SKYLINE INVESTMENTS INC.
Consolidated financial statements
for the year ended
December 31, 2020

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Deloitte.

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, 2020 and 2019, and the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the three years ended at 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies (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, 2020 and 2019, and its financial performance and its cash flows for the three years ended at December 31, 2020 in accordance with International Financial Reporting Standards ("IFRS").

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.

We draw attention to note 1b regarding the outbreak of the COVID 19 pandemic crisis and the uncertainty of the estimations of potential effects of the crisis over the company's hospitality operations. Our opinion is not modified in respect of this matter.

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 and the Annual Report 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, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance 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.

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

Brightman Almagor Zohar & Co.

Certified Public Accountants

A Firm in the Deloitte Global Network

Tel Aviv, Israel

11 March, 2021

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem
3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
D. BOX 45396

Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa
5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502

Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Beer Sheva
Ha'Energia St. 77, Building 1
Gav-Yam Negev, Advanced
Technologies Park
Beer Sheva, 8470912

Tel: +972 (8) 690 9500
Fax: +972 (8) 690 9600
info-beersheva@deloitte.co.il

Eilat
The City Center
P.O.B. 583
Eilat, 8810402

Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100

Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

SKYLINE INVESTMENTS INC.

Consolidated statements of financial position

(in thousands of Canadian Dollars)

	Note	As at December 31, 2020	2019
Assets			
Current assets			
Cash and cash equivalents	4	22,436	26,874
Trade receivables, other receivables and prepayments	5	15,045	24,510
Inventories	7	1,496	1,782
Real estate inventory	8	21,995	52,235
Loans to purchasers	12	17,449	9,177
Restricted bank deposits	6	2,776	4,222
		81,197	118,800
Non-current assets			
Financial derivative	13	5,664	4,817
Investment properties	9	61,278	59,965
Property, plant and equipment	10	433,984	454,737
Loans to purchasers	12	45,454	27,465
Other non-current assets	27(g)	3,666	2,495
Restricted bank deposits	6	6,620	7,567
		556,666	557,046
Total assets		637,863	675,846
Liabilities and equity			
Current liabilities			
Loans and leases payable	15	25,338	19,324
Bonds	13	6,282	6,209
Trade payables		9,966	9,471
Other payables and credit balances	14	24,229	31,216
Deferred revenue	19(d)	9,061	8,479
Income taxes payable		379	1,484
Purchasers' deposits		110	3,263
		75,365	79,446
Non-current liabilities			
Loans and leases payable	15	182,025	179,746
Bonds	13	92,460	97,535
Other liabilities		88	464
Deferred tax	11	31,496	41,814
		306,069	319,559
Total liabilities		381,434	399,005
Equity			
Equity attributable to shareholders of the company	18	226,044	252,374
Non-controlling interest	18	30,385	24,467
		256,429	276,841
Total liabilities and equity		637,863	675,846

The accompanying notes are an integral part of these consolidated financial statements.
On behalf of the board of directors:

"Shimshon Marfogel"	*"Blake Lyon"*	*"Robert Waxman"*	March 11, 2021
Shimshon Marfogel Chairman	Blake Lyon CEO	Robert Waxman CFO	Date

SKYLINE INVESTMENTS INC.

Consolidated statements of income (loss)

(in thousands of Canadian Dollars)

		For the year ended December 31,		
	Note	2020	2019	2018
Revenue				
Income from hotels and resorts	20	91,484	193,585	185,534
Sale of residential real estate		37,878	41,658	46,722
		129,362	**235,243**	**232,256**
Expenses and costs				
Operating expenses from hotels and resorts	21	(80,125)	(151,371)	(143,983)
Cost of sales of residential real estate	22	(34,820)	(36,211)	(42,504)
		(114,945)	**(187,582)**	**(186,487)**
		14,417	**47,661**	**45,769**
Real estate selling and marketing expenses		(933)	(373)	(776)
Administrative and general expenses	23	(5,600)	(6,439)	(8,010)
Operating income before depreciation, valuation adjustments and other income		**7,884**	**40,849**	**36,983**
Impairment of real estate properties	8	(1,180)	—	—
Depreciation	10	(20,250)	(20,458)	(21,110)
Gain (loss) from fair value adjustments of investment properties	9	4,569	(15)	(3,209)
Derecognition of investment costs and other capital losses, net	10	—	(611)	(1,770)
Other expenses		(69)	(1,331)	(116)
Net income (loss) from operations		**(9,046)**	**18,434**	**10,778**
Loss from early extinguishment of debt		—	(2,749)	—
Financial expense	24	(19,627)	(21,188)	(19,745)
Financial income		2,193	3,267	778
Net loss before income taxes		**(26,480)**	**(2,236)**	**(8,189)**
Income tax	25 & 11	7,843	877	534
Net loss for the year		**(18,637)**	**(1,359)**	**(7,655)**
Attributable to:				
Shareholders of the Company		(18,000)	(325)	(6,887)
Non-controlling interest	18	(637)	(1,034)	(768)
		(18,637)	**(1,359)**	**(7,655)**
Loss per share:				
Basic	18	(1.09)	(0.02)	(0.42)
Diluted		(1.09)	(0.02)	(0.42)

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)

	For the year ended December 31,		
	2020	2019	2018
Net loss for the year	**(18,637)**	**(1,359)**	**(7,655)**
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to net income (loss):			
Revaluation of property, plant and equipment, before income taxes	(2,814)	(11,419)	6,192
Income taxes	2,005	377	(2,139)
	(809)	**(11,042)**	**4,053**
Items that will or may be reclassified subsequently to net income (loss):			
Foreign exchange differences on translation of foreign operations	(1,033)	(8,820)	8,089
Other comprehensive income (loss) for the year net of income tax	(1,842)	(19,862)	12,142
Total comprehensive income (loss) for the year, net of income tax	**(20,479)**	**(21,221)**	**4,487**
Attributable to:			
Shareholders of the Company	(26,397)	(8,446)	5,377
Non-controlling interest	5,918	(12,775)	(890)
	(20,479)	**(21,221)**	**4,487**

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)

	Attributable to shareholders of the Company								
	Share capital and premium	Warrant certificates	Revaluation surplus and Related party 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, 2020									
Balance at the beginning of the year	79,686	—	88,855	705	1,785	81,343	252,374	24,467	276,841
Net loss for the year	—	—	—	—	—	(18,000)	(18,000)	(637)	(18,637)
Other comprehensive income (loss) for the year	—	—	(7,466)	—	(931)	—	(8,397)	6,555	(1,842)
Total comprehensive income (loss) for the year	—	—	(7,466)	—	(931)	(18,000)	(26,397)	5,918	(20,479)
Transfer upon recognition of depreciation	—	—	(2,711)	—	—	2,711	—	—	—
Recognition of share-based payment	—	—	—	67	—	—	67	—	67
Balance at the end of the year	79,686	—	78,678	772	854	66,054	226,044	30,385	256,429
For the year ended December 31, 2019									
Balance at the beginning of the year	79,298	—	91,647	1,026	9,511	79,271	260,753	40,087	300,840
Net loss for the year	—	—	—	—	—	(325)	(325)	(1,034)	(1,359)
Other comprehensive loss for the year	—	—	(395)	—	(7,726)	—	(8,121)	(11,741)	(19,862)
Total comprehensive loss for the year	—	—	(395)	—	(7,726)	(325)	(8,446)	(12,775)	(21,221)
Transfer upon recognition of depreciation	—	—	(2,397)	—	—	2,397	—	—	—
Distribution to non-controlling shareholders	—	—	—	—	—	—	—	(2,845)	(2,845)
Recognition of share-based payment	—	—	—	67	—	—	67	—	67
Transfer upon expiration	388	—	—	(388)	—	—	—	—	—
Balance at the end of the year	79,686	—	88,855	705	1,785	81,343	252,374	24,467	276,841
For the year ended December 31, 2018									
Balance at the beginning of the year	78,779	519	87,907	670	3,387	83,758	255,020	40,977	295,997
Net loss for the year	—	—	—	—	—	(6,887)	(6,887)	(768)	(7,655)
Other comprehensive income (loss) for the year	—	—	6,140	—	6,124	—	12,264	(122)	12,142
Total comprehensive Income (loss) for the year	—	—	6,140	—	6,124	(6,887)	5,377	(890)	4,487
Transfer upon recognition of depreciation	—	—	(2,400)	—	—	2,400	—	—	—
Recognition of share-based payment	519	(519)	—	356	—	—	356	—	356
Balance at the end of the year	79,298	—	91,647	1,026	9,511	79,271	260,753	40,087	300,840

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)

	For the year ended December 31,		
	2020	**2019**	**2018**
Operating activities			
Net income (loss) for the year	(18,637)	(1,359)	(7,655)
Adjustments for:			
Depreciation and amortization	21,956	22,329	21,110
Loss (gain) from fair value adjustments to investment properties	(4,569)	15	3,209
Loss on sale of investment and other property	—	750	255
Financing costs from bonds including foreign exchange	2,154	(674)	12,446
Financing income from financial derivative	(847)	(1,996)	854
Deferred tax, net	(8,561)	(2,566)	(754)
Share based compensation	67	67	356
Changes in non-cash working capital			
Trade receivables, other receivables, prepayments and others	8,990	29,075	(20,269)
Restricted bank deposits	1,427	160	(3,054)
Inventories	267	139	79
Real Estate Inventory	6,325	12,085	(8,239)
Trade and other payables and credit balances	(13,604)	(3,258)	5,913
Income taxes payable	367	813	671
Purchasers' deposits	(3,153)	(5,516)	(1,151)
Cash provided by (used in) operating activities	(7,818)	50,064	3,771
Investing activities			
Additions to investment properties	(397)	(312)	(151)
Investment in restricted long term deposit	850	(266)	906
Additions to property, plant and equipment	(7,111)	(15,142)	(27,729)
Income taxes	(1,472)	—	—
Proceeds from sale of investment properties, net of income tax	—	27,535	—
Proceeds from sale of property, plant and equipment, net of income tax	86	583	324
Cash provided by (used in) investing activities	(8,044)	12,398	(26,650)
Financing activities			
Bank credit and other short-term loans	12,279	(36,248)	23,225
Repayment of bonds	(7,005)	(6,629)	(2,705)
Proceeds from long term loans	12,329	4,635	13,321
Repayments of long term loans and capital leases	(5,933)	(21,847)	(3,120)
Distribution by a subsidiary to its non-controlling shareholders	—	(2,845)	—
Change in other liabilities	—	—	(199)
Cash provided by (used in) financing activities	11,670	(62,934)	30,522
Foreign exchange translation of cash balances	(246)	(637)	(5,557)
Net increase (decrease) in cash and cash equivalents	(4,438)	(1,109)	2,086
Cash and cash equivalents at beginning of year	26,874	27,983	25,897
Cash and cash equivalents at end of year	22,436	26,874	27,983

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)

	For the year ended December 31,		
	2020	2019	2018
Supplemental cash flow information			
Interest paid	* 13,966	20,367	18,068
Interest received	132	194	857
Income taxes paid	1,790	677	(146)

* Interest paid for year ended on December 31, 2020, is including an amount of $928 received from the PPP grants.

Significant non-cash investing and financing activities			
Loans to purchasers	27,123	4,262	5,129
Share capital and premium increase	—	388	—

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 36 King Street East, Suite 700, Toronto, Ontario, Canada.

Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada. The Company's normal operating cycle is twelve months except for development activities, which are in excess of twelve months and typically take up to four years.

As at December 31, 2020, the Company is 49.37% owned by its controlling shareholder, Mishorim Real Estate Investments Ltd (“Mishorim”) and 20.25% owned by The Israel Land Development Co. Ltd (“ILDC”). Both are public companies whose shares are traded on the Tel-Aviv Stock Exchange ("TASE").

Until April 18, 2019, the Company was 65.34% owned by Skyline Canada-Israel Ltd (“Skyline Israel”), a majority of shares of which are owned by Mishorim. On April 18, 2019, Skyline Israel distributed the Company’s shares owned thereby to Skyline Israel’s shareholders: Mishorim and Israel Land Development Overseas Ltd (“Overseas”). Overseas is fully owned by ILDC.

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

(b) COVID-19 update

At the end of 2019, the COVID-19 virus began spreading rapidly, and on March 2020, the virus was declared a global pandemic by the World Health Organization (“WHO”). This had wide-ranging implications, including international and domestic travel restrictions, temporary closure of businesses, and an immediate contraction in overall global economic activity. The North American hospitality industry has not been immune and has witnessed a slowdown in activity. In response to the crisis, the Company implemented immediate countermeasures, including the early closure of Horseshoe Valley Resort (“Horseshoe”) and Bear Valley Resort (“Bear Valley”), a temporary closure of Deerhurst Resort (“Deerhurst”) (collectively, the “Resorts”), staff reductions, and other cost containment measures. In December 2020, the local jurisdictions where Horseshoe and Bear Valley are located re-implemented restrictions, causing the partial closure of certain operations at the ski resorts. These restrictions were subsequently removed, and as of the approval date of this report, both resorts are fully re-opened and are operating in accordance with public health guidelines. Deerhurst was not subject to these same restrictions, and as of the date of this report is also open and operating in accordance with local health guidelines.

The Company’s hotels located in the USA (the “US Properties”) have never closed and are all operating with appropriately reduced staff levels. Given that the majority of the US Properties are primarily located in “drive-to” secondary markets that are not dependant on international air travel, and that a significant percentage of guests are travelling business people, the Company expects that as the recovery unfolds, there will be pent-up demand for this segment.

All of the Company's properties are operating with enhanced cleaning protocols, social distancing initiatives are in place, and staff are required to wear masks for added protection. In the event that the Company is required to place continued restrictions on its occupancy levels, the company expects that there could be an adverse impact on the financial performance of the Resorts and US Properties. The aforementioned risks and uncertainties arising from the COVID-19 pandemic have been taken into consideration when assessing the inputs used to determine the value of certain of the Company’s assets, including its Property, Plant, and Equipment, along with the potential for changes in discount rates and capitalization rates.

During the year ended December 31, 2020, the Company undertook specific actions to determine if there was any change in the value of its PP&E, including valuations of certain properties by independent, third-party experts, referencing market transactions, and a review of updated internal forecasts. As at December 31, 2020, the Company records the value of its hotels and resorts at $433,984 compared to $454,737 as at December 31, 2019. Please refer to note 10. For information regarding the operational results of the hospitality sector see note 28.

In response to the COVID-19 crisis, the Canadian and US Governments unveiled multiple stimulus measures for which the Company has qualified. In the US, Skyline has qualified for loans under the Paycheque Protection Program (“PPP”). US$6.7 million ($9.3 million) was received during the twelve months ended December 31, 2020. As part of this program, the portion of any loan spent on payroll and other specified costs may be forgiven by the US Government under certain circumstances. During the 12 months ended December 31, 2020, the Company recorded an offset to certain expenses in the amount US$6.7 million ($8.9 million), and positive foreign exchange impact of $344 thousand. In addition, the Company believes that it qualifies for the Employee Retention Credit (“ERC”), which was enacted as part of the US Government’s stimulus measures. The Company has recorded a reduction in operating expenses from hotels and resorts in the amount of $605 related to this credit. Subsequent to year end, a second round of loans were made available under the PPP. As of the approval date of this report, the Company has received an additional US$1.5 million under the program.

In Canada, the Company has received funding under the Canada Employment Wage Subsidy (“CEWS”), which covers up to 75% of employee wages not in excess of $58.7 thousand per eligible employee, subject to certain conditions, between March 15, 2020 and at least June 30, 2021. During the twelve months ended December 31, 2020, the Company recorded an offset to operating expenses from hotels and resorts in the amount of $5,103 and an offset to administrative and general expenses in the amount of $760.

The Company, as part of its response to the crisis, continuously examines, among other things (in addition to the specific items noted above): The Company's financial position, its results of operations, liquidity, financial strength and flexibility, sources of financing, and its ability to meet lending and other obligations. The Company believes that, as of the date of publication of its consolidated financial statements, that it has sufficient liquidity to meet its financial obligations for the foreseeable future, as it has sufficient unrestricted and restricted cash balances, cash flows and other liquid assets. In addition, the Company’s lenders in the US have agreed to grant covenant relief for between the next one and five quarters for certain loans, where required.

The deed of trust for the Company's Series A Bonds (the “Series A Deed”) states that the Company is required to maintain a maximum loan to value ("LTV") of 72.5%, minimum shareholders equity of $100,000 (excluding minority interests), and a minimum equity (including minority interests) to asset value ratio of 25%. As well, there are restrictions on the number of dividends that can be paid, among other restrictions. As at December 31, 2020, the Company complies with all covenants per the deed of trust.

The deed of trust for the Company's Series B Bonds (the “Series B Deed”) states that the Company is required to maintain minimum equity (excluding minority interests) of $130,000, and a minimum equity to asset value ratio (including minority interests) of 26%. As at December 31, 2020, the Company complies with all covenants per the deed of trust.

Furthermore, the Company employs conservative leverage, has sufficient financing capabilities, and expects to continue to receive government assistance which will cover a portion of its expenses in the near to mid-term. However, given the uncertainty around timing of a resolution of the crisis, future effects of the crisis cannot be fully estimated. Should the crisis worsen and/or extend for a prolonged period, there could be an adverse impact on the operations and financial results of the Company.

2 - Significant accounting policies

(a) Statement of compliance

The Company has prepared these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) applicable to the preparation of annual financial statements, and in accordance with the disclosure requirements of the Israeli Securities Regulations (Annual Financial Statements), 2010. These policies have been consistently applied to all periods presented, unless stated otherwise.

(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 measured based on the revaluation model and real estate inventory, which has been measured at the lower of cost and net realizable value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

(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. The Company controls an entity when the Company, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date control commences and deconsolidated from the date control ceases. 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)

(d) Business combinations

Business combinations are accounted for using the acquisition method. The consideration for an acquisition is measured at the aggregate of the fair values of assets transferred and liabilities incurred or assumed. The identifiable assets, liabilities and contingent liabilities acquired are recognized at their fair values at the acquisition date. Acquisition-related costs are generally recognized in net income as incurred. The Company obtains third-party valuations to support management's determination of the fair value of property, buildings and equipment. IFRS 3, Business Combinations ("IFRS 3") requires management's judgement in determining if an acquisition constitutes a business combination or asset acquisition. Refer to note 3 of these consolidated financial statements.

(e) 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.

Transactions and balances

Foreign currency transactions are translated into the 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 resulting from the settlement of such transactions, and 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 and comprehensive income. Foreign exchange gains and losses are presented in the consolidated statements of income and comprehensive income.

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

	For the year ended December 31,		
	2020	**2019**	**2018**
Exchange rates - At balance sheet date:			
CAD / USD	1.273	1.299	1.364
CAD / NIS	2.522	2.654	2.752
Exchange rates - Average during the period then ended:			
CAD / NIS	2.565	2.687	2.774
CAD / USD	1.342	1.327	1.296
Change in rate - during the year ended:			
CAD / USD	(2.0%)	(4.8%)	8.7%
CAD / NIS	(5.0%)	(3.6%)	(0.5%)

(f) Operating cycle

The Company's normal operating cycle is twelve months, except for activities in the development segment, which are typically in excess of twelve months and can be up to four years. As a result, current assets and current liabilities include items related to the development segment that are expected to be settled within the one-to-four-year operating cycle.

(g) 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 hotel 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 by independent, third-party appraisers, or internally with reference to external market data with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values as at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties' revaluation reserve, 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.

Changes in the carrying value of such PP&E as a result of a revaluation is reflected in other comprehensive income (loss), except to the extent that a revaluation of an item of PP&E results in a negative cumulative revaluation reserve for that item. In this case, the resulting change (and any subsequent reversal) is recognized in net income (loss).

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. Any gain or loss arising from the disposal of an item of PP&E is recognized in net income (loss).

Depreciation

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

Freehold buildings	25-60 years
Furniture and equipment	3 to 5 years
Computers and monitors	3 to 5 years
Resort equipment	10 to 32 years
Appliances in buildings	10 years
Leasehold improvements	over the term of the lease

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.

(h) 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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

Investment properties comprise investment interests held in land and buildings (including integral equipment) held for the purpose of producing rental income, capital appreciation, or both. 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 the consolidated statement of income for the period.

The fair value of the Company’s investment properties are determined annually by qualified external appraisers. Management regularly undertakes a review of the valuation of its investment properties between external appraisal dates 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 obtained from independent appraisal firms. Where increases or decreases are warranted, the Company adjusts the carrying value of its investment properties. See notes 3 and 9 for a detailed discussion on the significant assumptions, estimates and valuation methods used.

(i) Real estate inventory

Real estate inventory includes serviced parcels of land, condominiums, and land held for development on which the Company expects to earn a return via future sale. Inventory is measured at the lower of cost, including pre-development expenditures and capitalized borrowing costs, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs and estimated development costs to complete.

Real estate inventory is reviewed for impairment at each statement of financial position date. An impairment loss is recognized in net income when the carrying value of the asset exceeds its net realizable value.

Transfers into real estate inventory are based on a change in use evidenced by the commencement of development activities with a view to sell, at which point an investment property is transferred to real estate inventory.

(j) Revenue recognition

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")

The Company recognizes revenue using a uniform, five-step model in accordance with IFRS 15. The five steps are as follows:

1) Identify the contract(s) with the customer
2) Identify the performance obligation(s)
3) Determine the transaction price
4) Allocate the transaction price to the performance obligation(s)
5) Recognize revenue as the performance obligations are satisfied

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

Hotel and Resort Revenue
Revenue from hotel and resort operations is recognized when services are provided, the amount is earned, and collectability is reasonably assured.

The Company may collect advance deposits prior to the use of a hotel or resort 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
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 Revenue
Revenue from membership and season passes is initially recognized as deferred revenue. As the Company performs its performance obligations over a set period of time, the Company recognizes this prepayment in revenue over the length of the contract.

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

The Company recognizes rental revenue using the straight-line method, whereby the fixed lease payments, less any lease incentives (such as cash, rent-free periods and move-in allowances provided to lessees), in-substance fixed payments and any variable lease payments that depend on an index or a rate to be received are accounted from as rental revenue on a straight-line over the term of the related leases.

Variable payments allocated to a lease component (such as certain operating cost recoveries), that do not depend on an index or a rate are accounted for as revenue in the period in which the corresponding operating expense occurs.

Rent from investment properties including property tax and insurance recoveries which are allocated to lease components are accounted for under 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. The Company may remeasure lease liabilities (and make a corresponding adjustment to related right-of-use assets) whenever certain lease terms have changed (no such adjustments have been made during the periods presented).

(k) 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 revolving credit facilities, which are capitalized and presented as other non-current assets and amortized over the term of the facility to which they relate.

The Company capitalizes interest and other financing costs related to development properties using the Company's weighted average cost of borrowing after adjusting for borrowing associated with specific developments. Where borrowing is associated with specific developments, the amount capitalized is the gross interest incurred on such borrowing less any investment income arising on temporary investment of such borrowing.

If any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that the Company borrows generally when calculating the capitalization rate on general borrowings.

(l) 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.

(m) Earnings per share

Basic earnings per share is calculated by dividing net income or loss attributable to shareholders of the company by the weighted average number of common shares outstanding during the respective reporting period. Diluted earnings per share is calculated in the same manner, after adjusting for the dilutive effects of unexercised, in-the-money stock options outstanding.

(n) Financial instruments

Determination of fair value

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, there characteristics and the Company’s designation of such instruments. The standards require 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:

Type	Measurement Base
Financial assets	
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
Financial liabilities	
Loans and leases payable	Amortized cost
Bonds	Amortized cost
Trade payables	Amortized cost
Other payables and credit balances	Amortized cost
Purchasers’ deposits	Amortized cost

Cash and cash equivalents

Cash and cash equivalents include cash and guaranteed investment certificates held in banks with a maturity date of less than 12 months, and redeemable on demand.

Restricted bank deposits

Cash and cash equivalents whose use has been restricted by the Company in respect of credit agreements, or whose use has been restricted to a specific purpose under another agreement, are classified by the Company as restricted cash in the statement of financial position.

Trade and other receivables

Such receivables arise when the Company provides services to a third party, and are included in current assets, except for those with maturities in excess of 12 months after the statement of financial position date, which are classified as non-current assets.

Loans to purchasers

Loans to purchasers include vendor-take-back mortgages ("VTB") associated with the sale of non-core lands. These amounts are typically classified as non-current assets as they are long-term in nature, with the portion of the VTB due within 12 months after the statement of financial position date included in current assets.

Expected losses for trade receivables, other receivables, and prepayments ("receivables")

A provision for impairment is established based on the simplified expected credit loss ("ECL") model. Under the simplified ECL model, the Company estimates lifetime expected losses for its receivables at each statement of financial position date based on available information. To measure the expected losses, receivables are grouped based on the days past due. The results of the simplified 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 operating expenses from hotels and resorts and cost of sales of residential real estate. Bad debt write-offs occur when the Company determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against operating expenses from hotels and resorts and cost of sales of residential real estate.

Derivatives

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.

Loans and leases payable and bonds

Loans and leases payable and bonds 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 or bond are recognized in interest and other financing costs in the consolidated statement of income within net income over the expected term of the loan or bond. Loan and bond maturities and repayments due more than 12 months after the consolidated statement of financial position date are classified as non-current.

(o) Government assistance

Under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20"), government grants are recognised in the consolidated statements of income on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate, and when there is reasonable assurance that the grants will be received. In addition, regarding short-term loans from the government, to the extent that the interest rate paid by the borrower and other terms of the debt instruments reflect market conditions, the borrowing does not include a government grant that requires recognition in the financial statements. For information regarding the impact of COVID-19 on IAS 20, please refer to note 1 (b).

(p) Impact of accounting standards effective January 1, 2020 on the Company's consolidated financial statements

The Company has adopted the following new and revised standards, effective January 1, 2020. These changes were made in accordance with the applicable transitional provisions.

IFRS 3, Business Combinations ("IFRS 3")

The definition for a business is an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. In addition, according to the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

There is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after January 1, 2020 with earlier application permitted. There will be no impact on transition as the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

(q) Future accounting policy changes

IFRS 3

The amendment adds a requirement that the acquirer must determine at a the acquisition date if a present obligation (scoped through IAS 37) is a result of past events. For Levies (scoped through IFRIC 21) the acquirer determines if the levy obligating event occurred by the acquisition date. In addition, the acquirer cannot recognize contingent assets as part of the business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

IFRS 10 and IAS 28

The amendments state that gains or losses resulting from either remeasurement or from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

IAS 1 – Classification of Liabilities as Current or Non-current ("IAS 1")

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 are to be applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use ("IAS 16")

The amendments clarify that for assets available for sale, the costs associated to bring the asset to sale are recognized in the consolidated statement of income and not as a deduction to the value of the asset, in the same manner in which inventory is treated according to IAS 2.

The amendments further specify that it should be assessed whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and costs.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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 accounts receivable, capitalization of costs, accounting accruals, the amortization 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 within the next financial year, are discussed below:

(a) Valuation of investment properties and PP&E

Investment properties are measured at fair value as at the consolidated statement of financial position date and hotels and resorts within PP&E are measured using the revaluation model. Any changes in the fair value of investment property are included in net income and any changes in the value of PP&E due to revaluation are included in other comprehensive income. Fair value and revaluation is supported by independent external valuations or 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 (all considered Level 3 inputs), future stabilized net operating income, capitalization rates, reversionary capitalization rates, discount rates and other future cash flows applicable to investment properties and PP&E. Investment properties under the fair value model and 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 notes 10 and 11 for a detailed discussion of valuation methods and the significant assumptions and estimates used.

(in thousands of Canadian Dollars)

(b) Valuation of financial instruments

The fair value of financial derivatives is based on assumptions that involve significant estimates. The basis of valuation for the Company's derivatives is set out in note 13(d). The fair values of derivatives reported may differ materially from the amounts they are ultimately settled for if there is volatility between the valuation date and the settlement date.

(c) Provisions and contingent liabilities

Judgement is used in measuring and recognizing provisions and the exposure to contingent liabilities. Judgement is necessary to determine the likelihood that a pending litigation or other claim will succeed, or a liability will arise and to quantify the possible range of the final settlement. In case of legal claims, the Company relies on its legal advisors to determine the likelihood of the outcome.

4 - Cash and cash equivalents

	As at December 31,	
	2020	2019
Cash and cash equivalents	22,436	25,874
Short-term bank deposits	—	1,000
	22,436	26,874

5 - Trade receivables, other receivables and prepayments

Due from hospitality guests and clients	3,085	4,343
Amount receivable on sales of condominium units, due on closing	—	8,374
Other receivables [1], [2]	8,829	9,280
Prepayments	3,245	2,564
Allowance for doubtful accounts	(114)	(51)
	15,045	24,510

[1] Includes deposits from purchasers of various real estate projects of the Company. The deposits are held in trust by the Company's lawyers. These deposits are typically insured and bonded to comply with Ontario residential construction laws.

[2] See note 16.

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 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 capital expenditures at hotels and resorts. Refer to note 19 (b).

7 - Inventories

	As at December 31,	
	2020	2019
Food & beverage	413	760
Retail	927	787
Other inventory	156	235
	1,496	1,782

8 - Real estate inventory

Residential constructed inventory	(d)	720	3,182
Real estate under construction	(c) (d)	4,355	5,645
Serviced parcels of land	(b) (c)	11,559	14,356
Parcels of land under construction	(c) (d) (e)	5,361	29,052
		21,995	52,235

(in thousands of Canadian Dollars)

(a) The real estate inventory is summarized as follows:

		As at December 31, 2020	2019
Port McNicoll	(b)	2,086	2,347
Deerhurst	(c)	13,636	16,644
Horseshoe Valley	(d)	3,533	6,836
Blue Mountain Lands	(e)	2,740	26,408
		21,995	52,235

(b) Port McNicoll, Ontario

The balance of $2,086 represents 11 serviced parcels of land.

(c) Huntsville, Ontario - Deerhurst

The balance includes the Sanctuary lots and the Golf Cottage lots, both of which are available for sale for residential construction, as well as 2 unsold condo units in Lakeside Lodge.

(d) Barrie, Ontario - Horseshoe Valley

The balance of $3,533 primarily represents unsold units at Copeland House as well as construction in progress on various early-stage developments.

(e) Blue Mountain Lands

The inventory value of $2,740 primarily represents construction in progress on various early-stage developments.

9 - Investment properties

	As at December 31, 2020	2019
Balance as at the beginning of the year	59,965	90,640
Expenditures subsequent to acquisition	397	312
Net gain (loss) from fair value adjustments	4,569	(15)
Net proceeds from sale of investment properties	—	(27,535)
Transfer to loans to purchasers	(2,451)	(3,003)
Transfer to real estate inventory	(1,034)	—
Foreign exchange translation and other	(168)	(434)
Balance as at the end of the year	61,278	59,965
Income producing retail components	8,454	11,088
Lands	52,824	48,877
	61,278	59,965

During the year ended December 31, 2019, the company sold its commercial real estate assets at Blue Mountain to an unrelated party. The sale is divided into two components. The first component was the village retail assets, which closed in March 2019 for total consideration of $31.7 million, of which $3.2 million was given as a VTB loan to the purchaser (refer to note 14). The second component of the sale is for another commercial building at Blue Mountain, for total consideration of $2.4 million, which closed in December 2020. The Company owns 60% of the aforementioned assets.

Valuation basis

The fair value method has been used for all the investment properties, with valuations performed by qualified independent valuators 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 fair value of the Company's investment properties is primarily determined using the discounted cash flow ("DCF") and the comparable sales methods. As a result, investment properties 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 the appraisers. As part of this discussion, the valuators present a report that explains the reasons for any movements in fair value.

Significant unobservable (level 3) inputs used to determine the fair value of investment properties as at December 31, 2020 are as follows:

(in thousands of Canadian Dollars)

(a) Forecast of the operating profit of the property for a period of up to 10 years;
(b) specific terminal capitalization rate for each asset according to its condition, location and risks specific to the asset;
(c) estimation of the renewal probability of any in-place leases;
(d) estimations of vacancy rates;
(e) other factors such as building rights, planning and legal status and more.

Discount rates used in applying the DCF method ranged between 10.5% and 11.0% (2019: 10.25%-10.75%), and terminal capitalization rates were 8.5% (2019: 8.25% - 8.75%).

As at December 31, 2020, a 25 basis point ("bps") decrease in both the discount and terminal capitalization rates would increase the fair value of the Company's investment properties by $274. As at December 31, 2020, a 25 bps increase in both the discount and terminal capitalization rates would decrease the estimated fair value of the Company's investment properties by $254. An increase or decrease in the comparable land values by 5% will have an estimated impact of $2,463 on the value of the lands.

10 - Property, plant and equipment

For the year ended December 31,	2020			2019		
	Lands, buildings & improvements	Furniture, equipment and other	Total	Lands, buildings & improvements	Furniture, equipment and other	Total
Gross carrying amount as at beginning of year	409,748	105,999	515,747	* 437,658	* 93,252	530,910
Accumulated depreciation as at beginning of year	(25,079)	(35,931)	(61,010)	* (20,522)	* (23,123)	(43,645)
	384,669	70,068	454,737	417,136	70,129	487,265
Expenditures subsequent to acquisitions	1,182	5,929	7,111	3,586	11,554	15,140
Recognition of right-of-use assets and lease liabilities upon initial application of IFRS16 (see note 2(c)1)	—	—	—	650	258	908
Adjustment to fair value through revaluation surplus	(3,410)	596	(2,814)	(11,761)	342	(11,419)
Transfers from (to) real estate inventory and loans to purchasers	(455)	82	(373)	(1,114)	2,355	1,241
Disposals (a)	—	(86)	(86)	(583)	(66)	(649)
Depreciation	(7,811)	(12,440)	(20,251)	(8,752)	(11,777)	(20,529)
Foreign exchange translation	(3,622)	(718)	(4,340)	(14,493)	(2,727)	(17,220)
Balance as at the end of the year	370,553	63,431	433,984	384,669	70,068	454,737
Balance as at the end of year for items measured at:						
Fair value	368,829	60,635	429,464	* 382,802	* 67,663	450,465
Cost	1,724	2,796	4,520	* 1,867	* 2,405	4,272
	370,553	63,431	433,984	384,669	70,068	454,737
Carrying amount under cost model	274,275	59,312	333,587	280,046	62,809	342,855

* Reclassifed.

(a) Disposals

During the year ended December 31, 2019, the Company completed the sale of certain non-core lands at Horseshoe Valley Resort ("Horseshoe") for $2.9 million. Of this amount, $583 was classified as PP&E.

(b) Valuation basis

The revaluation method has been used for PP&E, with valuations performed by qualified independent valuators 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 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 the appraisers. As part of this discussion, the valuators present a report that explains the reasons for any movements in fair value.

Significant unobservable (level 3) inputs used to determine the fair value of investment properties as at December 31, 2020 are as follows:

(a) Forecast of the operating profit of the property for a period of up to 10 years;
(b) Specific terminal capitalization rate for each asset according to its condition, location and risks specific to the asset;
(c) Required investments in renovations;
(d) Estimations of the number of hospitality rooms to be rented from third parties;
(e) other factors such as building rights, planning and legal status and more.

Discount rates used in applying the DCF method ranged between 10.0% and 13.0% (2019: 10.00%-12.75%), and terminal capitalization rates ranged between 8.5% and 12.5% (2019: 8.25% - 12.5%).

As at December 31, 2020, a 25 basis point ("bps") decrease in both the discount and terminal capitalization rates would increase the fair value of the Company's PP&E by $16,963. As at December 31, 2020, 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 $14,570.

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.

(in thousands of Canadian Dollars)

The composition and movement in deferred taxes are as follows:

	Investment Properties & Real estate Inventory	Property Plant and Equipment	Carry forward Losses	Depreciation temporary differences	Other	Total
Year ended December 31, 2019						
Balance at beginning of year	(10,519)	(29,017)	16,457	(19,899)	(2,829)	(45,807)
Amounts carried to:						
Net income (loss)	1,554	1,104	4,031	(1,025)	(3,098)	2,566
Other comprehensive income (loss)	—	377	—	—	—	377
Foreign currency translation reserve	34	634	(441)	836	(13)	1,050
	(8,931)	(26,902)	20,047	(20,088)	(5,940)	(41,814)
Year ended December 31, 2020						
Amounts carried to:						
Net income (loss)	8,153	(5,967)	7,346	1,958	(2,928)	8,562
Other comprehensive income (loss)	—	2,005	—	—	—	2,005
Foreign currency translation reserve	31	79	(331)	(49)	21	(249)
	(747)	(30,785)	27,062	(18,179)	(8,847)	(31,496)

The deferred taxes are calculated at tax rates ranging between 13.25% and 27.98% (2019 - 13.25% and 27.98%) - see note (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:

	2020 and forward	2019
Non-capital gain (loss) tax rates:		
Ontario	26.50%	26.50%
Ohio, USA	21.99%	21.99%
California, USA	27.98%	27.98%
Other states (on average), USA	22.17%	22.87%
Capital gain (loss) tax rates:		
Ontario	13.25%	13.25%
Ohio, USA	21.99%	21.99%
California, USA	27.98%	27.98%
Other states (on average), USA	22.17%	22.87%

(e) Non-capital losses

The Company has non-capital losses carried forward for US and Canadian tax purposes of $107,912 as at December 31, 2020, which expire at various dates commencing December 31, 2031 (December 31, 2019: $77,984).

12 - Loans to purchasers

Port McNicoll VTB

In July 2017 the Company completed the sale of the Port McNicoll development lands for $41,967. The buyer paid $4,197 on closing. The Company provided a VTB for the balance of the purchase price, secured by a first mortgage on the project lands totaling $37,769, bearing 2% annual interest, payable in 71 monthly installments of $350 plus payment of interest. The balance is payable at the end of six years from the date of sale completion. The Company can discharge all or portion of the VTB at the buyer's request subject to early payment of all or part of the outstanding balance. As at December 31, 2020 the remaining balance of the loan is $31,002. Of this total $12,813 is classified as current (2019: $31,124 with $7,694 classified as current). As at December 31, 2020, the purchaser is in default on the seller's loan. In the Company's estimation, this is due to a dispute between Shareholders of the purchaser and it is not expected that the payment of the loan will not be completed. However, for the sake of caution, during the year, the Company initiated a power of sale process and is assessing its options with respect thereto, including re-aquiring or re-selling the lands. In view of the loan balance, the Company does not expect that the seller's loan will not be paid in full and it is expected to at least receive payment in the amount of the remaining debt. The VTB is secured by the land sold. The Company has reviewed the value of the underlying asset and has determined that there are no indicators of impairment of the underlying asset.

(in thousands of Canadian Dollars)

Blue Mountain VTBs

During Q1 2020, the Company achieved final closing on its Second Nature 2 & 3 development projects near Blue Mountain. The Company recorded revenue of approximately $29 million and provided the purchaser with a vendor-take-back mortgage in the amount of approximately $24 million. The Company received cash proceeds (net of expenses) of approximately $5.4 million and repaid $2.4 million of construction debt. The VTB bears interest of 4%, and amounts are repaid as lots are sold to end users, with any outstanding balance due by January 2023.

During the year ended December 31, 2020, the Company sold an certain investment properties and development lands at Blue Mountain to an unrelated party (see note 4) in the amount of $4.1 million. A VTB in the amount of $3.1 million, bearing interest at 1% per annum until April 2021, and allowing for a 90 day extension period, bearing interest at 4% per annum was issued as part of the transaction. As such, this loan is classified as current.

During the year ended December 31, 2019, the Company sold its commercial real estate assets at Blue Mountain to an unrelated party. As part of the sale, which closed in March 2019, a VTB of $3.2 million was given to the purchaser. The VTB bears 4% interest per annum, with the full balance of the VTB due April 2024. As such, this loan is classified as non-current.

Horseshoe VTB

During the year ended December 31, 2019, the Company completed the sale of certain non-core lands at Horseshoe. As part of the sale, the Company took back a VTB in the amount of $1.5 million. The VTB bears 4.25% interest per annum, with the full balance of the VTB due June 2021. As such, this loan is classified as current.

13 - Bonds

Series A Bonds

In July, 2016 the Company issued its Series A Bonds and raised NIS 123,222 ($41,461), net of borrowing costs. The nominal annual interest rate is 5.2%, payable semi-annually (effective interest rate: approx. 7.30%, refer to note 15 (c)). Each semi-annual principal payment is equal to 2.5% of initial principal, with the exception of the final payment due January 2023, which is equal to 72.5% of the initial principal. The Company may, in its sole discretion, at any time, repay the bonds in partial or full, subject to a premium. The Deerhurst Resort (excluding the surrounding lands) serves as collateral for Series A Bonds.

The deed of trust states that the Company is required to maintain a maximum loan to value ("LTV") of 72.5%, minimum shareholders equity of $100,000, and a minimum equity to asset value ratio of 25%. As well, there are restrictions on the amount of dividends that can be paid, among other restrictions. As at December 31, 2020, the Company complies with all covenants per the deed of trust.

Series A Bonds - Expansion

In August 2017, the Company closed a private Series A Bond expansion placement to institutional investors, raising NIS 20,750 (including premium). The nominal interest rate is 5.20% (effective interest rate: 5%). The Series A Bond expansion is subject to the same covenants and conditions (including repayment terms) as the as the originally issued Series A Bonds.

Series B Bonds

In September 2017, the Company issued its Series B Bonds and raised NIS 164,464 ($57,786), net of borrowing costs. The nominal annual interest rate is 5.65%, payable semi-annually (effective interest rate: 6.60%). Each semi-annual payment is equal to 3.25% of initial principal, with the exception of the final payment due January 2024, which is equal to 64.25% of the initial principal. The bonds are linked to the NIS/US dollar exchange rate.

The deed of trust states that the Company is required to maintain minimum equity excluding minority interests of $180,000, and a minimum equity to asset value ratio (excluding minority interests) of 28.5%. As at December 31, 2020, the Company complies with all covenants per the deed of trust.

a. Composition

	As at December 31,	
	2020	**2019**
Total liability:		
Series A	48,089	48,239
Series B	50,654	55,505
	98,743	103,744
Current liabilities:		
Series A	2,718	2,568
Series B	3,565	3,641
	6,283	6,209
Long term liability:		
Series A	45,371	45,671
Series B	47,089	51,864
	92,460	97,535

Maturity years subsequent to December 31, 2020:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter	Total
Bonds A	2,950	2,950	42,768	—	—	—	48,668
Bonds B	3,868	3,868	3,868	40,245	—	—	51,849
Total principal repayments	6,818	6,818	46,636	40,245	—	—	100,517
Deferred financing costs							(1,774)
Total bonds payable							98,743

b. Additional information

	Par value issued *	Nominal interest rate	Outstanding face value as at December 31, 2020	2019
Series A **	148,240	5.20%	122,721	130,159
Series B ***	164,464	5.65%	142,818	153,774

* In thousands of NIS.

** The originally issued Series A Bonds were 100% hedged to CAD on January 18, 2017. The Series A Bonds extension was not hedged.

*** Linked to US Dollar.

c. Bond Repurchase

On February 5, 2020, the Board of Directors approved the buy-back of the Company's issued and outstanding bonds. The approval expires on February 5, 2021. The total buy-back authorized is 10 million NIS or approximately $3,951 CAD. During the year ended December 31, 2020, a subsidiary of the Company repurchased 219.7 thousand NIS (approximately $87.9 thousand CAD) worth of bonds under the buy-back at an average price of 0.797 NIS.

d. Financial Derivative

To mitigate exposure to foreign currency risk, on January 18, 2017 the Company entered into a financial derivative contract to hedge its exchange rate exposure to the New Israeli Shekel related to the Series A bonds. As a result of this transaction, the Company will settle its bond obligations as if they were borrowed in Canadian dollars at nominal fixed interest rates in the range of 5.5%-6.5% instead of settlement in New Israeli Shekels at the fixed rate of 5.2%. This financial derivative covers 100% of expected future payments of the Company's Series A Bond principal and interest obligation for its Series A Bonds (excluding the Series A Bond extension). In connection with the swap, the Company placed $3,250 in a long term restricted deposit collateral. During December 2019, NIS 2,000 was released from the collateral deposit.

As at December 31, 2020, the value of the financial derivative was $5,664 (2019: $4,817). The revaluation gain is recorded in the consolidated statement of income within financial income.

e. Refer to note 15(c).

14 - Other payables and credit balances

	As at December 31, 2020	2019
Provision for completion costs	7,372	6,307
Government institutions	617	6,047
Employees and payroll institutions	3,106	4,997
Due to hotel unit owners	531	565
Accrued interest on Bonds	2,780	* 2,932
Accrued expenses and other **	9,823	10,368
	24,229	31,216

* Reclassifed.

** As at December 31, 2020, amounts payable to related parties was $0 (2019: $6), refer to note 18.

(in thousands of Canadian Dollars)

15 - Loans and leases payable

			As at December 31, 2020	As at December 31, 2019
(a)	I.	Short term liabilities		
		Short term loans	21,891	8,874
		Current maturities of long term loans and leases	3,447	10,450
			25,338	19,324
	II.	Long term liabilities		
		Loans and mortgages	176,096	179,503
		Leases	11,442	13,949
			187,538	193,452
		Deferred financing costs	(2,066)	(3,256)
			185,472	190,196
		Less - Current maturities of long term loans and leases	(3,447)	(10,450)
			182,025	179,746

III. Additional information

	Weighted average interest rate 2020	Weighted average interest rate 2019	2020	2019
Loans from financing institutions denominated in:				
CAD	4.16%	4.73%	26,605	15,603
US dollar	3.46%	5.70%	171,382	172,774
Leases	4.06%	4.23%	11,442	13,949
			209,429	202,326
Deferred financing costs			(2,066)	(3,256)
			207,363	199,070
Less - short term loans and current maturities of long term loans and leases			(25,338)	(19,324)
			182,025	179,746

(b) Maturity years subsequent to December 31, 2020:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter	Total
Development loans	5,924	5,034	—	—	—	—	10,958
Other loans and leases	20,451	150,733	3,607	22,013	767	900	198,471
Total principal repayments	26,375	155,767	3,607	22,013	767	900	209,429
Deferred financing costs							(2,066)
Total loans and leases payable							207,363

(c) Security

As of December 31, 2020 $239,328 (2019: $229,800) of the Company's loans payable and bonds (see note 13), 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 or bond, excluding capital leases was $463,045 as at December 31, 2020 (2019: $512,837).

(d) Marriott Courtyard loan extension

During September 2020, the Company reached an extension agreement with its lender on the Courtyard hotels. The extension is effective until December 9, 2021. As part of the extension agreement, the lender also agreed to allow partial use of certain restricted cash amounts, use of PPP funds, and approved the change of property manager at two of the Courtyard hotels.

The total outstanding value of the loan is $94,669 USD, and is composed of an initial tranche of $72,505 USD, a mezzanine loan of $17,000 USD, and a renovation loan of $5,164 USD. The total loan bears a weighted average annual interest rates equal to libor + 325 points and is interest only. The Company employs a rate cap to insure against an increase in Libor over 1.0%. The Company has 1 more option to extend the loan, subject to certain conditions, to 2022.

(in thousands of Canadian Dollars)

(e) Lines of credit

In March 2017, the Company entered into a credit agreement secured by Horseshoe resort and a corporate General Security Agreement, which was subsequently renewed in 2019 with a maximum principal amount of $20,000. As at December 31, 2020 $15,647 was drawn on the facility (2019: $nil).

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.

(f) Lakeside Lodge construction financing

In June 2016 the Company secured $32,000 in construction financing for the Lakeside Lodge development at Deerhurst resort. The loan bears annual interest of prime+1.75% (minimal interest rate of 4.45%) payable monthly. The Company provided a guarantee of $35,000 for the loan. Under the terms of the agreement, the Company's required equity in the project is comprised of the project land valued at $6,800 and $3,000 cash. As the project was completed in 2019, the Company repaid the loan in full during December 2019.

(g) Blue Mountain Retail

On April 15, 2013, the Company completed the partial acquisition of the retail complex at the Blue Mountain Village. The acquisition was financed with a ten-year mortgage of $15,000, bearing an annual interest rate of 6.75%. During the year ended December 31, 2019, the Company repaid the loan in connection with the sale of the complex (see note 12).

(h) Renaissance extension

On December 31, 2020, the Company reached an extension agreement with its lender on the Renaissance hotel. The extension is effective until March 16, 2022. The total outstanding value of the loan as at December 31, 2020 is $21,249 USD, and is composed of an acquisition loan in the amount of $12,134 USD and a development loan in the amount of $9,116 USD. The acquisition loan bears an interest rate of LIBOR + 250 bps and the develpment loan bears an interest rate equal to LIBOR +275 bps.

(i) Additional information

The Company has certain variable rate loans that are tied to LIBOR, which will no longer be used as benchmark as of December 31, 2021. The company does not currently expect this change to have a material impact on its financial statements.

The Company is in compliance with its covenants, except for the asset level covenants related to the Renaissance and Hyatt loans. During the 4th quarter of 2020, the Company's lenders agreed to grant covenant relief for the current quarter and up to the next four quarters for these loans, where required.

16 - Related parties

	As at December 31,	
(a) Related parties:	**2020**	**2019**
Current assets: Other current balances	369	77
Non-current assets: Other Non-current current balances	—	196
Short term liabilities: Due to a shareholder of the Company	—	6
Income statement: Interest revenue on CEO share purchase loan (see note 18 (a))	226	275

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

	For the year ended December 31,		
	2020	**2019**	**2018**
Compensation, bonus and benefits	1,020	1,440	1,240
Employee stock option expense (see note 18 (c))	57	114	420
Directors' fees	472	434	292

(c) Related party transactions are measured at the fair value.

(in thousands of Canadian Dollars)

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, 2020, 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.

(b) Financial assets

		As at December 31,	
Financial assets at fair value through profit or loss	**Level**	**2020**	**2019**
Financial derivative	Level 2	5,664	4,817

(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,**		**Carrying amount As at December 31,**	
	2020	**2019**	**2020**	**2019**
Loans and leases payable	209,740	202,326	207,363	199,070
Bonds	99,419	109,721	101,522	106,677
	309,159	312,047	308,885	305,747

The carrying value of loans payable to related parties approximate their fair values, since they bear interest at rates which approximate market rates.

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 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.

	For the year ended December 31,		
	2020	**2019**	**2018**
Number of issued and paid-in shares:			
Outstanding at beginning of year (i)	16,745,227	16,736,780	16,736,780
Issue upon exercise of employee options	—	8,447	—
Outstanding at end of year	16,745,227	16,745,227	16,736,780
(i) Including shares issued to a company controlled by the CEO and held in trust	200,000	200,000	200,000

(in thousands of Canadian Dollars)

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 $1,638) or 23.96 NIS (approximately $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. The terms of this agreement were updated subsequent to year end. Please refer to note 29.

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 $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).

(b) Loss per share

The inputs used in calculating earnings per share are as follows:	**For the year ended December 31,**		
	2020	**2019**	**2018**
Net loss attributable to shareholders of the Company	(18,000)	(325)	(6,887)
Weighted average number of shares outstanding	16,545,227	16,541,038	16,536,780
Dilutive effect of in the money stock options	* —	123,486	* —
Weighted average number of shares for the purposes of diluted earnings per share	16,545,227	16,664,524	16,536,780

* Dilutive potential shares were eliminated for having an antidilutive impact.

The series 2 warrants expired in 2018 without being exercised.

(c) Employee stock options

Summary

Details	Nov 2016	Feb 2018	Apr 2018
Grant date	2016-11-14	2018-02-21	2018-03-20
Expiration date	2021-11-14	2023-02-21	2023-03-20
Number of options	290,000	135,000	100,000
Exercise price	9.370	11.572	11.535
Exercise life to date	82,500	—	—
Cancelled	127,500	135,000	—
Net	80,000	—	100,000
Vested	80,000	—	50,000
Additional details	[2]	[3]	[3]

Changes in number of stock options	**For the year ended December 31,**	
	2020	**2019**
Outstanding at beginning of year	180,000	407,500
Exercised	—	(82,500)
Cancelled	—	(145,000)
	180,000	180,000

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 Company over the past 60 months, which management estimates to approximate the volatility in value of the Company's shares.

(in thousands of Canadian Dollars)

[2] On November 14, 2016 the Board of Directors approved granting 280,000 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 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 $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 107,500 options were cancelled.

[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.

	As at December 31,		
	2020	**2019**	**2018**
[4] Weighted average exercise price (CAD)	11.45	10.61	10.57

[5] The Company recognized $67 in stock compensation expense during the year ended December 31, 2020 (2019: $67). 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 subequently approved by shareholders on January 10, 2021. Refer to note 29.

19 - Commitments and contingencies

(a) Claims

In 2016 the Company was served claims totalling $2.1 million in relation to certain construction projects and issued a counterclaim in the amount of $4 million. The Company has received judgement and made payment relating to one of the construction projects, and as such has provided a total of $0.8m in the financial statements as at December 31, 2020 (December 31, 2019: $2.6m).

In December 2019, the Company was served a claim from the Company's former President and Chairman for employment related issues. In addition, the company has been served with several smaller claims. As per the Company's legal advisors, at this stage it is not possible to estimate the Company's chances of success or the likely amount of recovery, if any.

(b) Letters of Credit

The Company has various cash-secured letters of credit approximating $932 as at December 31, 2020 (2019: $1,713). The amounts range from $24 up to $364 and have been issued to various municipalities and utilities in connection with the Company's development projects.

(c) Material agreements and commitments

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. The agreement secures 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, as customary for this type of agreement. The Company may terminate those agreements with 90 days of advanced notice. During the year ended December 31, 2020, the Company terminated the agreements with respect to two of the Courtyard properties.

3. Management agreements with Urgo Hotels Ltd. ("Urgo")

   On September 25th 2020, one of the Company's subsidiaries entered in to a 10 year property management agreement with Urgo 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 Urgo upon 60 days advance notice given.

(in thousands of Canadian Dollars)

4. Rental agreements with condo owners

The Company entered into operating agreements with third party condo owners at its resorts. Based on the terms of these agreements, the resorts are able to use these condos as additional room inventory, paying condo owners a share of the room rental income. The agreements can be terminated by either party with 12 months notice.

(d) Deferred revenue

Deferred revenue is composed of advance deposits from guests at the Company's hotels, as well as prepaid season passes at the Company's ski resorts. Refer to note 2(j).

20 - Income from hotels and resorts

	For the year ended December 31,		
	2020	2019	2018
Room revenue	52,199	121,486	113,975
Food & beverage revenue	11,751	36,776	37,151
Ski revenue	13,611	16,130	14,221
Other revenue	13,923	19,193	20,187
	91,484	193,585	185,534

21 - Operating expenses from hotels and resorts

	For the year ended December 31,		
	2020	2019	2018
Room department	15,323	29,081	29,795
Cost of food & beverage	10,946	25,318	25,662
Cost of ski services	6,365	7,185	6,222
Selling and marketing and administrative	14,716	37,362	36,222
Repairs and maintenance	6,329	11,532	9,679
Property tax and insurance	9,910	8,537	7,588
Management fees, cost of golf services and other expenses	16,536	32,356	28,815
	80,125	151,371	143,983

22 - Cost of sales of residential real estate

	For the year ended December 31,		
	2020	2019	2018
Cost of sales of condominiums	3,670	31,086	29,854
Cost of sales of land and development projects	19,911	2,492	7,851
Revaluation component included in cost of sales	9,373	—	2,674
Development periodic costs	1,866	2,633	2,125
	34,820	36,211	42,504

23 - Administrative and general expenses

	For the year ended December 31,		
	2020	2019	2018
Compensation and benefits	2,419	3,087	3,970
Professional fees	2,102	2,240	3,071
Other expenses	1,079	1,112	969
	5,600	6,439	8,010

(in thousands of Canadian Dollars)

24 - Financial expense

	For the year ended December 31,		
	2020	2019	2018
Interest on loans and leases	9,752	12,888	9,849
Interest and foreign exchange revaluation of bonds	7,668	5,471	6,589
Amortization of deferred financing charges	1,705	1,757	2,337
Bank charges	502	1,072	970
	19,627	21,188	19,745

25 - Income taxes

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

	For the year ended December 31,		
	2020	2019	2018
Current income tax expense	(580)	(1,570)	(883)
Prior year income tax (expense) recovery and refunds	(139)	(119)	(889)
Deferred income tax recovery	8,562	2,566	2,306
	7,843	877	534

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

Ontario	26.50%	26.50%	26.50%
Ohio, USA	21.99%	21.99%	23.00%
California, USA	27.98%	27.98%	28.00%
Other states (on average), USA	22.17%	22.87%	24.50%

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

	For the year ended December 31,		
	2020	2019	2018
Net loss before income taxes	(26,480)	(2,236)	(8,189)
Ontario statutory tax rate	26.5%	26.5%	26.5%
Income tax expense calculated using statutory tax rate	7,017	593	2,170
Increase (decrease) resulting from:			
Prior year taxes	(139)	(119)	(889)
Changes in tax rates	1,125	(46)	(358)
Tax on transparent entity (minority tax)	(630)	—	76
Difference in tax rates applicable to capital gains	429	206	—
Non-deductible expenses (recovery)	(45)	—	(94)
Other	86	243	(371)
Income tax recovery	7,843	877	534

26 - Employee benefits

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

	For the year ended December 31,		
	2020	2019	2018
Hospitality operating expenses	19,068	58,875	57,945
Development periodic costs	428	702	774
Administrative and general expenses	2,419	2,920	3,970
	21,915	62,497	62,689

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.

(in thousands of Canadian Dollars)

The Company is exposed to various risks in relation to financial instruments as described in note 19. 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. Longer-term loans payable are therefore usually at fixed rates, subject to the financial market availability. On December 31, 2020 and 2019, the Company was exposed to changes in market interest rates through bank borrowings at variable interest rates. Other loans payable are at fixed interest rates. The Company's bonds all pay fixed interest rates.

At December 31, 2020, 36% (2019: 39%) 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, 2020 (2019: +/- 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.

	Net Income (Loss)	
Year ended December 31,	1%	(1%)
2020	1,496	(1,496)
2019	1,171	(1,171)

(b) Credit risk

The Company operates as a hospitality manager and owner, as well as a developer of destination real estate assets. As a developer, the Company is exposed to credit risk to the extent that purchasers may fail to meet their obligations under the terms of purchase and sale agreements. This risk is alleviated by minimizing the amount of exposure the Company has to any single sales transaction by collecting sufficient deposits and obtaining confirmations from the purchaser's bank on mortgage financing.

Credit risk on development projects is limited to the uncollected amount of all transactions for which receivable balances are recorded. As at December 31, 2020, this amount is limited to $58,361 (2019: $75,856). The Company can mitigate this risk through the deposits that remain in trust and through litigation to recover damages. Both of these remedies are available to the Company under local laws.

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

	As at December 31,	
	2020	**2019**
Cash and cash equivalents	22,436	26,874
Trade receivables and other receivables	11,914	21,997
Restricted bank deposits	9,396	11,789
Loans to purchasers	62,903	36,642
Long-term deposit	3,666	2,495
	110,315	99,797

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.

(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.

(in thousands of Canadian Dollars)

The Group's remaining contractual maturities are as follows:

	Current	2 Years	3 Years	4 Years	5 Years	6 Years & Later
As at December 31, 2020						
Loans and leases payable (*)	33,708	160,931	4,420	22,205	892	917
Bonds (*)	12,182	11,810	50,191	42,394	—	—
Trade payables	9,966	—	—	—	—	—
Other payables and credit balances	20,832	—	—	—	—	—
Purchasers' deposits	110	—	—	—	—	—
	76,798	172,741	54,611	64,599	892	917
As at December 31, 2019						
Loans and leases payable (*)	29,007	39,461	150,076	3,709	2,247	2,478
Bonds (*)	12,444	12,059	11,690	48,149	43,325	—
Trade payables	9,471	—	—	—	—	—
Other payables and credit balances	(**) 22,227	—	—	—	—	—
Purchasers' deposits	3,263	—	—	—	—	—
	76,412	51,520	161,766	51,858	45,572	2,478

(*) Including cash flows for both principal and interest.
(**) Reclassified.

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

(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.

Only the New Israeli Shekel to CAD (Series A Bonds) exchange rate exposure is managed by forward foreign exchange swap (see note 15(c)).

On December 31, 2020, $224,675 or 73%, (2019: $231,447 or 76%,) 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:

	2020				2019			
	CAD	USD	NIS	Total	CAD	USD	NIS	Total
Assets:								
Cash and cash equivalents	16,873	5,443	120	22,436	11,533	14,162	1,179	26,874
Trade receivables and Other receivables	6,920	3,706	—	10,626	16,716	4,776	—	21,492
Restricted bank deposits	2,451	4,628	2,317	9,396	3,734	5,852	2,203	11,789
Financial derivative	—	—	5,664	5,664	—	—	4,817	4,817
Loans to purchasers	62,903	—	—	62,903	36,643	—	—	36,643
Total financial assets	89,147	13,777	8,101	111,025	68,626	24,790	8,199	101,615
Non-financial assets	198,705	328,133	—	526,838	228,593	345,638	—	574,231
Total assets	287,852	341,910	8,101	637,863	297,219	370,428	8,199	675,846

(in thousands of Canadian Dollars)

	2020				2019			
	CAD	USD	NIS	Total	CAD	USD	NIS	Total
Liabilities:								
Trade payables	6,184	3,782	—	9,966	6,267	3,204	—	9,471
Other payables and credit balances	13,581	10,118	—	23,699	14,818	10,814	—	25,632
Purchasers' deposits	110	—	—	110	3,262	—	—	3,262
Loans and leases payable	33,342	174,021	—	207,363	23,159	175,911	—	199,070
Bonds	—	50,654	48,088	98,742	—	55,505	48,239	103,744
Total financial liabilities	53,217	238,575	48,088	339,880	47,506	245,434	48,239	341,179
Total non-financial liabilities	27,100	14,454	—	41,554	35,123	22,703	—	57,826
Total liabilities	80,317	253,029	48,088	381,434	82,629	268,137	48,239	399,005
Financial assets net of financial liabilities	35,930	(224,798)	(39,987)	(228,855)	21,120	(220,644)	(40,040)	(239,564)
Total assets, net of total liabilities	207,535	88,881	(39,987)	256,429	214,590	102,291	(40,040)	276,841
Revenue	54,702	74,660	—	129,362	138,721	96,522	—	235,243

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.

	2020		2019	
	5%	(5%)	5%	(5%)
Assets	689	(689)	1,240	(1,240)
Liabilities	(11,929)	11,929	(12,272)	12,272
Equity	(11,240)	11,240	(11,032)	11,032
Net income (loss) for the year	(1,148)	1,148	35	(35)

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

	2020			2019		
	Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
Assets:						
Cash and cash equivalents	22,436	—	22,436	26,874	—	26,874
Trade receivables, other receivables and prepayments	15,045	—	15,045	24,510	—	24,510
Inventories	17,578	5,913	23,491	40,561	13,456	54,017
Loans to purchasers	17,449	45,454	62,903	9,177	27,465	36,642
Restricted bank deposits	2,776	6,620	9,396	4,222	7,567	11,789
Financial derivative	—	5,664	5,664	—	4,817	4,817
Investment properties	—	61,278	61,278	—	59,965	59,965
Property, plant and equipment	—	433,984	433,984	—	454,737	454,737
Other non-current assets	—	3,666	3,666	—	2,495	2,495
	75,284	562,579	637,863	105,344	570,502	675,846

(in thousands of Canadian Dollars)

	2020			2019		
	Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
Liabilities:						
Loans and leases payable	20,304	5,034	25,338	18,497	827	19,324
Bonds - current maturities	6,282	—	6,282	6,209	—	6,209
Trade payables	9,966	—	9,966	9,471	—	9,471
Other payables and credit balances	24,229	—	24,229	31,216	—	31,216
Deferred revenue	9,061	—	9,061	8,479	—	8,479
Income taxes payable	379	—	379	1,484	—	1,484
Purchasers' deposits	110	—	110	3,263	—	3,263
Loans and leases payable	—	182,025	182,025	—	179,746	179,746
Bonds	—	92,460	92,460	—	97,535	97,535
Other liabilities	—	88	88	—	464	464
Deferred tax	—	31,496	31,496	—	41,814	41,814
	70,331	311,103	381,434	78,619	320,386	399,005
Total assets, net of total liabilities	4,953	251,476	256,429	26,725	250,116	276,841

(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.

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

The Company seeks to maintain a loan-to-overall financing ratio of 70%, in-line with bond rating obligations.

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 dividends 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, 2020	2019
Shareholders' equity	226,044	252,374
Loans and leases payable	207,363	199,070
Bonds	98,742	103,744
Cash and cash equivalents	(22,436)	(26,874)
Total capital	509,713	528,314
Loan to overall financing ratio	60%	57%

(g) Other non-current assets

Other non-current assets of $3,666 (2019: $2,495) includes fees paid to secure a 20 year franchise agreement with Marriott International in 2017 upon acquisition of 13 Courtyard by Marriott hotels in the United States, which secures access to Marriott's reservation and sales platforms.

28 - Segmented information

Hospitality segments

The chief operating decision maker reviews and analyzes the US hospitality operations as separate segment, which includes the Hyatt Regency Arcade and the Renaissance Hotels located in Cleveland, Ohio, the 13 Hotels branded Marriott Courtyard located in 9 different states and the Bear Valley Resort located in California. The Canadian hospitality operations include the Deerhurst and Horseshoe resorts located in Ontario, Canada.

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.

(in thousands of Canadian Dollars)

During 2019 the Company sold its only stand alone commercial property. As a result, the chief operating decision maker no longer considers commercial property to be an identifiable segment, and reviews the remaining commercial assets together with the US and Canadian hotels and resorts segments. As such the company has classified its remaining commercial assets as part of the US and Canadian hotels and resorts segments.

Presentation of comparative information in the consolidated statements of income (loss), has been reclassified in accordance with this change.

Business segments are classified as follows:

US hotels and resorts	Acquisition, ownership and management of hotels and resorts in the US
Canadian hotels and resorts	Acquisition, ownership and management of hotels and resorts in Canada
Development	Acquisition, development and sale of real estate properties and lands

Segmented financial information is as follows:

	US hotels and resorts	Canadian hotels and resorts	Development	Adjustments for commercial property sold	Total
For the year ended December 31, 2020					
Revenue	54,702	36,782	37,878	—	129,362
Costs and expenses	(51,581)	(28,544)	(34,820)	—	(114,945)
	3,121	8,238	3,058	—	14,417
Selling and marketing expenses					(933)
Administrative and general expenses					(5,600)
Impairment of real estate properties					(1,180)
Depreciation					(20,250)
Gain from fair value adjustments					4,569
Other expense					(69)
Financial expense					(19,627)
Financial income					2,193
Loss before income taxes					(26,480)

	US hotels and resorts	Canadian hotels and resorts	Development	Adjustments for commercial property sold	Total
For the year ended December 31, 2019					
Revenue	138,721	54,864	41,658	—	235,243
Costs and expenses	(105,779)	(45,592)	(36,211)	—	(187,582)
	32,942	9,272	5,447	—	47,661
Selling and marketing expenses					(373)
Administrative and general expenses					(6,439)
Depreciation					(20,458)
Loss from fair value adjustments					(15)
Loss on sale of investments					(611)
Other expense					(1,331)
Loss from early extinguishment of debt					(2,749)
Financial expense					(21,188)
Financial income					3,267
Loss before income taxes					(2,236)
For the year ended December 31, 2018					
Revenue	131,876	50,406	46,722	3,252	232,256
Costs and expenses	(101,944)	(41,299)	(42,504)	(740)	(186,487)
	29,932	9,107	4,218	2,512	45,769
Selling and marketing expenses					(776)
Administrative and general expenses					(8,010)
Depreciation					(21,110)
Loss from fair value adjustments					(3,209)
Loss on sale of investments					(1,770)
Other expense					(116)
Financial expense					(19,745)
Financial income					778
Loss before income taxes					(8,189)

(in thousands of Canadian Dollars)

	US hotels and resorts	Canadian hotels and resorts	Development	Adjustments for commercial property sold	Total
As at December 31, 2020					
Assets	341,850	150,489	145,524	—	637,863
Liabilities	(252,866)	(95,741)	(32,827)	—	(381,434)
	88,984	54,748	112,697	—	256,429
As at December 31, 2019					
Assets	370,426	146,026	159,394	—	675,846
Liabilities	(267,987)	(87,195)	(43,823)	—	(399,005)
	102,439	58,831	115,571	—	276,841

29 - Subsequent events

(a) On January 10, 2021 at the annual general meeting ("AGM"), the shareholders approved the extension of a loan to the Company's CEO, for an additional period of three years, until February 18, 2024, or six months after his termination, whichever is first. At the AGM, an allocation to the CEO of 100,000 stock options (the "Options") was also 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.

(b) Subsequent to year end, the Company completed the sale of the remaining units at its Lakeside development at Deerhurst. As of the date of this report, 150 of 150 units have been sold, and financial closing has occurred on 149 of 150 units.

(c) Subsequent to year end, the Company completed the sale of the 9 remaining lots at its Golf Cottages 1 development at Deerhurst. As part of the sale, the Company received $438 thousand in cash and used this amount to repay debt and expenses related to the project. The Company provided the purchaser with a VTB of $1.1 million, payable over two years.