SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements

for the period ended

March 31, 2021

(Unaudited)

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(Unaudited)

Contents

Deloitte.

Review Report for the first quarter
A Review Report of the Independent Auditor to the shareholders of
Skyline Investments Inc.

Introduction:

We have reviewed the accompanying financial information of **Skyline Investments Inc.** the Company and subsidiaries (hereafter- "the Company") which includes the condensed consolidated statement of financial position as of March 31, 2021 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review:

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

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information is not prepared, in all material respects, in accordance with IAS 34.

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

Without qualifying our conclusion, we draw attention to note 1b regarding the outbreak of the COVID-19 pandemic crisis and the uncertainty of the estimations of potential effects of the crisis over the company's hospitality operations.

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

Tel Aviv,
May 13, 2021

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SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of financial position

(in thousands of Canadian Dollars)

	Note	As at March 31, 2021 (Unaudited)	As at March 31, 2020 (Unaudited)	As at December 31, 2020 (Audited)
Assets				
Current assets				
Cash and cash equivalents		24,117	37,770	22,436
Trade receivables, other receivables and prepayments		14,665	13,323	15,045
Inventories		1,352	1,529	1,496
Real estate inventory		19,787	28,424	21,995
Loans to purchasers		10,163	10,063	17,449
Restricted bank deposits		3,355	4,439	2,776
		73,439	95,548	81,197
Non-current assets				
Financial derivative		3,279	6,464	5,664
Investment properties	5	63,641	60,762	61,278
Property, plant and equipment	6	426,638	478,752	433,984
Loans to purchasers		52,424	50,195	45,454
Other non-current assets		3,880	3,830	3,666
Restricted bank deposits		6,764	7,491	6,620
		556,626	607,494	556,666
Total assets		**630,065**	**703,042**	**637,863**
Liabilities and equity				
Current liabilities				
Loans payable	7	50,990	65,342	25,338
Bonds		6,105	6,762	6,282
Trade payables		8,833	6,785	9,966
Other payables and credit balances		22,459	23,352	24,229
Deferred revenue		8,772	6,328	9,061
Current tax liability		146	862	379
Purchasers' deposits		1,048	407	110
		98,353	109,838	75,365
Non-current liabilities				
Loans payable	7	158,256	164,977	182,025
Bonds		86,721	102,021	92,460
Other liabilities		87	700	88
Deferred tax liabilities		32,047	41,214	31,496
		277,111	308,912	306,069
Total liabilities		375,464	418,750	381,434
Equity				
Equity attributable to shareholders of the Company		224,767	259,455	226,044
Non-controlling interest		29,834	24,837	30,385
		254,601	284,292	256,429
Total liabilities and equity		**630,065**	**703,042**	**637,863**

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

On behalf of the board of directors:

"Shimshon Marfogel"	*"Blake Lyon"*	*"Robert Waxman"*	May 13, 2021
Shimshon Marfogel Chairman	Blake Lyon CEO	Robert Waxman CFO	Date

SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of income

(in thousands of Canadian Dollars)

	Note	Three Months Ended March 31, 2021 (Unaudited)	Three Months Ended March 31, 2020 (Unaudited)	Year Ended December 31, 2020 (Audited)
Revenue				
Income from hotels and resorts		28,191	41,567	91,484
Sale of residential real estate		2,916	30,092	37,878
		31,107	71,659	129,362
Expenses and costs				
Operating expenses from hotels and resorts		(19,937)	(34,060)	(80,125)
Cost of sales of residential real estate		(2,574)	(26,888)	(34,820)
		(22,511)	(60,948)	(114,945)
		8,596	10,711	14,417
Selling and marketing expenses		(50)	(31)	(933)
Administrative and general expenses		(1,832)	(1,589)	(5,600)
Operating income before depreciation, valuation adjustments and other income		6,714	9,091	7,884
Impairment of real estate properties		—	—	(1,180)
Depreciation		(4,817)	(5,707)	(20,250)
Gain (loss) from fair value adjustments of investment properties		2,394	(143)	4,569
Capital gain		8	—	—
Other expenses		(122)	(50)	(69)
Net income from operations		4,177	3,191	(9,046)
Financial expense	8	(6,452)	(12,754)	(19,627)
Financial income	9	3,154	2,389	2,193
Net income (loss) before income taxes		879	(7,174)	(26,480)
Income tax recovery	10	(1,034)	1,308	7,843
Net loss for the period		(155)	(5,866)	(18,637)
Attributable to:				
Shareholders of the Company		165	(5,352)	(18,000)
Non-controlling interest		(320)	(514)	(637)
		(155)	(5,866)	(18,637)
Earnings per share:				
Basic		0.01	(0.32)	(1.09)
Diluted		0.01	(0.32)	(1.09)

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

SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of comprehensive income

(in thousands of Canadian Dollars)

	Three Months Ended March 31,		Year Ended December 31,
	2021	2020	2020
	(Unaudited)	*(Unaudited)*	*(Audited)*
Net loss for the period	(155)	(5,866)	(18,637)
Other comprehensive income			
Items that will not be reclassified subsequently to net income (loss):			
Revaluation of property, plant and equipment, before income taxes	—	(1,070)	(2,814)
Income taxes	—	122	2,005
	—	(948)	(809)
Items that will or may be reclassified subsequently to net income (loss):			
Exchange differences on translation of foreign operations	(1,697)	14,239	(1,033)
Other comprehensive income (loss) for the period, net of taxes	(1,697)	13,291	(1,842)
Total comprehensive income (loss) for the period, net of taxes	(1,852)	7,425	(20,479)
Attributable to:			
Shareholders of the Company	(1,301)	7,055	(26,397)
Non-controlling interest	(551)	370	5,918
	(1,852)	7,425	(20,479)

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

SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of changes in equity

(in thousands of Canadian Dollars)

	Attributable to shareholders of the Company							
	Share capital and premium	Revaluation surplus and Related party surplus	Share based compensation surplus	Foreign exchange translation	Retained earnings	Attributable to shareholders of the Company	Non- controlling interest	Total Equity
For three months ended March 31, 2021 (Unaudited)								
Balance at the beginning of the period	79,686	78,678	772	854	66,054	226,044	30,385	256,429
Net income (loss) for the period	—	—	—	—	165	165	(320)	(155)
Other comprehensive income (loss) for the period	—	—	—	(1,466)	—	(1,466)	(231)	(1,697)
Total comprehensive loss for the period	—	—	—	(1,466)	165	(1,301)	(551)	(1,852)
Transfer upon recognition of depreciation	—	(682)	—	—	682	—	—	—
Recognition of share-based payment	—	—	24	—	—	24	—	24
Balance at the end of the period	79,686	77,996	796	(612)	66,901	224,767	29,834	254,601
For three months ended March 31, 2020 (Unaudited)								
Balance at the beginning of the period	79,686	88,855	705	1,785	81,343	252,374	24,467	276,841
Net income (loss) for the period	—	—	—	—	(5,352)	(5,352)	(514)	(5,866)
Other comprehensive income (loss) for the period	—	(413)	—	12,820	—	12,407	884	13,291
Total comprehensive Income for the period	—	(413)	—	12,820	(5,352)	7,055	370	7,425
Transfer upon recognition of depreciation	—	(900)	—	—	900	—	—	—
Recognition of share-based payment	—	—	26	—	—	26	—	26
Balance at the end of the period	79,686	87,542	731	14,605	76,891	259,455	24,837	284,292
For the year ended December 31, 2020 (Audited)								
Balance at the beginning of the year	79,686	88,855	705	1,785	81,343	252,374	24,467	276,841
Net income (loss) for the period	—	—	—	—	(18,000)	(18,000)	(637)	(18,637)
Other comprehensive income (loss) for the period	—	(7,466)	—	(931)	—	(8,397)	6,555	(1,842)
Total comprehensive income for the year	—	(7,466)	—	(931)	(18,000)	(26,397)	5,918	(20,479)
Transfer upon recognition of depreciation	—	(2,711)	—	—	2,711	—	—	—
Recognition of share-based payment	—	—	67	—	—	67	—	67
Balance at the end of the year	79,686	78,678	772	854	66,054	226,044	30,385	256,429

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

SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of cash flows

(in thousands of Canadian Dollars)

	Three months ended March 31, 2021	Three months ended March 31, 2020	Year ended December 31, 2020
	(Unaudited)	*(Unaudited)*	*(Audited)*
Operating activities			
Net loss for the period	(155)	(5,866)	(18,637)
Adjustments for:			
Depreciation and amortization	5,206	6,137	21,956
(Gain) loss from fair value adjustments of Investment properties	(2,394)	143	(4,569)
(Gain) loss on sale of investment and other property	(8)	—	—
Finance (income) costs from bonds including foreign exchange	(1,561)	6,870	2,154
Finance (income) costs from financial derivative	2,385	(1,647)	(847)
Deferred tax, net	681	(2,238)	(8,561)
Share based compensation	24	26	67
Changes in non-cash working capital			
Trade receivables	52	10,524	9,639
Other receivables, prepayments and others	1,482	67	(649)
Restricted bank deposits	(581)	(292)	1,427
Inventories	134	332	267
Real estate Inventory	1,080	293	6,325
Trade and other payables and credit balances	(4,112)	(12,085)	(13,604)
Income taxes payable	(258)	711	367
Purchasers' deposits	938	(2,856)	(3,153)
Cash provided by (used in) operating activities	2,913	119	(7,818)
Investing activities			
Additions to investment properties	(76)	(51)	(397)
Investment in restricted long term deposit	(199)	683	850
Additions to property, plant and equipment	(1,327)	(659)	(7,111)
Income taxes	—	(1,333)	(1,472)
Proceeds from sale of property, plant and equipment	8	—	86
Cash provided by (used in) investing activities	(1,594)	(1,360)	(8,044)
Financing activities			
Bank credit and other short-term loans	(342)	15,600	12,279
Repayment of bonds	(3,240)	(3,391)	(7,005)
Proceeds from long term loans	5,309	136	12,329
Repayments of long term loans	(1,288)	(1,048)	(5,933)
Cash provided by (used in) financing activities	439	11,297	11,670
Foreign exchange translation of cash balances	(77)	840	(246)
Net increase (decrease) in cash and cash equivalents	1,681	10,896	(4,438)
Cash and cash equivalents at beginning of period	22,436	26,874	26,874
Cash and cash equivalents at end of period	24,117	37,770	22,436

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

SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of cash flows

(in thousands of Canadian Dollars)

	Three months ended March 31,		Year ended December 31,
	2021	2020	2020
	(Unaudited)	*(Unaudited)*	*(Audited)*
Supplemental cash flow information			
Interest paid	4,871	5,355	* 13,966
Interest received	80	28	132
Income taxes paid (received)	599	1,495	1,790

* Interest paid for year ended on December 31, 2020 includes $928 related to the receipt of PPP grants.

Significant non-cash investing and financing activities			
Loans to purchasers	1,128	23,652	27,123

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

1 - Nature of operations

(a) Nature of operations

Skyline Investments Inc. (the "Company", the "Group" or "Skyline") was incorporated on December 4, 1998 under the Ontario Business Corporations Act, and its registered office is located at 36 King Street East, Suite 700, Toronto, Ontario, Canada.

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

As at March 31, 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

At the end of 2019, the COVID-19 virus began spreading rapidly, and on March 2020, the virus was declared a global pandemic by the World Health Organization ("WHO"). This had wide-ranging implications, including international and domestic travel restrictions, temporary closure of businesses, and an immediate contraction in overall global economic activity. The North American hospitality industry has not been immune and has witnessed a slowdown in activity. In response to the crisis, the Company implemented immediate countermeasures, including the early closure of Horseshoe Valley Resort ("Horseshoe") and Bear Valley Resort ("Bear Valley"), a temporary closure of Deerhurst Resort ("Deerhurst") (collectively, the "Resorts"), staff reductions, and other cost containment measures. In December 2020, the local jurisdictions where Horseshoe and Bear Valley are located re-implemented restrictions, causing the partial closure of certain operations at the ski resorts. These restrictions were subsequently removed in February 2021 for the remainder of the ski season. On April 3rd, Horseshoe temporarily closed operations due to the stay at home order issued for the Province of Ontario, and expects to fully reopen for the summer season after the lifting of the current stay at home order. Deerhurst was not subject to these same restrictions, and as of the date of this report, both Deerhurst and Bear Valley are open and are operating in accordance with public health guidelines.

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

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

During the three months ended March 31, 2021, the Company undertook specific actions to determine if there was any change in the value of its PP&E, including discussions with independent, third-party experts, referencing market transactions, and a review of updated internal forecasts. As at March 31, 2021, the Company records the value of its PP&E at $426,638 compared to $433,984 as at December 31, 2020. Please refer to note 6. For information regarding the operational results of the hospitality sector see note 13.

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. US$5.5 million ($7.0 million) in PPP funding was received during the three months ended March 31, 2021 (year ended December 31, 2020: US$6.7 million), and during May 2021 the Company received an additional US$2.0 million ($2.5 million) in PPP funding. For the three months ended March 31, 2021, the Company recorded an offset to hotel operating expenses in the amount of $777 related to the PPP (three months ended March 31, 2020: $nil).

In Canada, the Company has received funding under the Canada Employment Wage Subsidy (“CEWS”), which covers up to 75% of employee wages not in excess of $58.7 thousand per eligible employee, subject to certain conditions, between March 15, 2020 and at least June 30, 2021, as well as the Canada Emergency Rent Subsidy ("CERS"), which covers certain rental and building operating expenses. During the three months ended March 31, 2021, the Company recorded an offset to operating expenses from hotels and resorts in the amount of $2,343 (three months ended March 31, 2020: $194) and an offset to administrative and general expenses in the amount of $268 (three months ended March 31, 2020: $38) 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 interim condensed consolidated financial statements, that it has sufficient liquidity to meet its financial obligations for the foreseeable future, as it has sufficient unrestricted and restricted cash balances, cash flows and other liquid assets. In addition, the Company’s lenders in the US have agreed to grant covenant relief for up to the next four quarters for certain loans, where required.

The deed of trust for the Company's Series A Bonds (the “Series A Deed”) states that the Company is required to maintain a maximum loan to value ("LTV") of 72.5%, minimum shareholders equity of $100,000 (excluding minority interests), and a minimum equity (including minority interests) to asset value ratio of 25%. As well, there are restrictions on the number of dividends that can be paid, among other restrictions. As at March 31, 2021, the Company complies with all of the above noted covenants per the deed of trust.

The deed of trust for the Company's Series B Bonds (the “Series B Deed”) states that the Company is required to maintain minimum equity (excluding minority interests) of $130,000, and a minimum equity to asset value ratio (including minority interests) of 26%. As at March 31, 2021, the Company complies with all of the above noted covenants per the deed of trust. 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 $18M of Operating EBITDA (as defined in Section 1.5.31 of the Series B Deed). Based on the Company’s condensed interim consolidated financial statements as of March 31, 2021, published by the Company on May 14, 2021 (the “Deviation Date”), Operating EBITDA for the last four quarters preceding the date of the last financial statements was $9.6 million. Pursuant to Section 5.4 of the Series B Deed, in such case the stated interest rate will increase by 0.25% per year for the period that the Company does not meet the Provision. The exact annual interest rate borne by principal of the Series B Bonds for the current interest period, from January 16, 2021 and until the Deviation Date, is 5.65% (the "Original Interest"). The annual interest rate to be paid for the balance of the principal of the Series B Bonds for the period commencing on the Deviation Date and ending on the next interest payment date (July 15, 2021) (the "Next Interest Date") is 5.90%. The weighted interest rate to be paid on the Next Interest Date is 2.89929%. The annual interest rate reflected by the weighted interest rate to be paid on the Next Interest Date is 5.79858%. The annual and semi-annual interest rates to be paid for the Debentures for periods from and after July 16, 2021, until the Company meets the Provision will be 5.9% and 2.95%, respectively.

The Company employs conservative leverage, has sufficient financing capabilities, and expects to continue to receive government assistance that will cover a portion of its expenses in the near to mid-term. However, given the uncertainty around timing of a full 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.

(in thousands of Canadian Dollars)

2 - Statement of compliance and basis of presentation

(a) Statement of compliance

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

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on May 13, 2021.

(b) Basis of presentation

The basis of presentation and significant accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended December 31, 2020. These condensed interim consolidated financial statements should therefore be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2020.

(c) Significant estimates, assumptions, and judgements

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates, assumptions and judgements that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the consolidated financial statements and accompanying notes. Areas of such estimation include, but are not limited to: valuation of investment properties; valuation of PP&E, valuation of financial instruments, valuation of accounts receivable, capitalization of costs, accounting accruals, the amortization of certain assets, and accounting for deferred income taxes. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions. Due to the COVID-19 pandemic, the Company has examined the need for impairment of the Company's PP&E and Investment Properties. For information regarding Management's assumptions and estimates, please refer to notes 1(b), 5 and 6.

(d) Foreign currency

	As at		
	March 31,		December 31,
	2021	2020	2020
Exchange rates - ending rate:			
USD / CAD	1.258	1.419	1.273
CAD / NIS	2.645	2.500	2.522

	Three Months Ended March 31,		Year Ended December 31,
	2021	2020	2020
Exchange rates - average rate:			
USD / CAD	1.267	1.343	1.342
CAD / NIS	2.580	2.606	2.565
Change in rate - compared to prior period ended:			
USD / CAD	(1.2%)	9.2%	(2.0%)
CAD / NIS	4.9%	(5.8%)	(5.0%)

(in thousands of Canadian Dollars)

3 - Seasonality and other disclosures

Due to the seasonal nature of Company's resorts, which are part of the US and Canadian hotels and resorts segments, revenues of these assets are typically higher in the winter and summer months as a result of the nature of their operations. The operating expenses of these assets are evenly incurred throughout the year, with the exception of certain variable costs such as labor, food and beverage costs, and supplies, among others, which are typically higher during peak season.

4 - Fair value of financial assets and liabilities

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

	Fair value as at			Carrying amount as at		
	March 31,		December 31,	March 31,		December 31,
	2021	2020	2020	2021	2020	2020
Bonds	92,774	87,779	99,419	93,990	110,158	101,522
Loans payable	209,212	237,793	209,740	209,246	230,319	207,363

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

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

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

The fair value of cash and cash equivalents approximate their carrying values. Amounts receivable, accounts payable and accrued liabilities are assumed to have a fair value that approximates their carrying values due to their short-term nature. Non-current loans to purchasers approximate their fair values as the interest rates charged correspond to the market rates in effect as at March 31, 2021. In addition, the Company has taken adequate security pledges on these assets.

5 - Investment properties

	Three Months Ended March 31,		Year Ended December 31,
	2021	2020	2020
Balance as at the beginning of the period	61,278	59,965	59,965
Expenditures subsequent to acquisition	76	51	397
Net gain (loss) from fair value adjustments	2,394	(143)	4,569
Transfer to loans to purchasers and Inventory and from other	—	92	(3,485)
Foreign exchange translation	(107)	797	(168)
Balance as at the end of the period	63,641	60,762	61,278

(in thousands of Canadian Dollars)

6 - Property, plant and equipment

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Year Ended December 31, 2020
Gross carrying amount as at beginning of period	513,031	* 515,747	515,747
Accumulated depreciation as at beginning of period	(79,047)	* (61,010)	(61,010)
	433,984	454,737	454,737
Expenditures subsequent to acquisitions	1,327	659	7,111
Adjustment to fair value through revaluation surplus	—	(1,070)	(2,814)
Transfers from (to) real estate inventory, loans to purchasers, and other	(4)	(388)	(373)
Disposals and other proceeds	—	—	(86)
Depreciation	(4,817)	(5,707)	(20,251)
Foreign exchange translation	(3,852)	30,521	(4,340)
Balance as at the end of the period	426,638	478,752	433,984

* Reclassified

The revaluation method has been used for PP&E, with valuations performed at least annually by qualified independent valuators who hold recognized relevant professional qualifications and have recent experience in the location and category of similar properties. The Company discusses the valuation process and verifies all major inputs to the valuations and reviews the results with the external appraisers for all independent valuations. 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 a review of updated internal forecasts.

The value of the Company's PP&E is primarily determined using the DCF method. As a result, PP&E are classified as level 3 in the fair value hierarchy. Changes in level 3 fair values are analyzed at each reporting date as part of the discussion between the Company and the appraisers. As part of this discussion, the valuators present a report that explains the reasons for any movements in value.

Significant unobservable (level 3) inputs used to determine the fair value of PP&E as at March 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%-12.75%), and terminal capitalization rates ranged between 8.5% and 12.5% (2020: 8.25% - 12.5%).

As at March 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 $13,377. As at March 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 $12,803.

(in thousands of Canadian Dollars)

7 - Loans payable

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Year Ended December 31, 2020
Balance as at the beginning of the period	207,363	199,070	199,070
Proceeds from long term loans, including PPP loans	5,309	136	12,329
Repayments of long term loans	(1,288)	(1,048)	(5,933)
Change in bank credit and other short-term loans	(342)	15,600	12,279
PPP loans forgiveness and other	(4)	—	(8,129)
Amortization of deferred costs	389	430	1,705
Foreign exchange translation	(2,181)	16,131	(3,958)
Balance as at the end of the period	209,246	230,319	207,363

8 - Financial expense

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Year Ended December 31, 2020
Interest on long-term loans and leases	(1,898)	(2,278)	(9,041)
Interest on bonds and Gain from early repayment of bonds	(1,491)	(1,615)	(6,206)
Foreign exchange revaluation of bonds loss	—	(8,147)	(1,462)
Fair value loss from financial derivative	(2,385)	—	—
Amortization of deferred financing charges	(388)	(460)	(1,705)
Interest on short-term loans	(195)	(138)	(711)
Bank charges	(95)	(116)	(502)
	(6,452)	(12,754)	(19,627)

9 - Financial income

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Year Ended December 31, 2020
Fair value gain from financial derivative	—	1,647	847
Foreign exchange revaluation of bonds gain	3,052	—	—
Other financial income	102	742	1,346
	3,154	2,389	2,193

10 - Income tax recovery

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Year Ended December 31, 2020
Current income tax expense	(345)	(865)	(580)
Prior year income tax (expense) recovery and refunds	(9)	(65)	(139)
Deferred income tax recovery	(680)	2,238	8,562
	(1,034)	1,308	7,843

11 - Significant events during the period

(a) 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 also approved the extension of a loan to the Company's CEO, for an additional period of three years, until February 18, 2024, or six months after termination of his employment, whichever is first. As well, 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.

(in thousands of Canadian Dollars)

12 - Claims

(a) In 2016 the Company was served claims totaling $2.1 million in relation to certain construction projects and issued a counterclaim in the amount of $4 million. The Company has received judgement and made payment relating to one of the construction projects, and as such has recognized a total liability of $0.8m in the financial statements as at March 31, 2021.

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

(c) In May 2021, the Company was served a claim totaling $0.5 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.

13 - Segmented information

(a) *Hospitality segments*

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

Development segment

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

Business segments are classified as follows:

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

(b) Segmented financial information:

	US hotels and resorts	Canadian hotels and resorts	Development	Total
For three months ended March 31, 2021 (Unaudited)				
Revenue	19,877	8,314	2,916	31,107
Costs and expenses	(15,478)	(4,459)	(2,574)	(22,511)
	4,399	3,855	342	8,596
Selling and marketing expenses				(50)
Administrative and general expenses				(1,832)
Depreciation				(4,817)
Gain from fair value adjustments				2,394
Capital gain				8
Other expense				(122)
Financial expense				(6,452)
Financial income				3,154
Net income before income taxes				879

(in thousands of Canadian Dollars)

	US hotels and resorts	Canadian hotels and resorts	Development	Total
For three months ended March 31, 2020 (Unaudited)				
Revenue	28,022	13,545	30,092	71,659
Costs and expenses	(24,371)	(9,689)	(26,888)	(60,948)
	3,651	3,856	3,204	10,711
Selling and marketing expenses				(31)
Administrative and general expenses				(1,589)
Depreciation				(5,707)
Loss from fair value adjustments				(143)
Other expense				(50)
Financial expense				(12,754)
Financial income				2,389
Net loss before income taxes				(7,174)
For the year ended December 31, 2020 (Audited)				
Revenue	54,702	36,782	37,878	129,362
Costs and expenses	(51,581)	(28,544)	(34,820)	(114,945)
	3,121	8,238	3,058	14,417
Selling and marketing expenses				(933)
Administrative and general expenses				(5,600)
Impairment of real estate properties				(1,180)
Depreciation				(20,250)
Gain from fair value adjustments				4,569
Other expense				(69)
Financial expense				(19,627)
Financial income				2,193
Net loss before income taxes				(26,480)
As at March 31, 2021 (Unaudited)				
Assets	342,241	143,816	144,008	630,065
Liabilities	(252,902)	(90,933)	(31,629)	(375,464)
	89,339	52,883	112,379	254,601
As at March 31, 2020 (Unaudited)				
Assets	391,171	161,333	150,538	703,042
Liabilities	(284,886)	(97,267)	(36,597)	(418,750)
	106,285	64,066	113,941	284,292
As at December 31, 2020 (Audited)				
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

14 - Subsequent events

(a) On May 5, 2021, the Company received US$2.0 million ($2.5 million) in additional PPP funding, which may be forgiven under certain circumstances. The Company is not yet in the position to determine the amount of eventual forgiveness, if any.