023 |
|---|---|---|
| Provision for completion costs | 3,009 | 3,132 |
| Sales and property taxes | 295 | 1,335 |
| Employees and payroll institutions (see note 16) | 1,757 | 4,348 |
| Amounts due to Property, Plant and Equipment additions (*) | 1,439 | 14,708 |
| Accrued interest on bonds | - | 1,750 |
| Purchasers' deposits | 180 | 1,055 |
| Accrued expenses | 13,025 | 11,702 |
| | **19,705** | **38,030** |

(*) These amounts related to accounts payable balances as at December 31, 2024, related to vendor holdbacks from the renovations at the Company's hotels.

## 15 - Loans and leases payable

**(a)** Loans and leases payable

(1) Short term liabilities:

| As at December 31, | 2024 | 2023 |
|---|---|---|
| Short term loans | 54,159 | 11,138 |
| Current maturities of long-term loans and leases | 666 | (1,046) |
| | **54,825** | **10,092** |

(2) Long term liabilities:

| As at December 31, | 2024 | 2023 |
|---|---|---|
| Loans and mortgages | 134,174 | 254,520 |
| Leases | 1,933 | 1,565 |
| | 136,107 | 256,085 |
| Deferred financing costs | (5,849) | (8,432) |
| | 130,258 | 247,653 |
| Less - Current maturities of long-term loans and leases | (666) | 1,046 |
| | **129,592** | **248,699** |

(3) Additional information:

| Loans from financing institutions denominated in: | Weighted average contractual interest rate 2024 | Weighted average contractual interest rate 2023 | As at December 31,2024 | As at December 31, 2023 |
|---|---|---|---|---|
| CAD | 8.34% | 9.67% | 8,771 | 11,138 |
| US dollar | 7.72% | 9.22% | 146,482 | 254,520 |
| NIS | 6.00% | - | 33,080 | - |
| Leases | 7.94% | 7.81% | 1,933 | 1,565 |
| | | | **190,266** | **267,223** |
| Deferred financing costs | | | (5,849) | (8,432) |
| | | | **184,417** | **258,791** |
| Less - Current maturities of long-term loans and leases and short-term loans | | | (54,825) | (10,092) |
| | | | **129,592** | **248,699** |

**(b) Maturity years subsequent to December 31, 2024:**

(in thousands of Canadian Dollars except where otherwise stated)

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 and thereafter | Total |
|---|---|---|---|---|---|---|---|
| Development loans* | 3,981 | - | - | - | - | - | 3,981 |
| Other loans and leases* | 52,489 | 3,231 | 9,942 | 39,014 | 58,588 | 23,020 | 186,285 |
| | **56,470** | **3,231** | **9,942** | **39,014** | **58,589** | **23,020** | **190,266** |
| Deferred financing costs | | | | | | | (5,849) |
| **Total loans payable** | | | | | | | **184,417** |

* Includes only principal, without interest.

**(c) Security**

As of December 31, 2024 CAD 162,523 (2023: CAD 270,965) of the Company's loans payable, excluding capital leases, are secured against the Company's assets. The total value of the Company's real estate assets that are pledged to any loan, excluding capital leases was CAD 311,700 as at December 31, 2024 (2023: CAD 457,219).

**(d) Marriott Courtyard hotels**

*Marriott Courtyard Portfolio loan*

On April 21, 2022, the Company closed on a loan to finance 12 of its Courtyard by Marriott hotels for a period of 5 years in the amount of up to USD 129,625 (the "New Courtyard Loan"). On September 30, 2024, the Company fully repaid the New Courtyard Loan after the sale of 11 Courtyard Marriott hotels. See Note 10c(1) for further details.

*Courtyard Ithaca*

In connection with the acquisition, the Company entered into a 5-year financing agreement with a US Bank for USD 4.6 million, representing 40% of the total Acquisition costs. The Bank has also provided the Company with a line of credit to complete the renovation of USD 4,413 thousand, representing 100% of estimated costs of the renovation. For the first 24 months, the interest rate on the loan was floating, based on 2.25% over the Wall Street Journal Prime ("WSJP") rate and the payments were interest only. For the last 36 months of the Loan, commencing on August 2024, the interest rate became fixed at the WSJP rate at such time (8.50%), plus 2.25% (for a total interest of 10.75% for the remaining loan term). Payments made during the last 36 months of the loan will be a blend of interest and principal, based on a 20-year amortization schedule. The balance of the loan as at December 31, 2024, was USD 4.99 million, representing the acquisition loan plus amounts drawn from the construction loan. The guarantor should maintain an equity of no lower than CAD 100,000 thousand. As of December 31, 2024 the amount is CAD 181,281 thousand. The Borrower shall maintain a Debt Service Coverage Ratio of 1.30:1. The DSCR based on the 12 months ending December 31, 2024 was 1.73.

*Courtyard Deerfield*

On July 25, 2023, the Company opened a USD 3 million line of credit with a banking corporation, secured directly by the Company's Courtyard Deerfield hotel, and guaranteed by the Company. On September 30, 2024, the Company fully repaid the balance remaining on this line of credit after the sale of 11 Courtyard Marriott hotels. See Note 10 c(1) for further details.

*Courtyard Tucson and Fort Myers*

On September 30, 2024, the Company has contracted a USD 20 million credit facility, net of a USD 2.0 million interest reserve held by the lender, whereby the Company pledged its rights in the Courtyard Tucson and Ft. Myers hotels. The interest rate on the loan is at the rate of the Wall Street Journal Prime Interest (WSJP) (currently 7.50%) + 1.00% for the first USD 14 million, and WSJP+2.25% for the remaining USD 6 million. Interest will not be less than 7.50% for the first USD 14 million and 8.50% for the remaining USD 6 million. The loan will be for a period of 12 months and will be repaid at the end of the period. The Company will have the option to make early repayment of the loan without penalty. As of December 31, 2024 the balance was USD 20 million, with USD 11.4 million classified as held for sale. This loan has no financial covenants. For details regarding the completion of the sale of the Courtyard Tucson Hotel and the repayment of approximately USD 11.4 million, see Note 30(b).

**(e) Lines of credit**

The Company has other various secured credit facilities. As part of the regular course of business, the Company obtains and repays various loans to facilitate its operations. The unused balance as of December 31, 2024 and the date of approval of the report was CAD 20 thousand.

**(f) Autograph loans**

On October 7, 2022, the Company's subsidiary reached an extension agreement with its lender on the Autograph (formerly Renaissance hotel), as was first extended in 2020, for an additional period of 6 years and 9 months, until June 2029, at an annual interest rate of 30-day SOFR (which as of December 31, 2024, was 4.56%), plus 2.75%. The original loan balance as at October 7, 2022, was USD 20.5 million, and as at December 31, 2024 was USD 19.4 million. The bank also provided the Company an additional loan in the amount of USD 16.6 million for the purpose of upgrading and improving the hotel (the "Additional Renovation Loan of 2022"). The renovation portion of the loan has an interest rate of 30-day SOFR plus an annual interest rate of 3.50%. The renovation loan is to be drawn as needed. The remaining Loan terms apply unchanged. This loan was further amended on August 15, 2023, as described below.

The Company's subsidiary also entered into a transaction with a global industrial products company to sell the tax credits that will be generated as a result of the renovation. This was initially estimated to USD 11 million, but it is expected to be approximately USD 13.8 million. In accordance with the transaction terms, USD 2.2 million of the consideration was paid in October 2022, a further USD 2.6 million was paid in November 2023, USD 7.04 million was paid in December 2024, and the rest will be paid in the next 3 years as follows: USD 1.13 million in 2025, USD 0.43 million in 2026 and USD 0.39 million in 2027.The balance recorded as deferred revenue as of December 31, 2024 will be transferred to other income over the next 5 years. The bank has also provided the Company with a Bridge Loan for USD 7.5 million. Upon completion of the renovation, the tax credit buyer has provided additional funds which were used to partially repay the bridge loan. The Bridge Loan has the same interest rate terms as the renovation portion of the loan, i.e. an annual interest rate of 30-day SOFR plus 3.50%. As of December 31, 2024, the Bridge Loan was partially paid; the remaining balance is USD 0.44 million, due on June 15, 2025.

On August 15, 2023, an amendment was signed to the loan agreement for the renovation and upgrade of the Autograph Hotel. Under this amendment, the amount of the renovation loan was increased to USD 27.4 million, comprising of the original amount of USD 16.6 million and an additional USD 10.8 million (the "Additional Renovation amount of 2023"), to be drawn as needed. The interest rate for the Additional Renovation Loan of 2022 and the Additional Renovation amount of 2023 was set to be an annual interest rate of 30-day SOFR plus 4.30%, which could be reduced to an additional 3.50% if the borrower met a debt coverage ratio not less than 1.4%. Repayment terms for the existing loans remained unchanged, while the Additional Renovation amount of 2023 of USD 10.75 million would commence amortization in November 2025 over a 10-year period. Additionally, as part of the amendment, the Company's subsidiary agreed to deposit USD 5 million as a debt servicing reserve and USD 1.5 million as an operating expense reserve. The Company has assessed this amendment in accordance with IFRS 9, based on this assessment management has concluded that the amendment does not represent a substantial modification and therefore the Company is not required to perform the derecognition of the previous instrument and recognition of a new one. Notably, since the Company owns half of the Autograph Hotel, its 50% investment partner and Skyline each contributed 50% of these amounts. Furthermore, all previous Debt Service Coverage Ratio ("DSCR") requirements were deleted and replaced by new requirements. As of December 31, 2024, USD 26.4 million was drawn from the renovation loan of USD 27.4 million.

As of September 30, 2024, the Company did not comply with the Debt Service Coverage Ratio ("DSCR") covenant under its lending agreement (1.4:1). The loan principal balance as at December 31, 2024, was USD 44.5 million (including deferred cost of USD 1.7 million). The DSCR is a non-defaulting covenant. Under the loan agreement, the borrower has the right to cure a breach by making a principal repayment in the amount necessary to result in the imputed DSCR being restored to the required minimum ratio (the "Rebalancing Amount"). It should be noted that as at the balance sheet date, the loan was classified as a non-current liability, in light of the Company's right and ability to cure the failure to comply with this covenant. The Company has received waivers from its lender for all covenant requirements under this loan for the periods ended September 30, 2024, December 31, 2024 and March 31, 2025, and a change in the method of calculating the DSCR for the quarter ending June 30, 2025, from a calculation based on a trailing 12-month period to a calculation based on a trailing 3-month period, annualized. The calculation to be made thereafter shall continue to be made on a trailing 12-month basis.

On November 10, 2023, the Company's subsidiary entered into a loan agreement with Ohio Water Development Authority (OWDA) in connection with the renovation of the Autograph hotel for USD 2.0 million. The loan term is 15 years with semi-annual payments on January 1 and July 1 of each year, with the first payment starting on January 01, 2024. The interest rate is 3.76%. The guarantor (i.e., the Company) is required to maintain a net equity in the aggregate of at least USD 4.0 million and liquid assets in the aggregate of at least USD 2.0 million. As of December 31, 2024 the Company has an equity of CAD 181,281 thousand, and liquid assets in the aggregate of CAD 24,642 thousand. The loan is a construction facility that was fully drawn in 2024; the loan balance as of December 31, 2024, was USD 1.8 million.

On December 20, 2023, the Company's subsidiary entered into a loan agreement with Cuyahoga County in connection with the redevelopment of the Autograph hotel for USD2.0 million. The loan term is 16 years, and the interest rate is 4.50%, with monthly interest payments for the first 12 months, and monthly principal and interest payments for the next 15 years. The loan can be prepaid in whole or in part, without penalty, at any time. The loan is a construction facility that was fully drawn in 2024; the loan balance as of December 31, 2024, was USD 2 million. As of the date of the report, the Company complies with the terms of the loan agreement.

As of December 31, 2024, the balance of liabilities related to the loans above at the Autograph hotel, gross of any deferred financing charges, is in the amount of USD 50.05 million (comprising the original loan of USD 19.4 million, bridge loan of USD 0.44 million, renovation loan of USD 26.4 million). Please refer also to note 15(g).

**(g) Autograph Tax Increment Financing**

In September 2023, Hotel Cleveland, LLC (formerly Skyline Cleveland Renaissance, LLC), a subsidiary of the Company (50%) closed a tax increment financing transaction to which the Cleveland-Cuyahoga County Port Authority and the Development Finance Authority issued an aggregate of USD 13.19 million in taxable revenue bonds, and on September 14, 2023, received a net funding of USD 9.980 million for the hotel renovation (where the difference is related to transaction expenses as well as interest reserves held in trust). The funding was provided through a Tax Increment Financing (TIF) transaction, wherein the authorities issued bonds bearing interest at a fixed rate of 6.50% per annum, maturing on May 15, 2048. The net proceeds of the bonds, amounting to USD 9.980 million, were made available to Hotel Cleveland to finance the costs of restoring and rehabilitating the Cleveland Autograph Hotel. The Tax Increment Financing (TIF) is recorded as a liability on the Company's balance sheet, and although it is repaid through normal property taxes, this transaction represents a repayable obligation of the Company. The balance of this loan as at December 31, 2024, was USD 13.19 million, gross of any deferred financing charges.

**(h) Hyatt loan refinance**

On April 20, 2023, a subsidiary of the Company entered into a new loan agreement with a banking corporation in connection with the financing and renovation of the Hyatt Regency Arcade Hotel in Cleveland. The new loan is a CMBS (commercial mortgage-backed security) loan that replaces a previous loan that was extended until June 13, 2023 and the balance of which is approximately USD 15.8 million. The previous loan carried interest at BSBY plus 3.5% (i.e., an annual interest rate of approximately 8.44%), and for the extension period of approximately one month, an interest rate of BSBY plus 4.5% (i.e., an annual interest rate of approximately 9.44%). The new loan is in the amount of USD 25.0 million for a period of 5 years at the end of which the loan principal will be repaid, at a fixed interest rate of 7.99%. A total of USD 1.8 million of the new loan will be used to finance the Hotel's renovation, a total of USD 15.8 million was used to repay the previous loan, USD 2.3 million will be used for expenses of the transaction and tax and interest reserves related to the new loan, and the balance of approximately USD 5.1 million will be used by the Company for general working capital purposes. The loan is paid in monthly interest payments. The principal will be paid at the end of the loan term.

There are no defaulting financial covenants, and no cross-default provisions. The subsidiary needs to perform a quarterly assessment of debt service coverage ratio ("DSCR"), to be not be less than 1.40 to 1.00; violations of this financial obligation would result in the lender controlling the cash from the Hotel's operation to ensure all operating costs are paid including debt service until the ratio was back above 1.45 to 1.00. The DSCR based on the 12 months ending December 31, 2024 was 1.75. The balance of this loan as at December 31, 2024, was USD 25.0 million, gross of any deferred financing charges.

(in thousands of Canadian Dollars except where otherwise stated)

**(i) Short term mortgage**

On September 19, 2023, Skyline Investments Inc. and Skyline (Port McNicoll) Land Inc. signed a mortgage loan agreement for CAD 6 million. The loan term is 1 year from the interest adjustment date, which is October 01, 2023. The interest rate is floating at the greater of 10.15% per annum or the TD Canada Trust posted bank prime rate of interest plus 3.2% per annum. The loan is secured by an assignment of an existing mortgage (the “VTB”), and a registered assignment of rents and leases.

On August 12, 2024, the loan was renewed. The loan term was extended for a further period of one year from the original maturity date, to mature on October 01, 2025 after the renewal. The interest rate is floating at the greater of 9.90% per annum or the TD Canada Trust posted bank prime rate of interest plus 3.2% per annum (as of December 31, 2024 the rate applicable to the loan was 9.90%). The loan principal balance as at the renewal date was CAD 4.3 million. All other loan terms remain unchanged from the original loan. The loan balance as of December 31, 2024 was CAD 3.8 million.

**(j) Shareholder loans**

On March 24, 2024, the Company’s controlling shareholder, Mishorim Real Estate Investments Ltd. (“Mishorim”), undertook to provide an on-call loan to the Company of up to NIS 55 million. Similarly, Israel Land Development Corporation Ltd. (“ILDC”), a major shareholder of the Company, undertook to provide a loan of up to NIS 27 million on the same terms (so that the amounts from ILDC were provided pro rata to the loan from Mishorim). The loans provided to the Company were intended to bridge the cash flow gap created for the Company, inter alia due to the full and final repayment of the Series B Bonds. The loans will be repaid (pro rata between Mishorim and ILDC) (principal, interest and indexation) in one payment until April 1, 2025. The repayment of the loans will precede any dividend distributions, and includes customary events of default. Among other things, having a dividend distribution without first repaying the loan, having the Company’s shares no longer listed on the Tel Aviv Stock Exchange, or if there are changes in the controlling shareholders of the Company or of Mishorim. In the event of default, the lenders shall, in addition to all other rights and remedies available, be entitled by written notice to the Company to terminate this agreement and to declare any outstanding principal amount and all accrued and unpaid interest and the Indexation Difference accrued thereon, to become immediately due and payable. Mishorim and ILDC transferred NIS 55 million (approximately CAD 20 million) and NIS 27 million (approximately CAD 10 million), on May 12, 2024 and May 15, 2024 respectively, as shareholders loans bearing an annual interest rate of 6% and linked to the Israeli Consumer Price Index (“CPI”). As these are considered to be loans from related parties, the Company engaged an independent expert to assess the fair value of these loans at inception. The assessment included taking into consideration the Company’s credit worthiness, and the rate it may have received from an arms’ length lender with standard market conditions for a similar loan. The conclusion of this analysis is that the non-market component of the loan was NIS 468 thousand (approximately CAD 172 thousand), which was booked as an adjustment to equity in Q2 2024 as a contribution from shareholders, which was recorded in the equity statements as an increase in the related party transaction reserve. The balance of the shareholders loans as of December 31, 2024 was CAD 33 million, including the CPI adjustment. On March 13, 2025, the payment date was extended from April 1, 2025 to January 5, 2026 (refer to note 30(d) for further detail).

**(k) Compliance with Covenants**

The Company and its subsidiaries comply with the financial covenants undertaken towards financing parties with the exception of the Autograph loan for which the Company has received waivers (refer to note 15 (f) for details).

## 16 - Related parties

**(a) Related parties:**

| As at December 31, | 2024 | 2023 |
|---|---|---|
| Current assets: Other current balances: accrued interest on CEO share purchase loan (see note 18(a)) | 489 | - |
| Non-current assets: Other Non-current balances: accrued interest on CEO share purchase loan (see note 18(a)) | - | 400 |

(in thousands of Canadian Dollars except where otherwise stated)

| As at December 31, | 2024 | 2023 |
|---|---|---|
| **Total assets** | **489** | **400** |
| Current liabilities: Loans payable: Loans from shareholders (see note 15 (j)) | (33,080) | - |
| Current liabilities: Trade Payables: former President and Chairman settlement (see note 19 (a) (1)) | (650) | - |
| Current liabilities: Other payables and credit balances | (373) | (2,442) |
| **Total liabilities** | **(34,103)** | **(2,442)** |

| For the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Income statement: Interest expense shareholders loans | (4,252) | - | - |
| Income statement: Interest revenue, net of foreign exchange impact, on CEO share purchase loan (see note 18(a)) | 89 | 41 | 28 |

**(b)** Executive compensation expenses related to the Board, former President and Chairman, CEO, CFO and VP Finance are as follows:

| For the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Compensation, bonus and benefits (see note 16 (c)) | 2,617 | 3,283 | 1,577 |
| Employee stock option expense (see note 18(c)) | - | 11 | 32 |
| Directors' fees | 372 | 336 | 365 |
| | **2,989** | **3,630** | **1,974** |

**(c)** Related party transactions are measured at the fair value. The compensation related to former President and Chairman was calculated based on the settlement agreement (see note 19 (a) (1)).

**(d)** On June 5, 2023, the Company's General Meeting of Shareholders approved an amendment to the Company's Compensation Policy and an update to the terms of office and employment of the Company's CEO. The Company's CEO's base salary has been reduced, long-term compensation has been eliminated beginning in 2023 and it has been determined that the bonus to which the CEO will be entitled will be based on sales and asset purchases in respect of transactions signed from April 1, 2023 to March 31, 2024 (the "**End of the Commitment Period**") (provided that sales transactions are completed within 6 months from end of the period) ; With respect to a loan made available to a company controlled by the CEO of the Company in respect of the allocation of 200,000 shares of the Company in 2016 (and which was extended until February 18, 2024 or six months from the termination of the CEO's employment), it was agreed that if the loan for the allocation of the shares is not fully repaid (principal and interest) by the end of 6 months from the End of the Commitment Period, the Company will purchase the shares from the private company controlled by the CEO at a purchase price calculated according to the price on the stock exchange of the shares at the time of acquisition, and such company shall return to the Company the lower of the following: (a) the balance of the loan for the allocation of shares, or (b) the purchase price; It was further agreed that until the End of the Commitment Period, the CEO will be entitled to turn to other employment or consulting opportunities provided that they do not interfere with the performance of his duties to the Company or amount to a conflict of interest; If the Company terminates the employment of the CEO of the Company without cause or in the event that the CEO of the Company terminates his employment at the end of the commitment period, the Company shall pay the CEO vacation pay and any payment required by the 2000 Standards Employment Act and other employment/employment laws applicable to the employment of the CEO by the Company and in addition, payment exceeding a notice period of 12 months from the CEO's base salary, Plus a bonus equal to the average of the CEO's annual cash grant for 2021 and 2022. In addition, on the aforementioned date, the CEO will be paid the long-term grant accrued to him for the years 2021 and 2022. In the financial statements as of December 31, 2023, a provision was made in relation to the proportion of amounts due to the CEO at the End of the Commitment Period and which were recognized in 2023: a total of CAD 722 thousands in respect of the relative portion for 2023 of 12 months of annual salary and a bonus equal to the average in 2021 and 2022, and a total of CAD 602 thousands in respect of the long-term bonus (LTIP) accrued to the CEO for 2021 and 2022. The amounts that were recognized in the first quarter of 2024 were CAD 271 thousand for the proportion for 2024 of 12 months of annual pay and a bonus equal to the average for 2021 and 2022, and a total of CAD 182 thousands for the long-term bonus (LTIP) accrued to the CEO for 2021 and 2022. On March 25, 2024, the Compensation Committee and the Company's Board of Directors approved a non-material amendment to the CEO Agreement pursuant to Section 272(d) of the Companies Law pursuant to which the agreement will be extended on the same terms indefinitely and each of the parties will have the option to terminate it with 60 days' notice (the "**Termination Date**"). According to the notice of resignation, the CEO's employment with the Company will be terminated effective March 31, 2025. As per the agreements reached with the CEO, all funds deposited in trust and expected to be paid 10 days after termination of the employment, have been paid (i.e., an amount equal to 12 months of the CEO's previous annual salary (CAD 475 thousand), a bonus equal to the average annual bonus for 2021 and 2022 and the long-term bonus (LTIP) accumulated for the CEO for 2021-2022, which amounts to CAD 1.776 million, as well as a bonus for the sale of Bear Valley in the amount of CAD 135.3 thousand). In 2024, CAD 0.68 million were paid to the CEO for the sale of 11 Courtyard hotels for CAD 137 million as well as a bonus of approximately CAD 0.109 million was accrued in December 2024 for the sale of Courtyard Tucson. The sale agreements were approved by the Company's Audit Committee and Board of Directors.

**(e)** The Company's Compensation Committee approved on August 22, 2024 a transaction to purchase D&O insurance policy, including officers who are the controlling shareholder and/or their relatives, for a period of one year commencing on August 14, 2024; the insurance was bound effective on this date. Such a policy is regularly purchased each year, and this transaction represents a renewal of the policy that expired at the end of its annual term. The terms of the policy are as follows: insurance coverage in the amount of up to USD 20 million per case and for period; the annual premium amount paid by the Company is a total of approximately USD 196,750 including Tax as will be required; and the Company's deductible for claims filed against it in all the world will be USD 35,000, except claims filed against it in the US in which the deductible will be USD 75,000. The deductibles in claims against the Company anywhere in the world, regarding violation of securities laws (except in the USA) will be USD 100,000 and no coverage for USA. Officers will have no deductibles.

**(f)** See note 1(b) and 15(j) for the loan agreements signed with shareholders.

## 17 - Financial instruments

### (a) Categories of financial assets and liabilities

The fair value of the Company's financial assets and liabilities, except as noted below and elsewhere in the consolidated financial statements, approximates their carrying amount due to the short-term and variable rate nature of these instruments.

The Company has classified and disclosed the fair value of each class of financial instrument based on the fair value hierarchy in accordance with IFRS 13, Fair Value Measurement ("IFRS 13"). The fair value hierarchy distinguishes between market value data obtained from independent sources and the Company's own assumptions about market value. The hierarchy levels are defined below:

Level 1: Inputs based on quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs based on factors other than quoted prices included in Level 1, which may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals; and

Level 3: Inputs which are unobservable for the asset or liability, and are typically based on the Company's own assumptions as there is little, if any, related market activity.

The Company's assessment of the significance of a particular input into the fair value measurement in its entirety requires judgement and considers factors specific to the asset or liability.

The following table presents the Company's estimates of financial assets and liabilities measured at fair value on a recurring basis based on information available to management as at December 31, 2024, aggregated by the level in the fair value hierarchy within which those measurements fall. These estimates are not necessarily indicative of the amounts the Company could ultimately realize.

(in thousands of Canadian Dollars except where otherwise stated)

**(b) Financial assets**

| Financial assets at fair value through profit or loss | Level | As at December 31, 2024 | As at December 31, 2023 |
|---|---|---|---|
| Financial derivative | Level 2 | - | 2,435 |

| The estimated fair values and carrying amounts of loans to purchasers are as follows: | Fair value as at December 31, 2024 | Fair value as at December 31, 2023 | Carrying amount as at December 31, 2024 | Carrying amount as at December 31, 2023 |
|---|---|---|---|---|
| Loans to purchasers | 90,062 | 81,485 | 91,423 | 82,983 |

**(c) Financial liabilities**

| The estimated fair values and carrying amounts of loans and leases payable and bonds are as follows: | Fair value as at December 31, 2024 | Fair value as at December 31, 2023 | Carrying amount as at December 31, 2024 | Carrying amount as at December 31, 2023 |
|---|---|---|---|---|
| Loans and leases payable | 183,420 | 254,304 | 184,417 | 258,791 |
| Bonds | - | 53,536 | - | 53,787 |
| | **183,420** | **307,840** | **184,417** | **312,578** |

Fair values of long-term financial liabilities have been determined by calculating their present values at the reporting date, using fixed effective market interest rates available to the Company. The carrying amount of the loans maturing during the next year is assumed to approximate their fair values. The fair value amounts include deferred finance costs.

The carrying amount of the variable interest loans approximates the fair values of these loans.

**18 - Share capital**

**(a)** Authorized: unlimited common shares, without par value.

| Number of issued and paid-in shares for the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Outstanding at beginning of year ([i]) | 16,700,480 | 16,700,490 | 16,745,237 |
| Shares issued (repurchased) | - | (10) | (44,747) |
| **Outstanding at end of year** | **16,700,480** | **16,700,480** | **16,700,490** |

(i) Including 200,000 shares issued to a company controlled by the CEO and held in trust.

On March 23, 2016 the Board of Directors approved a private allotment of 200,000 shares to a company controlled by the CEO, for total consideration of 4,793 NIS (approximately CAD 1,638) or 23.96 NIS (approximately CAD 8.20) per share, reflective of the average share price during 30 days prior to the appointment against a loan bearing 3% interest, due in full in February, 2021. On January 10, 2021, the shareholders of the Company approved the extension of this loan for an additional period of three years, until February 18, 2024, or six months after termination of the CEO's employment. On April 20, 2023 the Board of Directors and the Compensation Committee approved the update to the terms of office and employment of the Company's CEO. As part of the updated terms, if the Stock Issue Loan is not repaid in full (interest and principal) within 6 months from March 31, 2024 the Company will purchase the 200,000 shares underlying the Stock Issue Loan (the "Shares") from the Private Company at a purchase price calculated based on the stock exchange price of the Shares as of the purchase date ("Purchase Price"), and the Private Company will refund to the Company the lesser of (a) the balance of the Stock Issue Loan; or (b) the Purchase Price. On March 25, 2024, the Compensation Committee and the Company's Board of Directors approved a non-material amendment to the CEO Agreement pursuant to Section 272(d) of the Companies Law pursuant to which the agreement will be extended on the same terms indefinitely and each of the parties will have the option to terminate it with 60 days' notice (the "Termination Date"). All provisions of the employment agreement relating to the End of the Commitment Period shall apply in relation to the Termination Date including the repayment date of the loan for the share allocation.

(in thousands of Canadian Dollars except where otherwise stated)

The net impact of these issued shares, and the associated loan, is reflected within the Company's share capital.

The issuance of those shares is accounted for as options-based compensation. Upon repayment of the loan, the corresponding number of shares issued or redeemed will be reported in Share Capital. The average value of this option-based compensation was determined by an independent valuator using a Binomial option pricing model to be NIS 4.23 (approximately CAD 1.5) per share, assuming an average volatility of 26.4% and an expected option life of between 1 and 5 years. Refer to note 18 (c) below.

On January 10, 2021 at the annual general meeting ("AGM"), the shareholders approved changes to the Company's remuneration policy, including changes to the CEO's compensation. Shareholders approved an allocation to the CEO of 100,000 stock options (the "Options") was approved, which were granted on February 11, 2021 (the "Grant Date"). The Options have a strike price of 24 NIS, have a vesting period of three years, and expire five years after the Grant Date.

On April 24, 2022, the Company commenced a share repurchase plan (the “Share Buyback”), which was in effect until March 31, 2023, with a maximum total purchase amount of CAD 5,000. During the second quarter of 2022, the Company repurchased 44,747 shares at an average price of 25.41 NIS.

**(b) Income (loss) per share**

| The inputs used in calculating earnings per share are as follows: | 2024 | 2023 | 2022 |
|---|---|---|---|
| Net income (loss) attributable to shareholders of the Company | (49,864) | (40,303) | (1,549) |
| Weighted average number of shares outstanding | 16,500,480 | 16,500,485 | 16,519,365 |
| Weighted average number of shares for the purposes of diluted earnings per share | 16,500,480 | 16,500,485 | 16,519,365 |

**(c) Employee stock options**

*Summary*

| Details | Nov 2016 | Feb 2018 | Apr 2018 | Feb 2021 |
|---|---|---|---|---|
| Grant date | Nov-16 | Feb-18 | Mar-18 | Feb-21 |
| Expiration date | Nov-21 | Feb-23 | Mar-23 | Sep-25 |
| Number of options | 290,000 | 135,000 | 100,000 | 100,000 |
| Exercise price | 9.37 | 11.57 | 11.54 | 9.34 |
| Exercise life to date | 82,500 | - | - | - |
| Cancelled | 127,500 | 135,000 | 100,000 | - |
| Expired | 80,000 | - | - | - |
| Net | - | - | - | 100,000 |
| Vested | - | - | - | 66,667 |
| Additional details | 18(c)(2) | 18(c)(3) | 18(c)(3) | 18(c)(6) |

| Changes in number of stock options for the year ended December 31, | 2024 | 2023 |
|---|---|---|
| Outstanding at beginning of year | 100,000 | 200,000 |
| Cancelled (see note 18(c)(3) below) | - | (100,000) |
| | **100,000** | **100,000** |

*Additional details*

(1) The fair value of options at the grant date was determined using two methods: (1) The OPTIONS XL Binomial and Trinomial Lattice with Exercise Behavior model (for Directors and Employees), and (2) OPTIONS XL Trinomial Lattice with Exercise Behavior: Vesting Tranche Fair Value (for Executives). Where relevant, the expected life used in the models has been adjusted based on management’s best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations. Expected volatility is based on the historical share price volatility of similar companies including the parent company over the past 60 months, which management estimates to approximate the volatility in value of the Company's shares.

(2) On November 14, 2016 the Board of Directors approved granting 290,000 stock options, which was approved by the TASE in March 2017. The fair value of the options at the grant date was determined using the Binomial

(in thousands of Canadian Dollars except where otherwise stated)

model. Where relevant, the expected life used in the models has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility of similar companies including the Company, which management estimates to approximate the volatility of the Company's shares.

In February 2017 the stock options that had been issued to certain executives in previous years, expired and the associated value of CAD 879 was classified from "Share based compensation surplus" to "Share capital and premium". In April 2017, 10,000 options were cancelled, upon resignation of an employee. During 2018, an additional 117,500 options were cancelled. During 2021, 80,000 options expired.

(3) In February and April 2018 certain executives of the Company were granted 135,000 and 100,000 options, respectively. The options were issued in connection with the existing option plan. During 2019, 135,000 of these options were cancelled. On March 20, 2023 100,000 remaining options were cancelled.

(4) Weighted average exercise price (CAD) as at December 31,

| 2024 | 2023 | 2022 |
|---|---|---|
| 9.47 | 8.76 | 10.53 |

(5) The Company recognized CAD 0.3 in stock compensation expense during the year ended December 31, 2024 (2023: CAD 11). This amount has been included in administrative and general expenses.

(6) On November 26, 2020, the Company's Board of Directors approved the grant of 100,000 options to the Company's CEO. The grant was subsequently approved by shareholders on January 10, 2021. The Options have a strike price of 24 NIS, have a vesting period of three years, and expire five years after the Grant Date.

## 19 - Commitments and Contingencies

### (a) Claims

(1) In December 2019, the Company was served a claim for CAD 2.4 million from the Company's former President and Chairman, Mr. Gil Blutrich, for employment related issues. On August 22, 2024, the Company's Board of Directors approved, subject to the approval of the general meeting of the Company's shareholders, to enter into a settlement agreement. Under the agreement, the Company will pay Mr. Blutrich a one-time and final compensation of CAD 750,000, which was paid as follows: CAD 100,000 shortly after the approval of the general meeting (paid in Q4) and CAD 650,000 (paid on January 30, 2025). The settlement agreement includes, among other things, mutual release from claims and demands. This settlement agreement received approval at the General Meeting of Shareholders of the Company on September 30, 2024.

(2) The Company has been served with claims totaling CAD 1.7 million in relation to certain construction projects. In agreement with the Company's legal counsel, Management concludes that it is not possible at this stage to estimate the Company's chances of success or the likely amount of settlement, if any.

### (b) Material agreements

(1) Franchise agreements with Marriott International Inc. ("Marriott")

On November 14, 2017, one of the Company's subsidiaries entered into 13, 20-year franchise agreements with Marriott upon acquisition of 13 Courtyard by Marriott hotels in the United States (given the sale of 11 Courtyards in Q3 2024, there are only 2 remaining as of December 31, 2024). On July 11, 2022, one of the Company's subsidiaries entered into a 15-year franchise agreement with Marriott upon acquisition of Courtyard by Marriott hotel in Ithaca, New York (the "Courtyard Ithaca"). The agreements secure access to Marriott's reservation system, as well as its sales platforms. In the event of early termination of the agreements, Marriott is entitled for various termination fees. In addition, under the agreements, the Company is obligated to undertake a rotational property improvement plan, which involves mandated capital expenditures to ensure that the hotels are in compliance with brand standards.

(2) Management agreements with Aimbridge Hospitality LLC ("Aimbridge")

On November 14, 2017, one of the Company's subsidiaries entered into 13, 5-year property management agreements with Aimbridge to operate and provide property management services to its Courtyard by Marriott hotels, in consideration for property management fees and other payments. During the year ended December 31, 2020, the Company terminated the agreements with respect to two of the Courtyard properties, but remained on contract for the remaining 11 properties. With the sale of 9 of the remaining 11 properties in Q3 2024, the company remains on contract for the remaining 2 properties as of December 31, 2024 (as of the publication date, with the sale of Tucson, the company remains on contract with 1 property).

(in thousands of Canadian Dollars except where otherwise stated)

On October 28, 2015, one of the company's subsidiaries entered into a 5-year property management agreement with Aimbridge to operate and provide property management services to its Hotel Cleveland hotel, in consideration for property management fees and other payments. The agreement had a mutual extension option for an additional five years on the same terms During the year ended December 31, 2024, the Company terminated this agreement and entered into an agreement with Crescent Hotel Management Services, LLC.

(3) Management agreements with Hersha Hospitality Management, L.P. ("HHM Hotels") (formerly Urgo Hotels L.P.)

On September 25th 2020, one of the Company's subsidiaries entered in to a 10-year property management agreement with HHM Hotels to operate and provide property management services to 2 Courtyard by Marriott Hotels (previously managed by Aimbridge), in consideration for property management fees and other payments, as is customary for this type of agreement. The Company can terminate the agreement with HHM Hotels upon 60 days advance notice given. As a result of the sale of these 2 hotels in Q3 2024, the company no longer remains on contract for these properties. On July 11 2022, one of the Company's subsidiaries entered in to a 10-year property management agreement with HHM Hotels to operate and provide property management services to Courtyard by Marriott hotel in Ithaca in consideration for property management fees and other payments, as is customary for this type of agreement. After 1 year of anniversary, the Company can terminate the agreement with HHM Hotels upon 60 days advance notice given.

(4) Autograph franchise agreement with Marriott

On April 10, 2024, the Renaissance Cleveland Hotel held by the Company's subsidiary successfully completed its rebranding to the Hotel Cleveland Autograph Collection. The Company entered into a renewed franchise agreement with the Marriott chain, for a period of 20 years from the brand opening date, i.e. until April 10, 2044, with no extension option. Similar to the prior agreement, the new agreement provides that the Marriott chain is entitled to franchise fees of 5% of gross rooms revenue as well as additional payments mainly for marketing and sales services and use of computer systems. The Company has completed the Property Improvement Plan ("PIP") renovation of all the conference space, common areas and rooms at the hotel. The agreement establishes conditions governing the relationship between the parties as is customary in such agreements, and similar to the terms in the previous franchise agreement with Marriott.

(5) Management agreement with Hyatt Hotels Corporation ("Hyatt" and the "Hyatt Management Agreement")

The Hyatt Arcade is managed by Hyatt in consideration for basic management fees equal to 3% of hotel revenue as well as payment for certain operating expenses, franchise fees, and IT services provided by Hyatt. The Hyatt Management Agreement commenced on August 20, 1999, and is effective until December 31, 2021, with a five-year extension option available to Hyatt on the same terms, which Hyatt has exercised. The Hyatt Management Agreement provides terms regulating the relationship between the parties as is customary in agreements of this nature.

(6) Management agreement with Crescent Hotel Management Services, LLC ("Crescent")

On September 26, 2024, one of the company's subsidiaries entered into a 5-year property management agreement with Crescent to operate and provide property management services to its Hotel Cleveland hotel, in consideration for property management fees and other payments, as customary for this type of agreement. The company may terminate this agreement with 6 months of advanced notice.

## 20 - Income from hotels and resorts

| For the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Room revenue | 88,088 | 93,077 | 95,595 |
| Food & beverage revenue | 18,395 | 13,546 | 16,471 |
| Ski revenue | - | 8,708 | 10,299 |
| Other revenue | 5,406 | 6,004 | 9,765 |

(in thousands of Canadian Dollars except where otherwise stated)

| For the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| | **111,889** | **121,335** | **132,130** |

**21 - Operating expenses from hotels and resorts**

| For the year ended December 31, | 2024 | 2023 | * 2022 |
|---|---|---|---|
| Room department | 24,128 | 25,945 | 25,346 |
| Cost of food & beverage | 14,107 | 10,969 | 13,376 |
| Cost of ski services | (65) | 3,479 | 3,679 |
| Selling and marketing and administrative | 24,152 | 26,807 | 26,108 |
| Repairs and maintenance | 9,336 | 10,850 | 9,152 |
| Property tax and insurance | 6,111 | 8,565 | 6,760 |
| Management fees and utilities, | 16,903 | 19,108 | 17,704 |
| Other expenses | 2,229 | 1,555 | 2,470 |
| | **96,901** | **107,278** | **104,595** |

* Net of government assistance.

**22 - Cost of sales of residential real estate**

| For the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Cost of sales of land and development projects | 11,066 | - | 1,250 |
| Impairment | 1,368 | - | - |
| Development periodic costs (recovery) | 36 | 28 | (217) |
| | **12,470** | **28** | **1,033** |

**23 - Administrative and general expenses**

| For the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Compensation and benefits | 4,359 | 4,585 | 4,059 |
| Professional fees | 2,650 | 2,937 | 2,594 |
| Other expenses | 1,144 | 1,513 | 1,612 |
| | **8,153** | **9,035** | **8,265** |

**24 - Financial expense**

| For the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Interest on loans and leases | 23,577 | 21,239 | 11,517 |
| Provision for credit losses (see note 12) | 3,914 | 12,500 | - |
| Interest and foreign exchange revaluation of bonds, including early repayment fee | 3,948 | 2,322 | 5,778 |
| Interest on shareholder loans | 4,252 | - | - |
| Amortization of deferred financing charges | 4,325 | 2,315 | 944 |
| Bank charges | 377 | 319 | 344 |
| | **40,393** | **38,695** | **18,583** |

**25 - Income taxes**

**(a)** Income tax recovery (expense) included in the consolidated statements of income (loss):

| For the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Current income tax expense | 21 | (1,802) | (28) |
| Prior year income tax recovery (expense) | 331 | 342 | (2,280) |
| Deferred income tax recovery | 12,102 | 5,962 | 353 |
| **Income tax recovery (expense)** | **12,454** | **4,502** | **(1,955)** |

**(b)** Current Canadian and U.S. federal and provincial combined income tax was calculated based on the following tax rates (refer to note 11):

| For the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Ontario | 26.50% | 26.50% | 26.50% |
| Ohio, USA | 22.98% | 22.98% | 22.98% |
| California, USA | 27.98% | 27.98% | 27.98% |
| Other states (on average), USA | 23.73% | 23.73% | 23.73% |

(in thousands of Canadian Dollars except where otherwise stated)

**(c)** Reconciliation between the statutory tax rate and the effective tax rate:

| For the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Net gain (loss) before income taxes | (70,990) | (52,796) | (70) |
| Ontario statutory tax rate | 26.50% | 26.50% | 26.50% |
| Income tax recovery (expense) calculated using statutory tax rate | 18,812 | 13,991 | 19 |
| Increase (decrease) resulting from: | | | |
| Prior year taxes | 331 | 342 | (2,280) |
| International Tax Rate Differentials | (1,422) | (645) | (182) |
| Tax attributable to Non-Controlling Interests | (3,173) | (2,801) | (339) |
| Difference in tax rates applicable to other gains | - | (2,899) | 827 |
| Valuation allowance and changes in estimates | (1,710) | (3,510) | - |
| Non-deductible recovery (expenses) | (345) | 61 | - |
| Other | (39) | (37) | - |
| **Income tax recovery (expense)** | **12,454** | **4,502** | **(1,955)** |

## 26 - Employee benefits

Compensation and benefits are included in the following categories in the consolidated statements of income (loss):

| For the year ended December 31, | 2024 | 2023 | 2022 |
|---|---|---|---|
| Hospitality operating expenses | 37,587 | 41,840 | 40,831 |
| Development periodic costs | - | - | 116 |
| Administrative and general expenses | 4,359 | 4,585 | 4,059 |
| | **41,946** | **46,425** | **45,006** |

## 27 - Risks and capital management objectives and policies

The Company's operations are subject to a number of risks and uncertainties, including, but not limited to, risks associated with the development of future properties, competition, the real estate markets and general economic conditions in which the Company competes, the availability and cost of financing and fluctuations in interest rates.

The Company is exposed to various risks in relation to financial instruments as described in note 17. The main risks arising from the Company's financial instruments are interest rate, credit, liquidity, and foreign exchange risks. The Company's approach to managing these risks is summarized as follows:

### (a) Interest rate risk

The Company's policy is to minimize interest rate risk exposures on long-term financing. The Company's commercial borrowing on its properties is balanced between fixed and variable rates. In an attempt to combat inflation through cooling demand, the Federal Reserve began increasing the Federal Funds Effective Rate in the first quarter of 2022, with its last increase announced on July 26, 2023, after which rates were held steady until September 18, 2024 when the rate was cut by 0.5 percentage point. This reduction was followed by a 0.25 percentage point cut in November and a third cut on December 18, 2024 for another 0.25 percentage point. A continued increase in interest rates may also result in an increase in the amount paid by the Company to service debt, which could in turn adversely affect the Company’s financial condition and results of operations. The Company has available a variety of financial strategies to protect against rising interest rates and inflationary pressures. Specifically, the Company may enter into interest rate swaps, interest rate caps and other hedging measures. In November 2022, the Company entered into a 2-year interest rate cap to set the benchmark rate on the Courtyard portfolio loan, and had benefited from monthly interest rate savings since December 2022 as a result. There is no assurance regarding the impact of a significant economic contraction or recession on the business, results of operations and financial position of the Company.

At December 31, 2024, 53% (2023: 34.1%) of the Company's indebtedness was issued at fixed rates.

The following table illustrates the sensitivity of net income (loss) to a reasonably possible change in interest rates of +/- 1% at December 31, 2024 (2023: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

(in thousands of Canadian Dollars except where otherwise stated)

| Year ended December 31, | Net Income (Loss) - 1% | Net Income (Loss) - (1%) |
|---|---|---|
| 2024 | 668 | (668) |
| 2023 | 365 | (365) |

**(b) Credit risk**

The Company operates as a hospitality manager and owner, as well as a developer of real estate. As a developer, the Company's exposure to credit risk is minimal as there are no unsold construction projects in progress at December 31, 2024.

The Company is also exposed to credit risk on certain financial assets recognized at the reporting date, as summarized below:

| As at December 31, | 2024 | 2023 |
|---|---|---|
| Cash and cash equivalents | 24,622 | 57,139 |
| Trade receivables and other receivables | 6,156 | 6,715 |
| Restricted bank deposits | 15,050 | 25,868 |
| Loans to purchasers | 91,423 | 82,983 |
| Long-term receivables | - | 400 |
| | **137,251** | **173,105** |

The Company continuously monitors defaults of customers and other counterparties. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties. Refer to Note 12 for the discussion on the process of estimating the Expected Credit Losses ("ECL") for the Port McNicoll and Freed VTBs.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. The Company manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's remaining contractual maturities are as follows:

| As at December 31, 2024 | Current | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 and thereafter |
|---|---|---|---|---|---|---|
| Loans and leases payable (*) | 86,223 | 13,324 | 19,489 | 46,219 | 62,130 | 37,609 |
| Bonds (*) | - | - | - | - | - | - |
| Trade payables | 7,779 | - | - | - | - | - |
| Other payables and credit balances | 19,410 | - | - | - | - | - |
| | **113,412** | **13,324** | **19,489** | **46,219** | **62,129** | **37,609** |

| As at December 31, 2023 | Current | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 and thereafter |
|---|---|---|---|---|---|---|
| Loans and leases payable (*) | 38,757 | 55,354 | 22,421 | 155,511 | 38,701 | 59,137 |
| Bonds (*) | 55,671 | - | - | - | - | - |
| Trade payables | 6,620 | - | - | - | - | - |
| Other payables and credit balances | 34,945 | - | - | - | - | - |
| | **135,993** | **55,354** | **22,421** | **155,511** | **38,701** | **59,137** |

(*) Including cash flows for both principal and interest, and loans held for sale as of December 31, 2024

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

(in thousands of Canadian Dollars)

### (d) Foreign Exchange currency risk

Foreign exchange risk is the financial risk exposure to unanticipated changes in the exchange rate between two currencies. The Company's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (primarily Canadian Dollars and US Dollars) with the cash generated from their own operations in that currency.

On December 31, 2024 CAD 142,266 or 77.14% (2023: CAD 299,614 or 96.39%) of the Company's indebtedness for borrowed money was denominated in US dollars.

| Assets and liabilities of the Company by currency category, at December 31: | CAD (2024) | USD (2024) | NIS (2024) | Total (2024) | CAD (2023) | USD (2023) | NIS (2023) | Total (2023) |
|---|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | | |
| Cash and cash equivalents | 903 | 22,925 | 794 | 24,622 | 48,743 | 8,058 | 338 | 57,139 |
| Trade receivables and Other receivables | 650 | 5,505 | - | 6,155 | 617 | 6,497 | - | 7,114 |
| Restricted bank deposits | 3,547 | 11,503 | - | 15,050 | 4,535 | 21,096 | 237 | 25,868 |
| Financial derivative | - | - | - | - | - | 2,435 | - | 2,435 |
| Loans to purchasers | 82,788 | 8,635 | - | 91,423 | 75,047 | 7,936 | - | 82,983 |
| **Total financial assets** | **87,888** | **48,568** | **794** | **137,250** | **128,942** | **46,022** | **575** | **175,539** |
| **Non-financial assets** | **4,721** | **316,804** | **-** | **321,525** | **16,240** | **449,118** | **-** | **465,358** |
| **Total assets** | **92,609** | **365,372** | **794** | **458,775** | **145,182** | **495,140** | **575** | **640,897** |
| Liabilities: | | | | | | | | |
| Trade payables | 857 | 6,922 | - | 7,779 | 370 | 6,250 | - | 6,620 |
| Other payables and credit balances | 6,977 | 24,747 | 1,191 | 32,915 | 10,149 | 33,846 | - | 43,995 |
| Loans and leases payable | 9,071 | 142,266 | 33,080 | 184,417 | 11,214 | 247,577 | - | 258,791 |
| Disposal group classified as held for sale | - | 19,534 | - | 19,534 | - | - | - | - |
| Bonds | - | - | - | - | - | 52,037 | - | 52,037 |
| **Total financial liabilities** | **16,905** | **193,469** | **34,271** | **244,645** | **21,733** | **339,710** | **-** | **361,443** |
| Non-financial liabilities | 7 | 6,303 | - | 6,310 | 3,019 | 9,811 | (71) | 12,759 |
| **Total liabilities** | **16,912** | **199,772** | **34,271** | **250,955** | **24,752** | **349,521** | **(71)** | **374,202** |
| **Financial assets net of financial liabilities** | **70,983** | **(144,901)** | **(33,477)** | **(107,395)** | **107,209** | **(293,688)** | **575** | **(185,904)** |
| **Total assets, net of total liabilities** | **75,697** | **165,600** | **(33,477)** | **207,820** | **120,430** | **145,619** | **646** | **266,695** |
| **Revenue** | **9,582** | **111,809** | **-** | **121,391** | **83** | **121,256** | **-** | **121,339** |

(in thousands of Canadian Dollars)

The following table illustrates the sensitivity of net income and equity to a reasonably possible change in USD exchange rate of +/- 5% at balance sheet dates. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average foreign exchange rates for each period, and the financial assets and liabilities held at each reporting date that are sensitive to changes in exchange rates. All other variables are held constant.

| As at December 31, | 2024 – 5% | 2024 – (5%) | 2023 – 5% | 2023 – (5%) |
|---|---|---|---|---|
| Impact on assets | 2,428 | (2,428) | 2,301 | (2,301) |
| Impact on liabilities | (9,673) | 9,673 | (16,986) | 16,986 |
| Impact on net income (loss) for the year | (2,875) | 2,875 | (1,739) | 1,739 |

**(e)** Asset and liabilities of the Company by expected settlement or recovery period, at December 31:

| | Within 12 months 2024 | More than 12 months 2024 | Total 2024 | Within 12 months 2023 | More than 12 months 2023 | Total 2023 |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Cash and cash equivalents | 24,622 | - | 24,622 | 57,139 | - | 57,139 |
| Trade receivables, other receivables and prepayments | 8,002 | - | 8,002 | 8,633 | - | 8,633 |
| Inventories | 491 | - | 491 | 405 | 9,986 | 10,391 |
| Loans to purchasers | 56,243 | 35,180 | 91,423 | 2,120 | 80,863 | 82,983 |
| Restricted bank deposits | 5,520 | 9,530 | 15,050 | 9,959 | 15,909 | 25,868 |
| Disposal group classified as held for sale | 20,755 | - | 20,755 | - | - | - |
| Financial derivative | - | - | - | 2,435 | - | 2,435 |
| Investment properties | - | 14,609 | 14,609 | - | 13,769 | 13,769 |
| Property, plant and equipment | - | 276,639 | 276,639 | - | 436,878 | 436,878 |
| Other non-current assets | - | 466 | 466 | - | 2,801 | 2,801 |
| Deferred tax | - | 6,718 | 6,718 | - | - | - |
| **Total assets** | **115,633** | **343,142** | **458,775** | **80,691** | **560,206** | **640,897** |
| | | | | | | |
| **Liabilities:** | | | | | | |
| Loans and leases payable | 50,844 | 3,981 | 54,825 | 5,604 | 4,488 | 10,092 |
| Bonds - current maturities | - | - | - | 52,037 | - | 52,037 |
| Trade payables | 7,779 | - | 7,779 | 6,620 | - | 6,620 |
| Other payables and credit balances | 16,516 | 3,189 | 19,705 | 33,843 | 4,187 | 38,030 |
| Deferred revenue | 6,303 | - | 6,303 | 1,206 | - | 1,206 |
| Income taxes payable | 7 | - | 7 | 1,793 | - | 1,793 |
| Disposal group classified as held for sale | 19,534 | - | 19,534 | - | - | - |
| Loans and leases payable | - | 129,592 | 129,592 | - | 248,699 | 248,699 |
| Other liabilities | - | 13,210 | 13,210 | - | 5,966 | 5,966 |
| Deferred tax | - | - | - | - | 9,759 | 9,759 |
| **Total liabilities** | **100,983** | **149,972** | **250,955** | **101,103** | **273,099** | **374,202** |
| | | | | | | |
| **Total assets, net of total liabilities** | **14,650** | **193,170** | **207,820** | **(20,412)** | **287,107** | **266,695** |

**(f) Capital Management Policies and Procedures**

The Company' s capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

(in thousands of Canadian Dollars)

The Company defines capital as the aggregate of shareholders' equity, loans and leases payable, and bonds, less cash and cash equivalents.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods under review is summarized as follows:

| As at December 31, | 2024 | 2023 |
|---|---|---|
| Shareholders' equity | 180,016 | 234,959 |
| Loans and leases payable | 184,417 | 258,791 |
| Bonds | - | 52,037 |
| Cash and cash equivalents | (24,622) | (57,139) |
| Total capital | 339,811 | 488,648 |
| **Debt to total capital ratio** | **54%** | **64%** |

## 28 - Segmented information

*US Hotels and Resorts*

The chief operating decision maker reviews and analyzes the US hospitality operations as a separate segment, which includes the Hyatt Regency Arcade and the Hotel Cleveland assets located in Cleveland, Ohio, the 3 Hotels branded Marriott Courtyard located in 3 different states and until November 01, 2023, the Bear Valley Resort located in California. The results until September 30, 2024 include 14 Marriott Courtyards (with the sale of 11 Courtyards on September 30, 3 Courtyards remain).

*Canadian Hotels and Resorts*

The chief operating decision maker reviews and analyzes the Canadian hospitality operations as a separate segment, which mainly includes loans to purchasers of the Canadian resorts that were sold in December 2021. The Canadian segment also includes assets and liabilities of the Company's headquarters, including the shareholder loan.

*Development segment*

Management operates the development assets regardless of their accounting classification, as one operating segment. Therefore, the chief operating decision maker reviews and analyzes all land (both accounted for IAS 40 and IAS 2) under the development segment, together.

The chief operating decision maker reviews the results of other investments measured at FV through profit or loss on an aggregated basis. These were sold as part of the Freed Agreement in November 2023, in exchange for a Note Receivable (see Note 4 for detail). After this date there are no other investments measured at FV through profit and loss.

Segmented financial information is as follows:

| For the year ended December 31, 2024 | US hotels and resorts | Canadian hotels and resorts | Development | Total |
|---|---|---|---|---|
| Revenue | 111,809 | 80 | 9,502 | 121,391 |
| Costs and expenses | (96,898) | (3) | (12,470) | (109,371) |
| | **14,911** | **77** | **(2,968)** | **12,020** |
| Administrative and general expenses | | | | (8,153) |
| Impairment of real estate properties | | | | (2,201) |
| Depreciation | | | | (20,457) |
| Derecognition of investment costs and other capital losses, net | | | | (18,048) |

(in thousands of Canadian Dollars)

| For the year ended December 31, 2024 | US hotels and resorts | Canadian hotels and resorts | Development | Total |
|---|---|---|---|---|
| Other income, net (*) | | | | 453 |
| Financial expense | | | | (40,393) |
| Financial income | | | | 5,789 |
| **Loss before income taxes** | | | | **(70,990)** |

(*) Other income: CAD 360 other income from decrease in donation provision related to the Keewatin as per new agreement; CAD 93 refers to recapturing of reserves from several completed development projects.

| For the year ended December 31, 2023 | US hotels and resorts | Canadian hotels and resorts | Development | Total |
|---|---|---|---|---|
| Revenue | 121,256 | 79 | 4 | 121,339 |
| Costs and expenses | (107,264) | (14) | (28) | (107,306) |
| | **13,992** | **65** | **(24)** | **14,033** |
| Administrative and general expenses | | | | (9,035) |
| Impairment of real estate properties | | | | (234) |
| Depreciation | | | | (14,579) |
| Gain from fair value adjustments of investment properties | | | | 945 |
| Loss from fair value adjustments of financial instruments | | | | (6,880) |
| Derecognition of investment costs and other capital losses, net | | | | (282) |
| Other expense, net (*) | | | | (3,141) |
| Financial expense | | | | (38,695) |
| Financial income | | | | 5,072 |
| **Loss before income taxes** | | | | **(52,796)** |

(*) Other expense: CAD 3.1 million other expense relates to the CAD 3.9 million loss related to the donation of Keewatin; CAD 1.0 million donation provision related to the Keewatin; partially offset by CAD 1.8 million recapturing of reserves from several completed development projects.

| For the year ended December 31, 2022 | US hotels and resorts | Canadian hotels and resorts | Development | Total |
|---|---|---|---|---|
| Revenue | 130,204 | 1,926 | 1,570 | 133,700 |
| Costs and expenses | (105,083) | 488 | (1,033) | (105,628) |
| | **25,121** | **2,414** | **537** | **28,072** |
| Selling and marketing expenses | | | | (80) |
| Administrative and general expenses | | | | (8,265) |
| Depreciation | | | | (14,409) |
| Gain from fair value adjustments of investment properties | | | | 497 |
| Gain from fair value adjustments of financial instruments | | | | 8,261 |
| Derecognition of investment costs and other capital losses, net | | | | (4) |
| Other expense, net | | | | (522) |
| Financial expense | | | | (18,583) |
| Financial income | | | | 4,963 |
| **Loss before income taxes** | | | | **(70)** |

| As at December 31, 2024 | US hotels and resorts | Canadian hotels and resorts | Development | Total |
|---|---|---|---|---|
| Assets * | 365,360 | 55,586 | 37,829 | 458,775 |
| Liabilities | (199,771) | (43,437) | (7,747) | (250,955) |

(in thousands of Canadian Dollars)

| As at December 31, 2024 | US hotels and resorts | Canadian hotels and resorts | Development | Total |
|---|---|---|---|---|
| | **165,589** | **12,149** | **30,082** | **207,820** |

| As at December 31, 2023 | US hotels and resorts | Canadian hotels and resorts | Development | Total |
|---|---|---|---|---|
| Assets * | 494,899 | 96,080 | 49,918 | 640,897 |
| Liabilities | (349,455) | (10,602) | (14,145) | (374,202) |
| | **145,444** | **85,478** | **35,773** | **266,695** |

* Financial assets included within the assets:

| As at December 31, | US hotels and resorts | Canadian hotels and resorts | Development | Total |
|---|---|---|---|---|
| 2024 | 48,556 | 50,532 | 38,163 | 137,251 |
| 2023 | 45,783 | 94,624 | 35,132 | 175,539 |

## 29 – Material non controlling interest

The table below shows details of non-wholly owned subsidiaries of the group that have material non-controlling interests:

| Name of subsidiary | Proportion of ownership interests and voting rights held by non-controlling interests | Non-controlling interests as at December 31, 2024 (Audited) | Non-controlling interests as at December 31, 2023 (Audited) |
|---|---|---|---|
| Hotel Cleveland, LLC (formerly Skyline Cleveland Renaissance Inc.) | 50.495% | 24,470 | 28,590 |
| Individually immaterial subsidiaries with non controlling interests | | 3,335 | 3,146 |
| | | **27,805** | **31,736** |

The Company’s subsidiary, Hotel Cleveland, LLC (formerly Skyline Cleveland Renaissance Inc.), a Delaware corporation with its principal place of business in Cleveland, Ohio has a single non-controlling interest of 49.5%. The Company, through its right to appoint the majority of the board of directors, has control of the subsidiary and consolidates its results for financial reporting purposes.

The partner, Elico US Investments, LLC, has mainly protective rights, such as the right to participate in the management of the Hotel Cleveland LLC’s business through the appointment of one of the three managers of the Board. There are certain actions that require approval of all members, including admitting new members, additional capital contributions, acquisitions, mergers, bankruptcy and liquidation or dissolution of the company.

(in thousands of Canadian Dollars)

Summarized financial information:

| CAD 000’ | December 31, 2024 (Audited) | December 31, 2023 (Audited) |
|---|---|---|
| Current assets | 6,038 | 10,447 |
| Non-current assets | 169,748 | 150,368 |
| Current liabilities | 18,693 | 18,501 |
| Non-current liabilities | 99,369 | 79,941 |
| **Total equity** | **57,725** | **62,373** |

| CAD 000’ | Year ended December 31, 2024 (Audited) | Year ended December 31, 2023 (Audited) |
|---|---|---|
| Revenue | 27,800 | 10,621 |
| Profit (loss) for the year | (16,433) | (12,063) |
| Total comprehensive income (loss) for the year, net of income tax* | (9,887) | (22,928) |
| Profit (loss) allocated to non-controlling interests | (8,861) | (6,254) |
| Total comprehensive income (loss) allocated to non-controlling interests of the subsidiary | (5,468) | (12,382) |
| Net contribution from non- controlling interests | 1,349 | 14,980 |

* Since this is a fiscally transparent U.S. company, tax liabilities and deferred taxes are recognized at the shareholder level rather than at the company level. Therefore, the tax expenses are attributed solely to the Company.

## 30 - Subsequent events

**(a)** On January 15, 2025, the company announced that Mr. Blake Lyon, the Company’s CEO, had submitted his resignation, effective March 31, 2025.

**(b)** On January 22, 2025, the company announced that an agreement was completed for the sale of the Courtyard Tucson Airport Hotel to a third party for a total of approximately USD 14.9 million. The net cash flow from the transaction, net of transaction costs, amounted to approximately USD 14.4 million, and the Company recorded a loss of approximately USD 0.5 million (CAD 0.7 million) in its financial statements for the year ended December 31, 2024. In addition, the Company repaid USD 11.4 million of a USD 20 million credit facility in connection with the Courtyard Tucson property; the remaining USD 8.5 million remains outstanding with Courtyard Ft. Myers hotel as collateral.

As a result of the sale, the Company’s CEO was entitled to a bonus of 0.5% of gross proceeds from the sale (USD 74.5 thousand; or CAD 107.1 thousand) for which a provision was made in these Financial Statements and paid after the reporting period. This is aligned with the change in Compensation Policy outlined in Note 16(d) above.

**(c)** On March 03, 2025, Mr. Shimshon Marfogel ceased to serve as the Chairman of the Board (he continues to serve as a director of the Company), and Mr. Amir Tamari was appointed as the new Chairman.

**(d)** On March 13, 2025, the Company signed an addendum to the loan agreement with Mishorim Real Estate Investments Ltd. to extend the payment date of the loan from April 1, 2025 to January 5, 2026. On the same date, the Company signed an addendum to the loan agreement with The Israel Land Development Company LTD. to extend the payment date of the loan from April 1, 2025 to the earlier of: January 5, 2026 or 7 days after the Company receives the full principal and interest accrued in respect of the VTB loans in the Freed Transaction (see Note 4 for further details). In case the Company receives partial payment from Freed before January 5, 2026, the Company will use the available funds from this payment to repay all or part of the ILDC loan. The other terms of the loan remain the same (see Note 15j for further details).