SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements

for the period ended

March 31, 2020

(Unaudited)

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for the period ended

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Contents

Review Report for the first quarter
Auditors' review report to the Shareholders of
Skyline Investments Inc.

Introduction:

We have reviewed the accompanying financial information of Skyline Investments Inc. the company and its subsidiaries (hereafter "the company") which includes the condensed consolidated statement of financial position as of March 31, 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months period then ended. The board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34 “Interim Financial Reporting” and are also responsible for the preparation of interim financial information for this period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review:

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

In addition to that mentioned in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the abovementioned interim financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Without qualifying our conclusion, 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.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv,
May 14, 2020

SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of financial position

(in thousands of Canadian Dollars)

	Note	As at March 31, 2020 (Unaudited)	As at March 31, 2019 (Unaudited)	As at December 31, 2019 (Audited)
Assets				
Current assets				
Cash and cash equivalents		37,770	33,638	26,874
Trade receivables, other receivables and prepayments		13,323	56,121	24,510
Inventories		1,529	1,410	1,782
Real estate inventory		28,424	62,647	52,235
Loans to purchasers		10,063	7,189	9,177
Restricted bank deposits		4,439	4,560	4,222
		95,548	165,565	118,800
Non-current assets				
Financial derivative		6,464	3,692	4,817
Investment properties	5	60,762	59,405	59,965
Property, plant and equipment	6	478,752	481,633	454,737
Loans to purchasers		50,195	28,462	27,465
Other non-current assets		3,830	2,628	2,495
Restricted bank deposits		7,491	7,801	7,567
		607,494	583,621	557,046
Total assets		**703,042**	**749,186**	**675,846**
Liabilities and equity				
Current liabilities				
Loans payable	7	65,342	55,460	19,324
Bonds		6,762	6,258	6,209
Trade payables		6,785	11,811	9,471
Other payables and credit balances		23,352	26,781	31,216
Deferred revenue		6,328	6,758	8,479
Current tax liability		862	1,681	1,484
Purchasers' deposits		407	5,246	3,263
		109,838	113,995	79,446
Non-current liabilities				
Loans payable	7	164,977	193,755	179,746
Bonds		102,021	101,302	97,535
Other liabilities		700	750	464
Deferred tax liabilities		41,214	43,510	41,814
		308,912	339,317	319,559
Total liabilities		418,750	453,312	399,005
Equity				
Equity attributable to shareholders of the Company		259,455	257,731	252,374
Non-controlling interest		24,837	38,143	24,467
		284,292	295,874	276,841
Total liabilities and equity		**703,042**	**749,186**	**675,846**

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

On behalf of the board of directors:

"Shimshon Marfogel"	*"Blake Lyon"*	*"Robert Waxman"*	May 14, 2020
Shimshon Marfogel Chairman	Blake Lyon CEO	Robert Waxman CFO	Date

SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of income

(in thousands of Canadian Dollars)

	Note	For Three Months Ended March 31, 2020	For Three Months Ended March 31, 2019	For the Year Ended December 31, 2019
		(Unaudited)	*(Unaudited)*	*(Audited)*
Revenue				
Income from hotels and resorts		41,567	50,825	193,585
Sale of residential real estate		30,092	6,039	41,658
		71,659	56,864	235,243
Expenses and costs				
Operating expenses from hotels and resorts		(34,060)	(38,058)	(151,371)
Cost of sales of residential real estate		(26,888)	(4,850)	(36,211)
		(60,948)	(42,908)	(187,582)
		10,711	13,956	47,661
Selling and marketing expenses		(31)	(17)	(373)
Administrative and general expenses		(1,589)	(1,370)	(6,439)
Operating income before depreciation, valuation adjustments and other income		9,091	12,569	40,849
Depreciation		(5,707)	(4,867)	(20,458)
Gain (loss) from fair value adjustments of investment properties		(143)	(528)	(15)
Derecognition of investment costs and other capital gains (losses)		—	(1,364)	(611)
Other expenses		(50)	8	(1,331)
Net income from operations		3,191	5,818	18,434
Loss from early extinguishment of debt		—	(2,749)	(2,749)
Financial expense	8	(12,754)	(5,887)	(21,188)
Financial income	9	2,389	1,143	3,267
Net income (loss) before income taxes		(7,174)	(1,675)	(2,236)
Income tax recovery	10	1,308	214	877
Net income (loss) for the period		(5,866)	(1,461)	(1,359)
Attributable to:				
Shareholders of the Company		(5,352)	205	(325)
Non-controlling interest		(514)	(1,666)	(1,034)
		(5,866)	(1,461)	(1,359)
Earnings per share:				
Basic		(0.32)	0.01	(0.02)
Diluted		(0.32)	0.01	(0.02)

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

SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of comprehensive income

(in thousands of Canadian Dollars)

	For Three Months Ended March 31,		For the Year Ended December 31,
	2020	2019	2019
	(Unaudited)	*(Unaudited)*	*(Audited)*
Net income (loss) for the period	(5,866)	(1,461)	(1,359)
Other comprehensive income			
Items that will not be reclassified subsequently to net income (loss):			
Revaluation of property, plant and equipment, before income taxes	(1,070)	—	(11,419)
Income taxes	122	—	377
	(948)	—	(11,042)
Items that will or may be reclassified subsequently to net income (loss):			
Exchange differences on translation of foreign operations	14,239	(3,483)	(8,820)
Other comprehensive income (loss) for the period, net of taxes	13,291	(3,483)	(19,862)
Total comprehensive income (loss) for the period, net of taxes	7,425	(4,944)	(21,221)
Attributable to:			
Shareholders of the Company	7,055	(3,000)	(8,446)
Non-controlling interest	370	(1,944)	(12,775)
	7,425	(4,944)	(21,221)

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

SKYLINE INVESTMENTS INC.

Condensed interim 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	Share based compensation surplus	Related party surplus	Foreign exchange translation	Retained earnings	Attributable to shareholders of the Company	Non- controlling interest	Total Equity
For three months ended March 31, 2020 (Unaudited)										
Balance at the beginning of the period	79,686	—	88,730	705	125	1,785	81,343	252,374	24,467	276,841
Net income (loss) for the period	—	—	—	—	—	—	(5,352)	(5,352)	(514)	(5,866)
Other comprehensive income (loss) for the period	—	—	(413)	—	—	12,820	—	12,407	884	13,291
Total comprehensive loss for the period	—	—	(413)	—	—	12,820	(5,352)	7,055	370	7,425
Transfer upon recognition of depreciation	—	—	(900)	—	—	—	900	—	—	—
Recognition of share-based payment	—	—	—	26	—	—	—	26	—	26
Balance at the end of the period	79,686	—	87,417	731	125	14,605	76,891	259,455	24,837	284,292
For three months ended March 31, 2019 (Unaudited)										
Balance at the beginning of the period	79,298	—	91,522	1,026	125	9,511	79,271	260,753	40,087	300,840
Net income (loss) for the period	—	—	—	—	—	—	205	205	(1,666)	(1,461)
Other comprehensive income (loss) for the period	—	—	—	—	—	(3,205)	—	(3,205)	(278)	(3,483)
Total comprehensive Income for the period	—	—	—	—	—	(3,205)	205	(3,000)	(1,944)	(4,944)
Transfer upon recognition of depreciation	—	—	(558)	—	—	—	558	—	—	—
Recognition of share-based payment	—	—	—	(22)	—	—	—	(22)	—	(22)
Balance at the end of the period	79,298	—	90,964	1,004	125	6,306	80,034	257,731	38,143	295,874
For the year ended December 31, 2019 (Audited)										
Balance at the beginning of the year	79,298	—	91,522	1,026	125	9,511	79,271	260,753	40,087	300,840
Net income (loss) for the period	—	—	—	—	—	—	(325)	(325)	(1,034)	(1,359)
Other comprehensive income (loss) for the period	—	—	(395)	—	—	(7,726)	—	(8,121)	(11,741)	(19,862)
Total comprehensive income 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	—	88,730	705	125	1,785	81,343	252,374	24,467	276,841

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

SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of cash flows

(in thousands of Canadian Dollars)

	For three months ended March 31,		For the year ended December 31,
	2020	2019	2019
	(Unaudited)	*(Unaudited)*	*(Audited)*
Operating activities			
Net income (loss) for the period	(5,866)	(1,461)	(1,359)
Adjustments for:			
Depreciation and amortization	6,137	5,166	22,329
(Gain) loss from fair value adjustments of Investment properties	143	528	15
(Gain) loss on sale of investment and other property	—	—	750
Finance (income) costs from bonds including foreign exchange	6,870	(44)	(674)
Finance (income) costs from financial derivative	(1,647)	(871)	(1,996)
Deferred tax, net	(2,238)	(1,847)	(2,566)
Share based compensation	26	(22)	67
Changes in non-cash working capital			
Trade receivables	10,524	(1,843)	23,846
Other receivables, prepayments and others	67	(67)	5,229
Restricted bank deposits	(292)	(169)	160
Inventories	332	518	139
Real estate Inventory	293	1,926	12,085
Trade and other payables and credit balances	(12,085)	(5,208)	(3,258)
Income taxes payable	711	1,004	813
Purchasers' deposits	(2,856)	(3,533)	(5,516)
Cash provided by (used in) operating activities	119	(5,923)	50,064
Investing activities			
Additions to investment properties	(51)	(180)	(312)
Investment in restricted long term deposit	683	(291)	(266)
Additions to property, plant and equipment	(659)	(5,414)	(15,142)
Income taxes	(1,333)	—	—
Net proceeds from sale of investment properties	—	27,535	27,535
Proceeds from sale of property, plant and equipment	—	—	583
Cash provided by (used in) investing activities	(1,360)	21,650	12,398
Financing activities			
Bank credit and other short-term loans	15,600	6,230	(36,248)
Repayment of bonds	(3,391)	(3,276)	(6,629)
Proceeds from long term loans	136	3,876	4,635
Repayments of long term loans	(1,048)	(15,027)	(21,847)
Distribution to non-controlling shareholders	—	—	(2,845)
Cash provided by (used in) financing activities	11,297	(8,197)	(62,934)
Foreign exchange translation of cash balances	841	(1,875)	(637)
Net increase (decrease) in cash and cash equivalents	10,896	5,655	(1,109)
Cash and cash equivalents at beginning of period	26,874	27,983	27,983
Cash and cash equivalents at end of period	37,770	33,638	26,874

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

SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of cash flows

(in thousands of Canadian Dollars)

	For three months ended March 31,		For the year ended December 31,
	2020	2019	2019
	(Unaudited)	*(Unaudited)*	*(Audited)*
Supplemental cash flow information			
Interest paid	5,355	6,440	20,367
Interest received	28	39	194
Income taxes paid (received)	1,495	(76)	677
Significant non-cash investing and financing activities			
Loans to purchasers	23,652	3,167	4,262
Share capital and premium increase	—	—	388

The accompanying notes are an integral part of these condensed interim 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 range between one to four years.

As at March 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 the Company is a reporting issuer in Canada.

(b) COVID-19 update

At the end of 2019, the COVID-19 virus began spreading rapidly, and during Q1 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, beginning in March 2020. 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. The temporary closure of the Resorts is expected to have a positive impact on near-term earnings given that the current shutdown is occurring during off-peak season. Should the restrictions put in place as a result of the pandemic continue beyond Q2 2020, the company expects that there could be an adverse impact on the financial performance of the Resorts. 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.

The Company’s hotels located in the USA (the “US Properties”) are all operating at limited occupancy, 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, the pent-up demand for this segment will be significant.

The Company undertook efforts to determine the impact, if any, the COVID-19 crisis has had on the valuation of its hotel properties. Specific actions undertaken include:

1. Determining a “significant downside” financial scenario in the event of a full scale, prolonged shutdown of the global economy; Skyline does not expect this scenario to materialize as our assets are not all closing and the economy is beginning to reopen, which is consistent with our views at March 31, 2020;
2. Contacting each valuator of material properties owned by Skyline to determine their macro view on the economy in general as well as their micro view on properties specifically owned by Skyline;
3. Engaging in discussion with other relevant industry participants to determine their views on asset values review of hospitality market publications and forecasts;
4. Review of hospitality market publications and forecasts, as well as reviewing the market for any transactions on or around March 31, 2020; and
5. Incorporating all above data points in determining a potential change of value as at March 31, 2020.

The Company’s valuators noted that there were a lack of comparable transactions taking place in the market that would give an indication of a change in the capitalization rates of the Company’s assets. Given this, they also noted that there would be no change in the terminal capitalization rate or stabilized value applied when using the DCF method of valuation. Furthermore, it was the general consensus that given the extent of government intervention, potential for inflation, as well as declining debt yields, any risk premium as a result of the crisis would be offset when determining an appropriate discount rate to apply in a performing a DCF valuation. The valuators also noted that the Company’s hotels and resorts are strategically located in “drive to” markets that are widely expected to experience a swift upward trend in demand as the crisis comes to an end, even if they experience a decrease in demand in the short-term. As at March 31, 2020, the Company records the value of its hotels and resorts at $478,752 compared to $454,737 as at December 31, 2019. Excluding the impact of foreign exchange revaluation, this translates to a decrease of $6,506 from our most recent publicly filed financial results.

In response to the COVID-19 crisis, the Canadian and US Governments have unveiled multiple stimulus measures for which the Company qualifies or believes it qualifies. In the US, Skyline has qualified for loans under the Paycheque Protection Program (“PPP”). US$6.6 million were approved or funded after March 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. At this time, the Company is only able to disclose that it expects a portion of these loans to be forgivable but does not have sufficient information to estimate what portion of the loan proceeds will be forgiven. In addition, the Company believes that it will qualify for the Mainstreet Loans Program (“MLP"), however at this time guidelines have not been finalized and the Company is therefore not able to estimate the amount of proceeds that will be made available.

In Canada, the Company has applied for the Canada Employment Wage Benefit (“CEWB”), 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 6, 2020. As a result, during Q1 2020, the Company recorded an offset to salaries and benefits in the amount of $227 thousand. In addition, the Company believes that it may qualify for the Business Credit Availability Program (“BCAP”), which may allow the Company to receive up to a $6.25 million loan guaranteed by the Canadian Government. Details of the program are still being finalized, however current indications are that BCAP loans will be for 5 years, with no principal due during the first year of the loan.

The Company, as part of its response to the crisis, has examined, 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 condensed consolidated interim 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 at least the next two quarters, where required.

Furthermore, the Company employs conservative leverage, has sufficient financing capabilities, and expects 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 beyond Q2 2020, there could be an adverse impact on the operations and financial results of the Company.

2 - Statement of compliance and basis of presentation

(a) Statement of compliance

The Company has prepared these condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. These policies have been consistently applied to all periods presented, unless stated otherwise.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on May 14, 2020.

(b) Basis of presentation

The basis of presentation and significant accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended December 31, 2019, except for the impact of newly adopted standards, amendments and interpretations, as described in note 1 (c) hereafter. These condensed interim consolidated financial statements should therefore be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2019.

(c) Standards that were initially applied during the period

1. *IFRS 3, Business Combinations ("IFRS 3")*

The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination, which applies to annual reporting periods beginning on or after January 1, 2010. The amendment clarifies the definition of a business and provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment 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. There was no impact on transition as the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

(in thousands of Canadian Dollars)

(d) Significant 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. Due to the COVID-19 pandemic, the Company has examined the need for impairment of the Company's PP&E and Investment Properties. For information regarding Management's assumptions and estimates, please refer to note 1 (b).

(e) Foreign currency

	For Three Months Ended March 31,		For the Year Ended December 31,
	2020	**2019**	**2019**
Exchange rates - ending rate:			
USD / CAD	1.419	1.336	1.299
CAD / NIS	2.500	2.705	2.654
Exchange rates - average rate:			
USD / CAD	1.343	1.330	1.327
CAD / NIS	2.606	2.743	2.686
Change in rate - compared to prior year ended:			
USD / CAD	9.2%	(2.0%)	(4.8%)
CAD / NIS	(5.8%)	(1.7%)	(3.6%)

3 - Seasonality and other disclosures

Due to the seasonal nature of Company's resorts, which are part of the US and Canadian hotels and resorts segments, revenues of these assets are typically higher in the winter and summer months as a result of the nature of their operations. The operating expenses of these assets are more evenly spread out during the year, although there are some increases in costs such as labor, costs of food and beverage etc. during the seasonally high periods.

4 - Fair value of financial assets and liabilities

(a) The estimated fair values and carrying amounts of bonds are as follows:

	Fair value as at			Carrying amount as at		
	March 31,		December 31,	March 31,		December 31,
	2020	**2019**	**2019**	**2020**	**2019**	**2019**
Bonds	87,779	105,590	109,721	110,158	108,793	106,677

(b) Fair values of long-term financial liabilities have been determined by calculating their present values as at the reporting date, using fixed effective market interest rates available to the Company. The carrying amount of these loans approximate their fair values.

(c) The fair value of bonds is based on the quoted price on the TASE (in New Israeli Shekels) as at the balance sheet date, translated to CAD using a currency NIS/CAD quote per the Bank of Israel web site. The carrying amount presented in the statement of financial position is net of financing costs.

(d) Fair value of other financial assets and liabilities:

The fair value of cash and cash equivalents approximate their carrying values. Amounts receivable, accounts payable and accrued liabilities are assumed to have a fair value that approximates their carrying values due to their short-term nature. Non-current loans to purchasers approximate their fair values as the interest rates charged correspond to the market rate in effect as at March 31, 2020. In addition, the Company has taken adequate security pledges on these assets.

(in thousands of Canadian Dollars)

5 - Investment properties

	For Three Months Ended March 31, 2020	For Three Months Ended March 31, 2019	For the Year Ended December 31, 2019
Balance as at the beginning of the year	59,965	90,640	90,640
Expenditures subsequent to acquisition	51	180	312
Net gain (loss) from fair value adjustments	(143)	(528)	(15)
Net proceeds from sale of investment properties	—	(27,535)	(27,535)
Transfer to loans to purchasers and from others	92	(3,167)	(3,003)
Foreign exchange translation and other	797	(185)	(434)
Balance as at the end of the year	60,762	59,405	59,965

6 - Property, plant and equipment

	For Three Months Ended March 31, 2020	For Three Months Ended March 31, 2019	For the Year Ended December 31, 2019
Changes during the period			
Gross carrying amount as at beginning of year	515,746	563,375	563,375
Accumulated depreciation as at beginning of year	(61,009)	(76,110)	(76,110)
	454,737	487,265	487,265
Expenditures subsequent to acquisitions	659	5,414	15,140
Recognition of right-of-use assets and lease liabilities upon initial application of IFRS16	—	908	908
Capital leases	36	—	2,355
Adjustment to fair value through revaluation surplus	(1,070)	—	(11,419)
Transfer to loans to purchasers and real estate inventory	(424)	—	(1,114)
Disposals	—	—	(649)
Depreciation	(5,707)	(4,867)	(20,529)
Foreign exchange translation	30,521	(7,087)	(17,220)
Balance as at the end of the year	478,752	481,633	454,737

7 - Loans payable

	For Three Months Ended March 31, 2020	For Three Months Ended March 31, 2019	For the Year Ended December 31, 2019
Balance as at the beginning of the year	199,070	256,389	256,389
Proceeds from long term loans	136	3,876	4,635
Repayments of long term loans	(1,048)	(15,027)	(21,847)
Change in bank credit and other short-term loans	15,600	6,230	(36,248)
Amortization of deferred costs and others	430	299	1,800
Foreign exchange translation	16,131	(2,552)	(5,659)
Balance as at the end of the year	230,319	249,215	199,070

8 - Financial expense

	For Three Months Ended March 31, 2020	For Three Months Ended March 31, 2019	For the Year Ended December 31, 2019
Interest on long-term loans and leases	(2,278)	(3,535)	(12,316)
Interest on bonds	(1,615)	(1,705)	(6,506)
Foreign exchange revaluation of bonds	(8,147)	512	1,035
Amortization of deferred financing charges	(460)	(590)	(1,757)
Interest on short-term loans	(138)	(279)	(572)
Bank charges	(116)	(290)	(1,072)
	(12,754)	(5,887)	(21,188)

(in thousands of Canadian Dollars)

9 - Financial income

	For Three Months Ended March 31, 2020	For Three Months Ended March 31, 2019	For the Year Ended December 31, 2019
Fair value gain from financial derivative	1,647	871	1,996
Other financial income	742	272	1,271
	2,389	1,143	3,267

10 - Income tax recovery

	For Three Months Ended March 31, 2020	For Three Months Ended March 31, 2019	For the Year Ended December 31, 2019
Current income tax	(865)	(1,692)	(1,570)
Prior year income tax expense (recovery) and refunds	(65)	108	(119)
Deferred income tax expense	2,238	1,798	2,566
	1,308	214	877

11 - Significant events during the period

(a) During Q1 2020, the Company closed on the final 28 units at Lakeside Lodge. As a result, the Company received net cash proceeds of approximately $10,400.

(b) 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.

(c) Due to the failure of the original purchaser of the Port McNicoll asset ("PM Asset") to pay the monthly installments of the vendor take back loan and the unilateral measures taken by the Company to sell the PM Asset by virtue of a lien given to the Company as part of the original transaction, on March 10, 2020, an agreement was signed with a third party, not affiliated with the Company for the sale of the PM Asset for $43 million. Upon signing of the agreement, the buyer made a $100 thousand deposit. The Company will provide the buyer with a new $25 million vendor take back loan that will be repaid via equal monthly principal payments of approximately $350 thousand with interest at a 2% annualized rate. These payments will continue to December 2023 at which time the remainder of the loan will be payable.

12 - Segmented information

(a) *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.

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

(in thousands of Canadian Dollars)

(b) Segmented financial information:

	US hotels and resorts	Canadian hotels and resorts	Development	Total
For three months ended March 31, 2020 (Unaudited)				
Revenue	28,022	13,545	30,092	71,659
Costs and expenses	(24,371)	(9,689)	(26,888)	(60,948)
	3,651	3,856	3,204	10,711
Selling and marketing expenses				(31)
Administrative and general expenses				(1,589)
Depreciation				(5,707)
Loss from fair value adjustments				(143)
Other expense				(50)
Financial expense				(12,754)
Financial income				2,389
Net income (loss) before income taxes				(7,174)
For three months ended March 31, 2019 (Unaudited)				
Revenue	35,585	15,234	6,045	56,864
Costs and expenses	(27,029)	(11,023)	(4,856)	(42,908)
	8,556	4,211	1,189	13,956
Selling and marketing expenses				(17)
Administrative and general expenses				(1,370)
Depreciation				(4,867)
Loss from fair value adjustments				(528)
Derecognition of investment costs and other capital losses				(1,364)
Other expense				8
Loss from early extinguishment of debt				(2,749)
Financial expense				(5,887)
Financial income				1,143
Net income (loss) before income taxes				(1,675)
For the year ended December 31, 2019 (Audited)				
Revenue	138,721	54,865	41,657	235,243
Costs and expenses	(105,779)	(45,593)	(36,210)	(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)
Derecognition of investment costs and other capital losses				(611)
Other expense				(1,331)
Loss from early extinguishment of debt				(2,749)
Financial expense				(21,188)
Financial income				3,267
Net income (loss) before income taxes				(2,236)
As at March 31, 2020 (Unaudited)				
Assets	391,171	161,333	150,538	703,042
Liabilities	(284,886)	(97,267)	(36,597)	(418,750)
	106,285	64,066	113,941	284,292
As at March 31, 2019 (Unaudited)				
Assets	394,697	160,356	194,133	749,186
Liabilities	(280,950)	(95,793)	(76,569)	(453,312)
	113,747	64,563	117,564	295,874
As at December 31, 2019 (Audited)				
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