SKYLINE INVESTMENTS INC.
Consolidated financial statements
for the years ended
December 31, 2021 and 2020

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Contents

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, 2021 and 2020, and the consolidated statements of income (loss) and other comprehensive income (loss), changes in equity and cash flows for the three years ended at 31 December 2021, 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, 2021 and 2020, and its financial performance and its cash flows for the three years ended at December 31, 2021 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.

Emphasis of Matter

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.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

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.

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Tel Aviv, Israel

10 March 2022

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SKYLINE INVESTMENTS INC.

Consolidated statements of financial position

(in thousands of Canadian Dollars)

	Note	As at December 31, 2021	2020
Assets			
Current assets			
Cash and cash equivalents		61,489	22,436
Trade receivables, other receivables and prepayments	5	13,136	15,045
Inventories	7	980	1,496
Real estate inventory	8	7,034	21,995
Loans to purchasers	12	2,022	17,449
Restricted bank deposits	6	4,727	2,776
		89,388	81,197
Non-current assets			
Financial derivative	13	—	5,664
Investment properties	9	11,971	61,278
Property, plant and equipment	10	328,390	433,984
Loans to purchasers	12	95,951	45,454
Other non-current assets	4, 27(g)	12,452	3,666
Other investments measured at fair value through profit or loss	4	28,808	—
Restricted bank deposits	6	12,744	6,620
		490,316	556,666
Total assets		579,704	637,863
Liabilities and equity			
Current liabilities			
Loans and leases payable	15	152,450	25,338
Bonds	13	3,569	6,282
Trade payables		10,889	9,966
Other payables and credit balances	14	22,447	24,229
Deferred revenue		4,568	9,061
Income taxes payable		5,155	379
Other liabilities measured at fair value	4	189	—
Purchasers' deposits		325	110
		199,592	75,365
Non-current liabilities			
Loans and leases payable	15	24,105	182,025
Bonds	13	43,478	92,460
Other liabilities		89	88
Deferred tax	11	15,364	31,496
		83,036	306,069
Total liabilities		282,628	381,434
Equity			
Equity attributable to shareholders of the Company	18	266,249	226,044
Non-controlling interest	18	30,827	30,385
		297,076	256,429
Total liabilities and equity		579,704	637,863

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 10, 2022
Shimshon Marfogel	Blake Lyon	Robert Waxman	Date
Chairman	CEO	CFO	

SKYLINE INVESTMENTS INC.

Consolidated statements of income (loss)

(in thousands of Canadian Dollars, except for per share amounts)

	Note	For the year ended December 31, 2021	2020	2019
Revenue				
Income from hotels and resorts	20	129,293	91,484	193,585
Sale of residential real estate		7,453	37,878	41,658
		136,746	**129,362**	**235,243**
Expenses and costs				
Operating expenses from hotels and resorts	21	(96,212)	(80,125)	(151,371)
Cost of sales of residential real estate	22	(7,677)	(34,820)	(36,211)
		(103,889)	**(114,945)**	**(187,582)**
		32,857	**14,417**	**47,661**
Real estate selling and marketing expenses		(266)	(933)	(373)
Administrative and general expenses	23	(8,090)	(5,600)	(6,439)
Operating income before depreciation, valuation adjustments and other income		**24,501**	**7,884**	**40,849**
Impairment of real estate properties	8	(2,491)	(1,180)	—
Depreciation	10	(17,992)	(20,250)	(20,458)
Gain (loss) from fair value adjustments of investment properties	9	30,976	4,569	(15)
Gain (loss) from fair value adjustments of other liabilities	4	14	—	—
Gain (loss) on sale and other capital gains (losses), net	10	7,220	—	(611)
Other expenses		(656)	(69)	(1,331)
Net income (loss) from operations		**41,572**	**(9,046)**	**18,434**
Loss from early extinguishment of debt		—	—	(2,749)
Financial expense	24	(19,454)	(19,627)	(21,188)
Financial income		1,954	2,193	3,267
Net income (loss) before income taxes		**24,072**	**(26,480)**	**(2,236)**
Income tax recovery	25 & 11	5,506	7,843	877
Net income (loss) for the year		**29,578**	**(18,637)**	**(1,359)**
Attributable to:				
Shareholders of the Company		22,926	(18,000)	(325)
Non-controlling interest	18	6,652	(637)	(1,034)
		29,578	**(18,637)**	**(1,359)**
Net income (loss) per share:				
Basic	18	1.39	(1.09)	(0.02)
Diluted		1.39	(1.09)	(0.02)

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,		
	2021	**2020**	**2019**
Net income (loss) for the year	**29,578**	**(18,637)**	**(1,359)**
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to net income (loss):			
Revaluation of property, plant and equipment, before income taxes	15,411	(2,814)	(11,419)
Income taxes	3,234	2,005	377
	18,645	**(809)**	**(11,042)**
Items that will or may be reclassified subsequently to net income (loss):			
Foreign exchange differences on translation of foreign operations	(206)	(1,033)	(8,820)
Other comprehensive income (loss) for the year net of income tax	18,439	(1,842)	(19,862)
Total comprehensive income (loss) for the year, net of income tax	**48,017**	**(20,479)**	**(21,221)**
Attributable to:			
Shareholders of the Company	40,122	(26,397)	(8,446)
Non-controlling interest	7,895	5,918	(12,775)
	48,017	**(20,479)**	**(21,221)**

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	Related party surplus	Revaluation surplus	Share based compensation surplus	Foreign exchange translation	Retained earnings	Attributable to shareholders of the Company	Non-controlling interest	Total Equity
For the year ended December 31, 2021									
Balance at the beginning of the year	79,686	125	78,553	772	854	66,054	226,044	30,385	256,429
Net income for the year	—	—	—	—	—	22,926	22,926	6,652	29,578
Other comprehensive income (loss) for the year	—	—	17,337	—	(141)	—	17,196	1,243	18,439
Total comprehensive income (loss) for the year	—	—	17,337	—	(141)	22,926	40,122	7,895	48,017
Transfer upon recognition of depreciation	—	—	(2,385)	—	—	2,385	—	—	—
Distribution to non-controlling shareholders	—	—	—	—	—	—	—	(7,453)	(7,453)
Recognition of share-based payment	—	—	—	83	—	—	83	—	83
Transfer upon sale	—	—	(51,316)	—	—	51,316	—	—	—
Transfer upon expiration	181	—	—	(181)	—	—	—	—	—
Balance at the end of the year	79,867	125	42,189	674	713	142,681	266,249	30,827	297,076
For the year ended December 31, 2020									
Balance at the beginning of the year	79,686	125	88,730	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
Transfer upon expiration	—	—	—	—	—	—	—	—	—
Balance at the end of the year	79,686	125	78,553	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	125	91,522	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	125	88,730	705	1,785	81,343	252,374	24,467	276,841

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,		
	2021	**2020**	**2019**
Operating activities			
Net income (loss) for the year	29,578	(18,637)	(1,359)
Adjustments for:			
Depreciation and amortization	21,983	* 23,136	22,329
Loss (gain) from fair value adjustments	(30,990)	(4,569)	15
Loss (gain) on sale of investment and other property	(7,220)	—	750
Financing costs from bonds including foreign exchange	523	2,154	(674)
Financing income from financial derivative	(536)	(847)	(1,996)
Deferred tax, net	(12,901)	(8,561)	(2,566)
Share based compensation	83	67	67
Changes in non-cash working capital			
Trade receivables, other receivables, prepayments and others	24,920	8,990	29,075
Restricted bank deposits	(4,929)	1,427	160
Inventories	(259)	267	139
Real estate inventory	1,722	* 5,145	12,085
Trade and other payables and credit balances	(4,670)	(13,604)	(3,258)
Income taxes payable	6,141	367	813
Purchasers' deposits	4,073	(3,153)	(5,516)
Cash provided by (used in) operating activities	27,518	(7,818)	50,064
Investing activities			
Additions to investment properties	(127)	(397)	(312)
Investment in restricted long term deposit	(7,609)	850	(266)
Additions to property, plant and equipment	(7,400)	(7,111)	(15,142)
Income taxes	(1,365)	(1,472)	—
Proceeds from sale of investment properties, net of income tax	—	—	27,535
Net proceeds from sale of disposal group	103,975	—	—
Disposition of financial derivative	6,200	—	—
Proceeds from sale of property, plant and equipment, net of income tax	8	86	583
Cash provided by (used in) investing activities	93,682	(8,044)	12,398
Financing activities			
Bank credit and other short-term loans	(22,890)	12,279	(36,248)
Repayment of bonds	(53,646)	(7,005)	(6,629)
Proceeds from long term loans	12,511	12,329	4,635
Repayments of long term loans and capital leases	(10,993)	(5,933)	(21,847)
Distribution by a subsidiary to its non-controlling shareholders	(7,453)	—	(2,845)
Cash provided by (used in) financing activities	(82,471)	11,670	(62,934)
Foreign exchange translation of cash balances	324	(246)	(637)
Net increase (decrease) in cash and cash equivalents	39,053	(4,438)	(1,109)
Cash and cash equivalents at beginning of year	22,436	26,874	27,983
Cash and cash equivalents at end of year	61,489	22,436	26,874

* Reclassified

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,		
	2021	2020	2019
Supplemental cash flow information			
Interest paid *	14,168	14,910	20,367
Interest received	431	132	194
Income taxes paid	2,598	1,790	677

* Interest paid for the year ended December 31, 2021 includes $426 (year ended December 31, 2020: $115; year ended December 31, 2019 nil) related to the receipt of PPP grants.

	2021	2020	2019
Significant non-cash investing and financing activities			
Loans to purchasers	61,112	27,123	4,262
Other investments measured at fair value through profit or loss	28,808	—	—
Other non-current assets	8,000	—	—
Share capital and premium increase	181	—	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, 2021, 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

In December 2020, the local jurisdictions where Deerhurst Resort (“Deerhurst”), Horseshoe Valley Resort (“Horseshoe”) and Bear Valley Resort (“Bear Valley”) are located implemented capacity and other business restrictions, causing the partial closure of certain operations. These restrictions were subsequently removed in February 2021 for the remainder of the ski season. On April 3rd, 2021, the Province of Ontario issued a subsequent stay-at-home order, resulting in the temporary closure of certain operations at Horseshoe and Deerhurst (Bear Valley was not subject to these restrictions). These restrictions began easing on June 11, 2021 for the summer season, when demand for domestic travel was strong. On September 22, 2021, the Province of Ontario implemented a plan whereby businesses that require proof of vaccination against COVID-19 can have certain capacity and operating restrictions lifted. Due to a rise in cases related to the Omicron variant of COVID-19 (“Omicron”), on January 3, 2022, the Province of Ontario re-implemented capacity restrictions on certain businesses, the majority of which were subsequently lifted on March 1, 2022. These restrictions did not have a major impact on Skyline due to the Freed Transaction (as defined in note 4 below), and the same restrictions were not put in place in the U.S. jurisdictions in which it operates. Should the crisis worsen and or/extend for a prolonged period where operating restrictions cannot be removed, there could be an adverse impact on the operations and financial results of the Company.

The Company’s hotels located in the USA (the “US Properties”) have never closed and are all operating with appropriately adjusted staff levels. Given that the majority of the US Properties are primarily located in “drive-to” secondary markets that are not dependent 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, and social distancing initiatives are in place. In the event that the Company is required to place continued or increased restrictions on its occupancy levels, the company expects that there could be an adverse impact on the financial performance of its 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.

As at December 31, 2021, the Company undertook specific actions to determine if there was any change in the value of its PP&E, including holding discussions with independent, third-party experts, referencing market transactions, and a review of updated internal forecasts and 10-year discounted cash flow models. In addition, the Company received independent third-party valuations on 14 of its 16 hotels and resorts during the year ended December 31, 2021, and received non-binding offers for the acquisition of 2 additional hotels. As at December 31, 2021, the Company records the value of its PP&E at $328,390 compared to $433,984 as at December 31, 2020. Please refer to notes 2(g), 4 and 10 for more detail regarding the Company's PP&E. 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 is eligible. In the US, Skyline has qualified for loans under the Paycheque Protection Program ("PPP"). 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 year ended December 31, 2021, Skyline received US$7.5 million ($9.5 million) in PPP funding (year ended December 31, 2020: US$6.7 million). For the year ended December 31, 2021, the Company recorded an offset to certain expenses in the amount US$7.2 million related to the government assistance at its US properties (year ended December 31, 2020: US$6.7 million).

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 October 23, 2021, as well as the Canada Emergency Rent Subsidy ("CERS"), which covers certain rental and building operating expenses from hotels and resorts in the amount of $5.6 million (year ended December 31, 2020: 3.7 million) and an offset to administrative and general expenses in the amount of $0.8 million (year ended December 31, 2020: $0.3 million) relating to CEWS and CERS.

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 is in the process of renegotiating long-term extensions of all loans that are classified as current liabilities on its statement of financial position as at December 31, 2021.

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, 2021, the Company complies with all covenants per the deed of trust and has always complied with these covenants since the Series B bond was issued. Also included in the Series B Deed is a trailing 4-quarter, non-defaulting Bond Operating EBITDA Provision (the "Provision"). The Provision's limit is $18 million of Operating EBITDA (as defined in Section 1.5.31 of the Series B Deed). Based on the Company's consolidated financial statements for the year ended December 31, 2021, published by the Company on March 11, 2022, Operating EBITDA for the last four quarters was $41.33 million.

The Company employs conservative leverage and has sufficient financing capabilities. 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 is 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.

(d) Business combinations

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.

(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.

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

(in thousands of Canadian Dollars)

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

	For the year ended December 31,		
	2021	**2020**	**2019**
Exchange rates - At balance sheet date:			
CAD / USD	1.268	1.273	1.299
CAD / NIS	2.442	2.522	2.654
Exchange rates - Average during the period then ended:			
CAD / NIS	2.577	2.565	2.687
CAD / USD	1.254	1.342	1.327
Change in rate - during the year ended:			
CAD / USD	(0.4%)	(2.0%)	(4.8%)
CAD / NIS	(3.1%)	(5.0%)	(3.6%)

(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 with sufficient regularity by qualified, independent third-party appraisers who hold recognized relevant professional qualifications and have recent experience in the location and category of similar properties. The Company discusses the valuation process and verifies all major inputs to the valuations and reviews the results with the external appraisers for all independent valuations. The Company received independent third-party valuations on 14 of its 16 hotels and resorts during the year ended December 31, 2021. For periods when an independent third-party valuation is not performed, the Company undertakes specific actions to determine if there is any change in the value of its PP&E, including discussions with independent, third-party experts, referencing market transactions and any non-binding offers received on its hotels, and review of updated internal forecasts. The Company then uses these inputs in a discounted cash flow analysis over ten years to determine if there is any required revaluation at each reporting date.

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.

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	Lesser of lease term or useful life of improvements

A write down or impairment charge is made against the carrying value of PP&E where an impairment in value is deemed to have occurred.
Depreciation methods, useful lives and residual values are reviewed periodically and adjusted, if appropriate.

(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 appraised by qualified external appraisers with sufficient regularity such that the fair value does not differ materially from the carrying amount at each reporting date. Management regularly undertakes a review of the valuation of its investment properties 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 predevelopment 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 Inventory
Revenue from contracts with customers for the sale of real estate is recognized at the point in time when control over the property is ready for transfer, which is generally when possession passes to the customer, as the customer then has the ability to direct the use and obtain substantially all of the benefits of the respective property. Revenue is measured at the transaction price agreed to under the contract.

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

Season Pass 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 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 using the treasury method.

(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, their characteristics and the Company’s designation of such instruments. The standard requires that all financial assets and financial liabilities be classified as fair value through profit or loss (“FVTPL”), amortized cost, or fair value through other comprehensive income (“FVOCI”). Amortized cost is determined using the effective interest method.

Classification of financial instruments

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

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
Other investments measured at fair value through profit or loss	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
Derivative financial liability	FVTPL

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 development properties and the Freed Transaction (as defined in note 4). 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 and other receivables ("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 (assets and liabilities)

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

Other investments measured at fair value through profit or loss

Other investments include investments in entities in which Skyline does not have significant influence. Other investments are initially recognized at fair value on the date the investment is made and are subsequently remeasured at fair value.

Financial liabilities

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

Loans and leases payable 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 recognized 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) Future accounting policy changes

IFRS 3

The amendment adds a requirement that the acquirer must determine at 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. The Company does not expect the amendment to have a material impact on the Company.

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. The Company does not expect the amendments to have a material impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1")

Classification of Liabilities as Current or Non-Current
The amendments clarify that the classification of liabilities as current or non-current is based on rights as opposed to the expectations about whether an entity will exercise its right to defer settlement of a liability. In addition, IAS 1 introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The Company does not expect the amendments to have a material impact on the Company.

Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2, "Making Materiality Judgements," provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are applicable January 1, 2023, with early adoption permitted. The Company does not expect the amendments to have a material impact on the Company.

IAS 8 – Definition of Accounting Estimates ("IAS 8")

The amendments to IAS 8 introduce a definition of "accounting estimates." The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective January 1, 2023, with early adoption permitted. The Company does not expect the amendments to have a material impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9"), Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to the IFRS standards process the IASB issued an amendment to IFRS 9. The amendment clarifies the types of fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment specifies that only fees paid or received between the borrower and lender, including fees paid or received by either the borrower or lender on the other's behalf, should be included. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective January 1, 2022 with early adoption permitted. The Company does not expect the amendment to have a material impact on the Company.

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:

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, detailed internal valuations using market-based assumptions, each in accordance with recognized valuation techniques, or non-binding offers received on its hotels and resorts. 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 9 and 10 for further detail of the valuation methods and the significant assumptions and estimates used.

4 - Freed Transaction

On December 6, 2021, Skyline closed two agreements of purchase and sale (the “Freed Transaction”) for the sale of a 100% interest in the resort assets and surrounding development lands at Deerhurst and Horseshoe, as well as the remaining development lands at Blue Mountain Resort (“Blue Mountain”) (collectively, the “Assets”), for an aggregate purchase price of $210 million, subject to standard working capital adjustments on closing, to Freed Corporation (“Freed”). Freed, through a newly formed subsidiary, Resort Communities LP ("Resort LP") combined the Assets with Muskoka Bay Resort ("Muskoka Bay"), an asset previously owned by Freed and its partners, at an agreed value of $90 million. On closing, The Company recorded approximately $104 million in net cash inflows from investing activities in its statement of cash flows, as well as the VTB, the Bridge Loan, and the Equity Investment (all as defined below). During the year ended December 31, 2021, Skyline recognized a $30.7 million pre-tax gain in the statement of income, which is composed of a $23.5 million gain from a fair value adjustment to investment properties and a $7.2 million gain on sale including the effect of transaction costs. The Company also recorded a $4.0 million dollar pre-tax other comprehensive loss due to the Freed Transaction.

Vendor Take Back Mortgage

As part of the Freed Transaction, Skyline provided a secured vendor-take back mortgage loan (“VTB”) in the amount of $59.984 million, bearing annual interest at 5%. Interest will accrue and be paid quarterly, with the exception of interest related to Deerhurst, which will accrue quarterly and be paid in early 2024 on the 28th month after closing in conjunction with the first scheduled principal repayment, and will paid monthly thereafter. The principal portion of the VTB will be repaid over four years based on the following schedule:

- $10.0 million due in April 2024;
- $25.0 million in June 2025; and
- $24.984 million in December 2025.

The VTB is prepayable by Freed at any time prior to maturity without penalty.

(in thousands of Canadian Dollars)

Bridge Loan

Skyline provided a two-year bridge loan (the "Bridge Loan") to Resort LP in the amount of $8 million, which has a guarantee from both Freed and Freed's Resort LP holding entity (the 71% owner of Resort LP) through a pledge of their interest in Resort LP, which is accruing interest at 12% until it is repaid. The Bridge Loan is prepayable at any time prior to maturity without penalty.

Equity Investment and Purchase Option

Skyline received a 29% interest in Resort LP ("the Equity Investment") at a transaction value of $32.717 million. The fair value of the Equity Investment recorded in Skyline's consolidated financial statements is $28.808 million due to transaction costs embedded in Resort LP. The valuation of the Equity Investment is based on the net asset value ("NAV") of Resort LP as at December 31, 2021. Skyline will have 29% rights in Resort LP, including the right to approve certain decisions such as acquisitions and the issuance of equity or debt. Freed or its affiliates will operate and manage the Resort LP assets in return for the fees set out in the purchase and sale agreements.

Freed will have an option until December 31, 2022, that is substantive and can be exercised immediately and without restrictions, to purchase Skyline's 29% interest in Resort LP for $32.717 million along with a 12% annualized return on this amount in cash (the "Purchase Option"). Due to the Purchase Option Skyline does not exercise significant influence over its investment in Resort LP, and therefore records the Equity Investment at fair value with any changes reflected in the statement of income (refer to note 2(n)).

The Purchase Option is presented as a derivative liability on Skyline's statement of financial position as at December 31, 2021. The value of the Purchase Option was determined by using inputs from an independent valuator using a binomial tree option pricing model. As a result, the Purchase Option is 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 option valuators. As at December 31, 2021, the value of the Purchase Option is zero.

If Freed does not exercise the Purchase Option, Skyline will have a put option and Freed will have a call option at the end of years four and five (from the Closing Date) to sell/buy up to 50% of Skyline's equity holding in Resort LP based on the fair market value at that time, and therefore the fair value of these options are zero.

Bond and Loan Repayment

On December 23, 2021, Skyline repaid its Series A bond, which was secured by Deerhurst, in full. The repayment was in the amount of NIS 122 million ($49.99 million), including principal, interest and an early repayment fee in the amount of approximately NIS 4.1 million ($1.7 million). Upon repayment of the Series A bond, Skyline unwound the associated CAD/NIS financial derivative (the "Swap"), and received approximately $6.2 million.

In addition, Skyline repaid loans totaling $19,145 including early repayment and associated fees. These loans were secured against Deerhurst and Horseshoe.

The value of real estate assets sold to Resort LP on the closing date was as follows:

	Canadian hotels and resorts	Development	Total
Real estate inventory	—	7,518	7,518
Investment properties	—	80,225	80,225
Property, plant and equipment	111,630	—	111,630
	111,630	87,743	199,373

(in thousands of Canadian Dollars)

5 - Trade receivables, other receivables and prepayments

		As at December 31, 2021	2020
Due from hospitality guests and clients		2,448	3,085
Other receivables	[1], [2]	8,225	8,829
Prepayments		2,562	3,245
Allowance for doubtful accounts		(99)	(114)
		13,136	15,045

[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 collateral and capital expenditures at hotels and resorts (which are classified as long-term). Refer to note 19(b).

7 - Inventories

	As at December 31, 2021	2020
Food & beverage	297	413
Retail	558	927
Other inventory	125	156
	980	1,496

8 - Real estate inventory

		As at December 31, 2021	2020
Residential constructed inventory		—	720
Real estate under construction	(c)	—	4,355
Serviced parcels of land	(b) (c)	7,034	11,559
Parcels of land under construction	(c)	—	5,361
		7,034	21,995

(a) Real estate inventory is summarized as follows:

		As at December 31, 2021	2020
Port McNicoll	(b)	963	2,086
Deerhurst	(c)	6,071	13,636
Horseshoe Valley		—	3,533
Blue Mountain Lands		—	2,740
		7,034	21,995

(b) Port McNicoll, Ontario

The balance of $963 represents 5 serviced parcels of land, for which Skyline signed contracts to sell. These sales are all expected to close by the second quarter of 2022.

(in thousands of Canadian Dollars)

(c) Huntsville, Ontario

The balance primarily relates to the Golf Cottage lots, which have been sold and are expected to begin construction in 2022.

9 - Investment properties

	As at December 31, 2021	As at December 31, 2020
Balance as at the beginning of the year	61,278	59,965
Expenditures subsequent to acquisition	127	397
Net gain (loss) from fair value adjustments	30,976	4,569
Transfer to loans to purchasers	—	(2,451)
Disposals	(80,221)	—
Transfer to real estate inventory	(153)	(1,034)
Foreign exchange translation and other	(36)	(168)
Balance as at the end of the year	11,971	61,278
Income producing retail components	8,418	8,454
Lands	3,553	52,824
	11,971	61,278

Disposals

As described in note 4, during the year ended December 31, 2021, the Company completed the Freed Transaction. The portion of proceeds related to assets classified as investment properties was $80,221, which were transferred to a disposal group held for sale as at September 30, 2021 and disposed of as of December 31, 2021.

Valuation basis

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. Refer to notes 2(h) and 3(a).

Significant unobservable (level 3) inputs used to determine the fair value of investment properties as at December 31, 2021 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
(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% (2020: 10.5%-11.0%), and terminal capitalization rates were 8.5% (2020: 8.5%).

As at December 31, 2021, 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 $349. As at December 31, 2021, 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 $324.

(in thousands of Canadian Dollars)

10 - Property, plant and equipment

For the year ended December 31,	2021			2020		
	Lands, buildings & improvements	Furniture, equipment and other	Total	Lands, buildings & improvements	Furniture, equipment and other	Total
Gross carrying amount as at beginning of year	402,527	110,505	513,032	409,748	105,999	515,747
Accumulated depreciation as at beginning of year	(31,974)	(47,074)	(79,048)	(25,079)	(35,931)	(61,010)
	370,553	63,431	433,984	384,669	70,068	454,737
Expenditures subsequent to acquisitions	4,040	3,360	7,400	1,182	5,929	7,111
Adjustment to fair value through revaluation surplus	15,411	—	15,411	(3,410)	596	(2,814)
Transfers from (to) real estate inventory and loans to purchasers	2,858	(8)	2,850	(455)	82	(373)
Depreciation	(7,564)	(10,428)	(17,992)	(7,811)	(12,439)	(20,250)
Impairment	(646)	—	(646)	—	—	—
Disposals (a)	(103,353)	(8,026)	(111,379)	—	(86)	(86)
Foreign exchange translation	(1,000)	(238)	(1,238)	(3,622)	(719)	(4,341)
Balance as at the end of the year	280,299	48,091	328,390	370,553	63,431	433,984
Balance as at the end of year for items measured at:						
Fair value			325,039			429,464
Cost			3,351			4,520
			328,390			433,984
Carrying amount under cost model			265,608			333,587

(a) Disposals

As described in note 4, during the year ended December 31, 2021, the Company completed the Freed Transaction. The portion of proceeds related to assets classified as investment properties was $111,379, which were transferred to a disposal group held for sale as at September 30, 2021 and disposed of in relation to the Freed Transaction.

(b) Valuation basis

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

Significant unobservable (level 3) inputs used to determine the fair value of investment properties as at December 31, 2021 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% (2020: 10.0%-13.0%), and terminal capitalization rates ranged between 8.5% and 12.5% (2020: 8.5% - 12.5%).

As at December 31, 2021, 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, 2021, 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.

(c) Cleveland Sale

On December 5, 2021, the Company entered into two agreements for the conditional sale of 90% of its interest in the Renaissance hotel and its 100% of the interest in the Hyatt Regency Arcade hotel, to a third party unrelated to the Company. If completed, the transaction is expected to close during the second quarter of 2022. The sale price for the Renaissance is expected to be US $45.72 million for 90%, reflecting a total value of US $50.8 million at 100% ownership. The sale price for the Hyatt is expected to be US$ 49.46 million, reflecting a purchase price of US $50.9 million less assumed debt of US $1.44 million. These amounts approximate the values for these assets in the Company's consolidated statement of financial position as at December 31, 2021.

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	Other	Total
Year ended December 31, 2020					
Balance at beginning of year	(8,931)	(52,930)	20,047	—	(41,814)
Amounts carried to:					
Net income (loss)	8,153	(6,937)	7,346	—	8,562
Other comprehensive income (loss)	—	2,005	—	—	2,005
Foreign currency translation reserve	31	51	(331)	—	(249)
	(747)	(57,811)	27,062	—	(31,496)
Year ended December 31, 2021					
Amounts carried to:					
Net income (loss)	(2,797)	24,386	(9,392)	704	12,901
Other comprehensive income (loss)	—	3,234	—	—	3,234
Foreign currency translation reserve	—	1	(4)	—	(3)
	(3,544)	(30,190)	17,666	704	(15,364)

The deferred taxes are calculated at tax rates ranging between 23% and 28% (2020 - 23% and 28%) - 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

	2021 and forward	2020
Non-capital gain (loss) tax rates:		
Ontario	26.50%	26.50%
Ohio, USA	22.98%	21.99%
California, USA	27.98%	27.98%
Other states (on average), USA	23.73%	22.17%
Capital gain (loss) tax rates:		
Ontario	13.25%	13.25%
Ohio, USA	22.98%	21.99%
California, USA	27.98%	27.98%
Other states (on average), USA	23.73%	22.17%

(e) Non-capital losses

The Company has non-capital losses carried forward for US and Canadian tax purposes of $71,342 as at December 31, 2021, which expire at various dates commencing December 31, 2032 (December 31, 2020: $107,912).

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

Blue Mountain VTBs

During 2020, the Company achieved final closing on its Second Nature 2 & 3 development projects near Blue Mountain ("Second Nature Phases 2 and 3"). The Company recorded revenue of approximately $29 million and provided the purchaser with a VTB 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. On August 12, 2021, Skyline received early repayment for the VTB related to Second Nature Phase 3 in the amount of $16,307 including accrued interest of $77. Upon receipt of the funds, Skyline fully repaid a loan, including discharge fees related to Second Nature Phase 3, in the amount of $4,199. As well, Skyline deposited $1,347 in a restricted bank account to secure letters of credit that will be released as lot servicing is completed and/or the homes to be built are occupied by end users. Cash received net of these amounts was $10,761, which will be used to fund expected futures development costs related to all phases of Second Nature in the amount of $3,224 (the majority of which are expected to be paid over the next two years). The balance of the VTB at Second Nature 2 is $2.8 million as at December 31, 2021.

During the year ended December 31, 2020, the Company sold certain investment properties and development lands at Blue Mountain to an unrelated party 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. The loan was repaid in full during the year ended December 31, 2021.

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. The balance of the VTB is $3.2 million as at December 31, 2021.

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. The loan was repaid in full during the year ended December 31, 2021.

Freed Transaction VTB

Refer to note 4 for details related to the Freed Transaction VTB.

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 was 5.2%, and was paid semi-annually (effective interest rate: approx. 7.30%). Each semi-annual principal payment was 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.

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 was 5.20% (effective interest rate: 5%). The Series A Bond expansion was subject to the same covenants and conditions (including repayment terms) as the originally issued Series A Bonds. Deerhurst (excluding the surrounding lands) served as collateral for the Series A Bonds. As a result of the Freed Transaction, the Company repaid the Series A Bonds in full on December 23, 2021 in the amount of NIS 122 million ($49.9 million) including early redemption fees of NIS 4.1 million ($1.7 million). Refer to note 4.

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 denominated in NIS, and 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 such that the Company's obligations are substantially fixed in USD terms.

The deed of trust states that the Company is required to maintain minimum equity excluding non-controlling interests of $130,000, and a minimum equity to asset value ratio (excluding minority interests) of 26%. As at December 31, 2021, the Company complies with all covenants per the deed of trust.

a. Composition

	As at December 31,	
	2021	**2020**
Total liability:		
Series A	—	48,089
Series B	47,047	50,654
	47,047	98,743
Current liabilities:		
Series A	—	2,718
Series B	3,569	3,565
	3,569	6,283
Long term liability:		
Series A	—	45,371
Series B	43,478	47,089
	43,478	92,460

Maturity years subsequent to December 31, 2021:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter	Total
Series B	3,856	3,856	40,203	—	—	—	47,915
Total principal repayments	3,856	3,856	40,203	—	—	—	47,915
Deferred financing costs							(868)
Total bonds payable							47,047

b. Additional information

	Par value issued *	Nominal interest rate	Outstanding face value as at December 31, 2021 *	Outstanding face value as at December 31, 2020 *
Series A **	148,240	5.20%	—	122,721
Series B ***	164,464	5.65%	132,148	142,818

* 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 the US Dollar.

(in thousands of Canadian Dollars)

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 expired on February 5, 2021. The total buy-back authorized was 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 and were delisted due to the merger of the subsidiary with and into the Company. No bonds were repurchased under the buy-back during the year ended December 31, 2021.

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 (the “Swap”). As a result of this transaction, the Company settled its Series A 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 covered 100% of payments of the Company's Series A Bond principal and interest obligation for its Series A Bonds (excluding the Series A Bond extension).

As described in note 4, as a result Freed Transaction, the Company repaid its Series A Bonds on December 23, 2021, and also unwound the Swap. The Company received cash proceeds of NIS 15.3 million ($6.2 million).

14 - Other payables and credit balances

	As at December 31, 2021	As at December 31, 2020
Provision for completion costs	5,405	7,372
Sales and property taxes	1,278	617
Employees and payroll institutions (see note 16)	3,975	3,106
Due to hotel unit owners	472	531
Accrued interest on bonds	1,431	2,780
Accrued expenses and other	9,886	9,823
	22,447	24,229

15 - Loans and leases payable

	As at December 31, 2021	As at December 31, 2020
(a) I. Short term liabilities		
Short term loans	—	21,891
Current maturities of long term loans and leases	152,450	3,447
	152,450	25,338
II. Long term liabilities		
Loans and mortgages	173,259	176,096
Leases	4,165	11,442
	177,424	187,538
Deferred financing costs	(869)	(2,066)
	176,555	185,472
Less - Current maturities of long term loans and leases	(152,450)	(3,447)
	24,105	182,025

(in thousands of Canadian Dollars)

III. Additional information

	Weighted average interest rate 2021	Weighted average interest rate 2020	As at December 31, 2021	As at December 31, 2020
Loans from financing institutions denominated in:				
CAD	4.76%	4.16%	1,677	26,605
US dollar	3.97%	3.46%	171,582	171,382
Leases	7.80%	4.06%	4,165	11,442
			177,424	209,429
Deferred financing costs			(869)	(2,066)
			176,555	207,363
Less - short term loans and current maturities of long term loans and leases			(152,450)	(25,338)
			24,105	182,025

(b) Maturity years subsequent to December 31, 2021:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter	Total
Development loans	—	1,617	—	—	—	—	1,617
Total principal repayments	151,298	2,275	20,305	637	1,292	—	175,807
	151,298	3,892	20,305	637	1,292	—	177,424
Deferred financing costs							(869)
Total loans and leases payable							176,555

(c) Security

As of December 31, 2021 $173,259 (2020: $239,328) 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 $317,498 as at December 31, 2021 (2020: $463,045).

(d) Marriott Courtyard loan extension

During September 2020, the Company reached an extension agreement with its lender on the Courtyard hotels. The extension was effective until December 9, 2021 (the "Existing Loan"). 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. In December 2021, the Company announced that it has extended the Existing Loan to March 9, 2022 at no additional cost, with a further extension option (at the Company's option) to June 9, 2022 at a cost of 0.125% of the Existing Loan balance, which the Company exercised. As at December 31, 2021, the Company has classified this loan as current.

The total outstanding value of the Existing Loan is $96,912 USD, and is composed of an initial tranche of $72,505 USD, a mezzanine loan of $17,000 USD, and a renovation loan of $7,407 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%.

In December 2021, the Company announced that it had signed a term sheet with a lender to finance the Courtyard hotels for a period of 5 years in the amount of up to $143,000 USD (the "New Loan"), including a line of credit to fund the renovation of the Courtyard hotels according to the progress of the renovation program. The line of credit will be available for the first 4 years of the New Loan. The interest rate on any drawn portion of the New Loan will be at an interest rate equal to the 30-day average SOFR plus 5.54%. The New Loan will be subject to terms and conditions (including covenants) consistent with this type of loan.

(in thousands of Canadian Dollars)

(e) Lines of credit

As described in note 4, upon closing of the Freed Transaction, the Company repaid its line of credit secured against Horseshoe in the amount of $16,545.

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) 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 Company is in the process of negotiating a long-term extension with its existing lender, who has agreed to extend the existing term to at least June 16, 2022 in order to allow the parties to finalize such extension. The total outstanding value of the loan as at December 31, 2021 is $20,752 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 development loan bears an interest rate equal to LIBOR +275 bps.

(g) 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 and will generally transition to being tied to SOFR. 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 Hyatt loan, for which the Company received waivers for all of 2021. As at December 31, 2021, the balance of this loan, excluding deferred financing costs, is $16,118 USD.

16 - Related parties

	As at December 31,	
(a) Related parties:	**2021**	**2020**
Current assets: Other current balances	113	369
Non-current assets: Other Non-current current balances	331	—
Current liabilities: Other payables and credit balances	(1,251)	(275)
Income statement: Interest revenue on CEO share purchase loan (see note 18 (a))	68	67

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

	For the year ended December 31,		
	2021	**2020**	**2019**
Compensation, bonus and benefits	2,020	1,020	1,440
Employee stock option expense (see note 18 (c))	83	57	114
Directors' fees	380	472	434

(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**	**2021**	**2020**
Financial derivative	Level 2	—	5,664

(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,**	
	2021	**2020**	**2021**	**2020**
Loans and leases payable	176,411	209,740	176,555	207,363
Bonds	50,156	99,419	48,478	101,522
	226,567	309,159	225,033	308,885

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.

(in thousands of Canadian Dollars)

18 - Share capital

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

	For the year ended December 31,		
	2021	**2020**	**2019**
Number of issued and paid-in shares:			
Outstanding at beginning of year (i)	16,745,227	16,745,227	16,736,780
Shares issued	10	—	8,447
Outstanding at end of year	16,745,237	16,745,227	16,745,227
(i) Including shares issued to a company controlled by the CEO and held in trust	200,000	200,000	200,000

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. On January 10, 2021, the shareholders of the Company approved the extension of this loan for an additional period of three years, until February 18, 2024, or six months after termination of the CEO’s employment, whichever is first.

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).

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

(b) Income (loss) per share

The inputs used in calculating earnings per share are as follows:	For the year ended December 31,		
	2021	**2020**	**2019**
Net income (loss) attributable to shareholders of the Company	22,926	(18,000)	(325)
Weighted average number of shares outstanding	16,545,228	16,545,227	16,541,038
Dilutive effect of in the money stock options	—	—	* 123,486
Weighted average number of shares for the purposes of diluted earnings per share	16,545,228	16,545,227	16,664,524

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

(in thousands of Canadian Dollars)

(c) Employee stock options

Summary

Details	Nov 2016	Feb 2018	Apr 2018	Feb 2021
Grant date	Nov-16	Feb-18	Mar-18	Feb-21
Expiration date	Nov-21	Feb-23	Mar-23	Feb-26
Number of options	290,000	135,000	100,000	100,000
Exercise price	9.370	11.572	11.535	9.337
Exercise life to date	82,500	—	—	—
Cancelled	127,500	135,000	—	—
Expired	80,000	—	—	—
Net	—	—	100,000	100,000
Vested	—	—	75,000	—
Additional details	[2]	[3]	[3]	[6]

Changes in number of stock options	For the year ended December 31, 2021	2020
Outstanding at beginning of year	180,000	180,000
Granted	100,000	—
Expired	(80,000)	—
	200,000	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.

[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. During 2021, an additional 80,000 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, 2021	2020	2019
[4] Weighted average exercise price (CAD)	11.20	11.45	10.61

[5] The Company recognized $83 in stock compensation expense during the year ended December 31, 2021 (2020: $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 subsequently approved by shareholders on January 10, 2021. The Options have a strike price of 24 NIS, have a vesting period of three years, and expire five years after the Grant Date.

19 - Commitments and Contingencies

(a) Claims

1. In December 2019, the Company was served a claim for $2.4 million 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 settlement amount or recovery, if any.

2. The Company has been served with claims totaling $1.7 million in relation to certain construction projects. 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 settlement, if any.

(b) Material agreements

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

   On November 14, 2017, one of the Company's subsidiaries entered into 13, 20-year franchise agreements with Marriott upon acquisition of 13 Courtyard by Marriott hotels in the United States. 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.

4. Renaissance franchise agreement with Marriott

   The Renaissance hotel is subject to a franchise agreement with Marriott for a period of 20 years, which commenced on October 27, 2015 with no extension option. The agreement provides that the Marriott chain is entitled to franchise fees of 5% of gross room revenue as well as additional payments for marketing, sales and IT services. Under the terms of the agreement, the Company has agreed to complete renovations of the existing conference space, hotel rooms and common areas by the end of 2023. The renovation is in the initial design phase, and the Company is in the process of finalizing the inputs into the project. The agreement provides terms regulating the relationship between the parties as is customary in agreements of this nature.

(in thousands of Canadian Dollars)

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

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

20 - Income from hotels and resorts

	For the year ended December 31,		
	2021	2020	2019
Room revenue	82,811	52,199	121,486
Food & beverage revenue	15,863	11,751	36,776
Ski revenue	13,399	13,611	16,130
Other revenue	17,220	13,923	19,193
	129,293	91,484	193,585

21 - Operating expenses from hotels and resorts

	For the year ended December 31,		
	2021	2020	2019
Room department	21,405	15,323	29,081
Cost of food & beverage	12,582	10,946	25,318
Cost of ski services	5,715	6,365	7,185
Selling and marketing and administrative	18,323	14,716	37,362
Repairs and maintenance	9,570	6,329	11,532
Property tax and insurance	9,514	* 9,767	* 8,371
Management fees, cost of golf services and other expenses	19,103	* 16,679	* 32,522
* Reclassified	96,212	80,125	151,371

22 - Cost of sales of residential real estate

	For the year ended December 31,		
	2021	2020	2019
Cost of sales of condominiums	1,663	3,670	31,086
Cost of sales of land and development projects	2,763	19,911	2,492
Revaluation component included in cost of sales	488	9,373	—
Development periodic costs	2,763	1,866	2,633
	7,677	34,820	36,211

23 - Administrative and general expenses

	For the year ended December 31,		
	2021	2020	2019
Compensation and benefits	3,737	2,419	3,087
Professional fees	3,145	2,102	2,240
Other expenses	1,208	1,079	1,112
	8,090	5,600	6,439

(in thousands of Canadian Dollars)

24 - Financial expense

	For the year ended December 31, 2021	2020	2019
Interest on loans and leases	8,751	9,752	12,888
Interest and foreign exchange revaluation of bonds, including early repayment fee	8,822	7,668	5,471
Amortization of deferred financing charges	1,500	1,705	1,757
Bank charges	381	502	1,072
	19,454	19,627	21,188

25 - Income taxes

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

	For the year ended December 31, 2021	2020	2019
Current income tax expense	(7,370)	(580)	(1,570)
Prior year income tax (expense) recovery and refunds	(25)	(139)	(119)
Deferred income tax recovery	12,901	8,562	2,566
	5,506	7,843	877

(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	22.98%	21.99%	21.99%
California, USA	27.98%	27.98%	27.98%
Other states (on average), USA	23.73%	22.17%	22.87%

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

	For the year ended December 31, 2021	2020	2019
Net gain (loss) before income taxes	24,072	(26,480)	(2,236)
Ontario statutory tax rate	26.5%	26.5%	26.5%
Income tax expense calculated using statutory tax rate	(6,379)	7,017	593
Increase (decrease) resulting from:			
Prior year taxes	(25)	(139)	(119)
Changes in tax rates	(252)	1,125	(46)
Tax on transparent entity (minority tax)	(8)	(630)	—
Difference in tax rates applicable to capital gains	10,908	429	206
Non-deductible expenses (recovery)	1,385	(45)	—
Other	(123)	86	243
Income tax recovery	5,506	7,843	877

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, 2021	2020	2019
Hospitality operating expenses	25,924	19,068	58,875
Development periodic costs	181	428	702
Administrative and general expenses	3,803	2,419	2,920
	29,908	21,915	62,497

(in thousands of Canadian Dollars)

27 - Risks and capital management objectives and policies

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

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

(a) Interest rate risk

The Company's policy is to minimize interest rate risk exposures on long-term financing. Longer-term loans payable are therefore usually at fixed rates, subject to financial market availability. On December 31, 2021 and 2020, 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, 2021, 24% (2020: 36%) 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, 2021 (2020: +/- 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%)
2021	1,323	(1,323)
2020	1,496	(1,496)

(b) Credit risk

The Company operates as a hospitality manager and owner, as well as a developer of real estate. As a developer, the Company 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, 2021, this amount is limited to $29,500 (2020: $58,361). 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,	
	2021	**2020**
Cash and cash equivalents	61,489	22,436
Trade receivables and other receivables	10,673	11,914
Restricted bank deposits	17,471	9,396
Loans to purchasers	97,973	62,903
Long-term deposit	12,452	3,666
	200,058	110,315

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.

(in thousands of Canadian Dollars)

(c) Liquidity risk

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

The Group's remaining contractual maturities are as follows:

	Current	2 Years	3 Years	4 Years	5 Years	6 Years & Later
As at December 31, 2021						
Loans and leases payable (*)	159,037	3,108	20,558	755	1,347	—
Bonds (*)	6,508	6,290	42,419	—	—	—
Trade payables	10,889	—	—	—	—	—
Other payables and credit balances	19,738	—	—	—	—	—
Purchasers' deposits	325	—	—	—	—	—
	196,497	9,398	62,977	755	1,347	—
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

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

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.

On December 31, 2021 $221,746 or 99.17% (2020: $224,675 or 73.4%) of the Company's indebtedness for borrowed money was denominated in US dollars.

(in thousands of Canadian Dollars)

Assets and liabilities of the Company by currency category, at December 31:

	2021				2020			
	CAD	USD	NIS	Total	CAD	USD	NIS	Total
Assets:								
Cash and cash equivalents	51,940	9,666	(117)	61,489	16,873	5,443	120	22,436
Trade receivables and Other receivables	41,666	5,550	—	47,216	6,920	3,706	—	10,626
Restricted bank deposits	4,977	11,247	1,247	17,471	2,451	4,628	2,317	9,396
Financial derivative	—	—	—	—	—	—	5,664	5,664
Loans to purchasers	97,973	—	—	97,973	62,903	—	—	62,903
Total financial assets	196,556	26,463	1,130	224,149	89,147	13,777	8,101	111,025
Non-financial assets	15,672	339,883	—	355,555	198,705	328,133	—	526,838
Total assets	212,228	366,346	1,130	579,704	287,852	341,910	8,101	637,863
Liabilities:								
Trade payables	7,215	3,674	—	10,889	6,184	3,782	—	9,966
Other payables and credit balances	10,081	11,366	—	21,447	13,581	10,118	—	23,699
Purchasers' deposits	325	—	—	325	110	—	—	110
Loans and leases payable	1,856	174,699	—	176,555	33,342	174,021	—	207,363
Bonds	—	47,047	—	47,047	—	50,654	48,088	98,742
Total financial liabilities	19,477	236,786	—	256,263	53,217	238,575	48,088	339,880
Total non-financial liabilities	11,319	16,411	(1,365)	26,365	27,100	14,454	—	41,554
Total liabilities	30,796	253,197	(1,365)	282,628	80,317	253,029	48,088	381,434
Financial assets net of financial liabilities	177,079	(210,323)	1,130	(32,114)	35,930	(224,798)	(39,987)	(228,855)
Total assets, net of total liabilities	181,432	113,149	2,495	297,076	207,535	88,881	(39,987)	256,429
Revenue	47,159	89,587	—	136,746	54,702	74,660	—	129,362

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.

(in thousands of Canadian Dollars)

	2021		2020	
	5%	(5%)	5%	(5%)
Impact on assets	1,323	(1,323)	689	(689)
Impact on liabilities	(11,839)	11,839	(11,929)	11,929
Impact on net income (loss) for the year	147	(147)	(1,148)	1,148

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

	2021			2020		
	Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
Assets:						
Cash and cash equivalents	61,489	—	61,489	22,436	—	22,436
Trade receivables, other receivables and prepayments	13,136	—	13,136	15,045	—	15,045
Inventories	980	7,034	8,014	17,578	5,913	23,491
Loans to purchasers	2,022	95,951	97,973	17,449	45,454	62,903
Restricted bank deposits	4,727	12,744	17,471	2,776	6,620	9,396
Other investments measured at fair	—	28,808	28,808	—	—	—
Financial derivative	—	—	—	—	5,664	5,664
Investment properties	—	11,971	11,971	—	61,278	61,278
Property, plant and equipment	—	328,390	328,390	—	433,984	433,984
Other non-current assets	—	12,452	12,452	—	3,666	3,666
	82,354	497,350	579,704	75,284	562,579	637,863
Liabilities:						
Loans and leases payable	150,833	1,617	152,450	20,304	5,034	25,338
Bonds - current maturities	3,569	—	3,569	6,282	—	6,282
Trade payables	10,889	—	10,889	9,966	—	9,966
Other payables and credit balances	22,447	—	22,447	24,229	—	24,229
Deferred revenue	4,568	—	4,568	9,061	—	9,061
Income taxes payable	5,155	—	5,155	379	—	379
Other liabilities measured at fair value	189	—	189	—	—	—
Purchasers' deposits	325	—	325	110	—	110
Loans and leases payable	—	24,105	24,105	—	182,025	182,025
Bonds	—	43,478	43,478	—	92,460	92,460
Other liabilities	—	89	89	—	88	88
Deferred tax	—	15,364	15,364	—	31,496	31,496
	197,975	84,653	282,628	70,331	311,103	381,434
Total assets, net of total liabilities	(115,621)	412,697	297,076	4,953	251,476	256,429

(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, and bonds, less cash and cash equivalents.

The Company seeks to maintain a debt to capital 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.

(in thousands of Canadian Dollars)

Capital for the reporting periods under review is summarized as follows:	As at December 31,	
	2021	2020
Shareholders' equity	266,249	226,044
Loans and leases payable	176,555	207,363
Bonds	47,047	98,742
Cash and cash equivalents	(61,489)	(22,436)
Total capital	428,362	509,713
Debt to total capital ratio	52%	60%

(g) Other non-current assets

Other non-current assets of $12,452 (2020: $3,666) includes restricted loan collateral and 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, as well as the Bridge Loan (see note 4).

28 - Segmented information

Hospitality segments

The chief operating decision maker reviews and analyzes the US hospitality operations as a 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. Deerhurst and Horseshoe were sold as part of the Freed Transaction during 2021 (see note 4). The chief operating decision maker will not review Deerhurst and Horseshoe as stand-alone entities going forward. The Company continues to review potential acquisitions for Canadian properties that meet its investment criteria.

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

The chief operating decision maker reviews the results of investments on a consolidated basis.

(in thousands of Canadian Dollars)

Segmented financial information is as follows:

	US hotels and resorts	Canadian hotels and resorts	Development	Total
For the year ended December 31, 2021				
Revenue	89,587	39,706	7,453	136,746
Costs and expenses	(67,687)	(28,525)	(7,677)	(103,889)
	21,900	11,181	(224)	32,857
Selling and marketing expenses				(266)
Administrative and general expenses				(8,090)
Impairment of real estate properties				(2,491)
Depreciation				(17,992)
Gain from fair value adjustments of investment properties				30,976
Gain from fair value adjustments of financial instruments				14
Derecognition of investment costs and other capital losses, net				7,220
Other expense				(656)
Financial expense				(19,454)
Financial income				1,954
Profit before income taxes				24,072
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 of investment properties				4,569
Other expense				(69)
Financial expense				(19,627)
Financial income				2,193
Loss before income taxes				(26,480)
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 of investment properties				(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)

(in thousands of Canadian Dollars)

	US hotels and resorts	Canadian hotels and resorts	Development	Total
As at December 31, 2021				
Assets *	366,275	117,999	95,430	579,704
Liabilities	(253,119)	(5,854)	(23,655)	(282,628)
	113,156	112,145	71,775	297,076
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, 2021 Financial assets included within the assets:	26,390	115,494	82,265	224,149
* As at December 31, 2020 Financial assets included within the assets:	13,713	30,264	67,048	111,025

29 - Subsequent events

(a) On February 8, 2022, the Company exercised its option to extend the loan associated with its Courtyard portfolio to June 9, 2022. Refer to note 15 (d).