SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements

for the period ended

March 31, 2022

(Unaudited)

SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements

for the period ended

March 31, 2022

(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, *2022,* 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 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 12, 2022

SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of financial position

(in thousands of Canadian Dollars)

	Note	As at March 31, 2022 (Unaudited)	As at March 31, 2021 (Unaudited)	As at December 31, 2021 (Audited)
Current assets				
Cash and cash equivalents		44,445	24,117	61,489
Trade receivables, other receivables and prepayments		16,666	14,665	13,136
Inventories		968	1,352	980
Real estate inventory		6,849	19,787	7,034
Loans to purchasers		2,498	10,163	2,022
Restricted bank deposits		2,977	3,355	4,727
		74,403	73,439	89,388
Non-current assets				
Financial derivative		—	3,279	—
Investment properties	5	11,850	63,641	11,971
Property, plant and equipment	6	324,687	426,638	328,390
Loans to purchasers		94,603	52,424	95,951
Other non-current assets		15,042	3,880	12,452
Other investments measured at fair value through profit or loss		28,238	—	28,808
Restricted bank deposits		12,092	6,764	12,744
		486,512	556,626	490,316
Total assets		**560,915**	**630,065**	**579,704**
Current liabilities				
Loans payable	7	171,183	50,990	152,450
Bonds		3,511	6,105	3,569
Trade payables		6,239	8,833	10,889
Other payables and credit balances		19,743	22,459	22,447
Deferred revenue		2,682	8,772	4,568
Current tax liability		—	146	5,155
Other liabilities measured at fair value		191	—	189
Purchasers' deposits		326	1,048	325
		203,875	98,353	199,592
Non-current liabilities				
Loans payable	7	4,684	158,256	24,105
Bonds		41,006	86,721	43,478
Other liabilities		95	87	89
Deferred tax liabilities		15,684	32,047	15,364
		61,469	277,111	83,036
Total liabilities		265,344	375,464	282,628
Equity				
Equity attributable to shareholders of the Company		265,379	224,767	266,249
Non-controlling interest		30,192	29,834	30,827
		295,571	254,601	297,076
Total liabilities and equity		**560,915**	**630,065**	**579,704**

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 12, 2022
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, 2022	Three Months Ended March 31, 2021	Year Ended December 31, 2021
		(Unaudited)	*(Unaudited)*	*(Audited)*
Revenue				
Income from hotels and resorts		32,023	28,191	129,293
Sale of residential real estate		267	2,916	7,453
		32,290	31,107	136,746
Expenses and costs				
Operating expenses from hotels and resorts		(23,812)	(19,937)	(96,212)
Cost of sales of residential real estate		(317)	(2,574)	(7,677)
		(24,129)	(22,511)	(103,889)
		8,161	**8,596**	**32,857**
Selling and marketing expenses		(25)	(50)	(266)
Administrative and general expenses		(1,948)	(1,832)	(8,090)
Operating income before depreciation, valuation adjustments and other income		**6,188**	**6,714**	**24,501**
Impairment of real estate properties		—	—	(2,491)
Depreciation		(3,442)	(4,817)	(17,992)
Gain (loss) from fair value adjustments of investment properties		—	2,394	30,976
Gain (loss) from fair value adjustments of other liabilities		(2)	—	14
Gain (loss) from fair value adjustments of financial assets		(570)	—	—
Gain (loss) on sale and other capital gains (losses), net		—	8	7,220
Other expenses, net		(125)	(122)	(656)
Net income (loss) from operations		**2,049**	**4,177**	**41,572**
Financial expense	8	(2,852)	(6,452)	(19,454)
Financial income	9	2,044	3,154	1,954
Net income (loss) before income taxes		**1,241**	**879**	**24,072**
Income tax recovery (expense)	10	(561)	(1,034)	5,506
Net income (loss) for the period		**680**	**(155)**	**29,578**
Attributable to:				
Shareholders of the Company		1,002	165	22,926
Non-controlling interest		(322)	(320)	6,652
		680	(155)	29,578
Earnings per share:				
Basic		0.06	0.01	1.39
Diluted		0.06	0.01	1.39

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,
	2022	**2021**	**2021**
	(Unaudited)	*(Unaudited)*	*(Audited)*
Net income (loss) for the period	**680**	**(155)**	**29,578**
Other comprehensive income			
Items that will not be reclassified subsequently to net income (loss):			
Revaluation of property, plant and equipment, before income taxes	184	—	15,411
Income taxes	(51)	—	3,234
	133	—	18,645
Items that may be reclassified subsequently to net income (loss):			
Exchange differences on translation of foreign operations	(2,330)	(1,697)	(206)
Other comprehensive income (loss) for the period, net of taxes	(2,197)	(1,697)	18,439
Total comprehensive income (loss) for the period, net of taxes	**(1,517)**	**(1,852)**	**48,017**
Attributable to:			
Shareholders of the Company	(882)	(1,301)	40,122
Non-controlling interest	(635)	(551)	7,895
	(1,517)	**(1,852)**	**48,017**

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	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 three months ended March 31, 2022 (Unaudited)									
Balance at the beginning of the period	79,867	125	42,189	674	713	142,681	266,249	30,827	297,076
Net income for the period	—	—	—	—	—	1,002	1,002	(322)	680
Other comprehensive income (loss) for the period	—	—	171	—	(2,055)	—	(1,884)	(313)	(2,197)
Total comprehensive income (loss) for the period	—	—	171	—	(2,055)	1,002	(882)	(635)	(1,517)
Transfer upon recognition of depreciation	—	—	(319)	—	—	319	—	—	—
Recognition of share-based payment	—	—	—	12	—	—	12	—	12
Balance at the end of the period	79,867	125	42,041	686	(1,342)	144,002	265,379	30,192	295,571
For the three months ended March 31, 2021 (Unaudited)									
Balance at the beginning of the period	79,686	125	78,553	772	854	66,054	226,044	30,385	256,429
Net loss for the period	—	—	—	—	—	165	165	(320)	(155)
Other comprehensive income (loss) for the period	—	—	—	—	(1,466)	—	(1,466)	(231)	(1,697)
Total comprehensive income (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	125	77,871	796	(612)	66,901	224,767	29,834	254,601

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	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 (Audited)									
Balance at the beginning of the year	79,686	125	78,553	772	854	66,054	226,044	30,385	256,429
Net loss for the period	—	—	—	—	—	22,926	22,926	6,652	29,578
Other comprehensive income (loss) for the period	—	—	17,337	—	(141)	—	17,196	1,243	18,439
Total comprehensive income (loss) for the period	—	—	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

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, 2022	Three Months Ended March 31, 2021	Year ended December 31, 2021
	(Unaudited)	*(Unaudited)*	*(Audited)*
Operating activities			
Net income (loss) for the period	680	(155)	29,578
Adjustments for:			
Depreciation and amortization	3,579	5,206	21,983
(Gain) loss from fair value adjustments of Investment properties	572	(2,394)	(30,990)
(Gain) loss on sale of investment and other property	—	(8)	(7,220)
Finance (income) costs from bonds including foreign exchange	(1,471)	(1,561)	523
Finance (income) costs from financial derivative	—	2,385	(536)
Deferred tax, net	424	681	(12,901)
Share based compensation	21	24	83
Changes in non-cash working capital			
Trade receivables, other receivables, prepayments and others	(1,151)	1,534	24,920
Restricted bank deposits	1,742	(581)	(4,929)
Inventories	(1)	134	(259)
Real estate Inventory	185	1,080	1,722
Trade and other payables and credit balances	(8,159)	(4,112)	(4,670)
Income taxes payable	139	(258)	6,141
Purchasers' deposits	1	938	4,073
Cash provided by (used in) operating activities	(3,439)	2,913	27,518
Investing activities			
Additions to investment properties	—	(76)	(127)
Investment in restricted long term deposit	510	(199)	(7,609)
Additions to property, plant and equipment	(4,238)	(1,327)	(7,400)
Income taxes	(7,077)	—	(1,365)
Net proceeds from sale of disposal group	—	—	103,975
Disposition of financial derivative	—	—	6,200
Proceeds from sale of property, plant and equipment	—	8	8
Cash provided by (used in) investing activities	(10,805)	(1,594)	93,682
Financing activities			
Bank credit and other short-term loans	—	(342)	(22,890)
Repayment of bonds	(1,904)	(3,240)	(53,646)
Proceeds from long term loans	2,334	5,309	12,511
Repayments of long term loans	(3,053)	(1,288)	(10,993)
Distribution to non-controlling shareholders	—	—	(7,453)
Cash provided by (used in) financing activities	(2,623)	439	(82,471)
Foreign exchange translation of cash balances	(177)	(77)	324
Net increase (decrease) in cash and cash equivalents	(17,044)	1,681	39,053
Cash and cash equivalents at beginning of period	61,489	22,436	22,436
Cash and cash equivalents at end of period	44,445	24,117	61,489

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,
	2022	**2021**	**2021**
	(Unaudited)	*(Unaudited)*	*(Audited)*
Supplemental cash flow information			
Interest paid *	3,271	4,871	14,168
Interest received	510	80	431
Income taxes paid (received)	7,077	599	2,598

* Interest paid for the three months ended March 31, 2022 includes $0 (three and nine months ended March 31, 2021: $0) related to the receipt of PPP grants. Interest paid for the year ended December 31, 2021 includes $426 related to the receipt of PPP grants.

Significant non-cash investing and financing activities			
Loans to purchasers	—	1,128	61,112
Other investments measured at fair value through profit or loss	—	—	28,808
Other non-current assets	—	—	8,000
Share capital and premium increase	—	—	181

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, 2022, 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

The COVID-19 pandemic, which began at the end of 2019, continues to have wide-ranging implications for the global economy and the hotel industry in particular.

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.

As at March 31, 2022, the Company undertook specific actions to determine if there was any change to 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. As at March 31, 2022, the Company records the value of its PP&E at $324,687, compared to $328,390 as at December 31, 2021. Please refer to note 6 for more detail regarding the Company's PP&E. 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 support measures for which the Company is eligible. In the US, Skyline has qualified for loans under the 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. Any portion not forgiven over five years will bear annual interest of 1%. Skyline received US $14,216 in total proceeds under the PPP during 2020 and 2021, and has received formal forgiveness in the amount of US $8,344 through March 31, 2022. The remaining forgiveness applications are currently being reviewed by the US Government, and Skyline expects to receive forgiveness for substantially all of the PPP amounts received. Skyline did not receive any funds under the PPP during the three months ended March 31, 2022.

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. The CEWS and CERS programs are no longer in effect and the Company does not expect to receive any further assistance from the Canadian Government in response to the COVID-19 crisis.

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 is in the process of renegotiating long-term extensions of all loans that are classified as current liabilities on its statement of condensed interim consolidated statement of financial position at as March 31, 2022.

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 non-controlling interests) of 26%. As at March 31, 2022, the Company complies with all of the above noted 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 condensed interim consolidated financial statements for the three months ended March 31, 2022, published by the Company on May 13, 2022, Operating EBITDA for the last four quarters was $37.6 million.

The Company employs conservative leverage and has sufficient financing capabilities. However, given the uncertainty around timing of a full resolution of the COVID-19 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 - 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 12, 2022.

(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, 2021. 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, 2021.

(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) and 6.

(in thousands of Canadian Dollars)

(d) Foreign currency

	As at		
	March 31,		December 31,
	2022	2021	2021
Exchange rates - ending rate:			
USD / CAD	1.250	1.258	1.268
CAD / NIS	2.536	2.645	2.442

	Three Months Ended March 31,		Year Ended December 31,
	2022	2021	2021
Exchange rates - average rate:			
USD / CAD	1.267	1.267	1.253
CAD / NIS	2.524	2.580	2.577
Change in rate - compared to prior period ended:			
USD / CAD	(1.4%)	(1.2%)	(0.4%)
CAD / NIS	3.8%	4.9%	(3.1%)

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,
	2022	2021	2021	2022	2021	2021
Bonds	47,292	92,774	50,156	45,103	93,990	48,478
Loans payable	176,352	209,212	176,411	175,867	209,246	176,555

(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, 2022. In addition, the Company has taken adequate security pledges on these assets.

(in thousands of Canadian Dollars)

5 - Investment properties

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Year Ended December 31, 2021
Balance as at the beginning of the period	11,971	61,278	61,278
Expenditures subsequent to acquisition	—	76	127
Net gain from fair value adjustments	—	2,394	30,976
Transfer to real estate inventory, loans to purchasers, and other	—	—	(153)
Transfers to disposal group classified as held for sale	—	—	(80,221)
Foreign exchange translation	(121)	(107)	(36)
Balance as at the end of the period	11,850	63,641	11,971

6 - Property, plant and equipment

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Year Ended December 31, 2021
Gross carrying amount as at beginning of period	390,249	513,032	513,032
Accumulated depreciation as at beginning of period	(61,859)	(79,048)	(79,048)
	328,390	433,984	433,984
Expenditures subsequent to acquisition	4,238	1,327	7,400
Net adjustment to fair value through revaluation surplus	184	—	15,411
Transfers from (to) real estate inventory, loans to purchasers, and other	—	(4)	2,850
Disposals and other proceeds	—	—	(111,379)
Depreciation and impairment	(3,442)	(4,817)	(18,638)
Foreign exchange translation	(4,683)	(3,852)	(1,238)
Balance as at the end of the period	324,687	426,638	328,390

The revaluation method has been used for PP&E, with valuations for each hospitality asset classified as PP&E 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 any non-binding offers received on its hotels, and a 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.

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 as well as during the review of internal cash flow forecasts. As part of this discussion, the appraisers present a report that explains the reasons for any movements in value.

Significant unobservable (level 3) inputs used in the DCF method as at March 31, 2022 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%, terminal capitalization rates ranged between 8.5% and 12.5%.

(in thousands of Canadian Dollars)

As at March 31, 2022, 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 March 31, 2022, 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.

7 - Loans payable

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Year Ended December 31, 2021
Balance as at the beginning of the period	176,555	207,363	207,363
Proceeds from long term loans, including PPP loans	2,334	5,309	12,511
Repayments of long term loans	(3,053)	(1,288)	(10,993)
Change in bank credit and other short-term loans	—	(342)	(22,890)
PPP loans forgiveness and other	2,496	(4)	(4,875)
Amortization of deferred financing charges	137	389	1,500
Transfers to disposal group classified as held for sale	—	—	(5,360)
Foreign exchange translation	(2,602)	(2,181)	(701)
Balance as at the end of the period	175,867	209,246	176,555

8 - Financial expense

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Year Ended December 31, 2021
Interest on long-term loans and leases	(1,965)	(1,898)	(7,223)
Interest on bonds	(653)	(1,491)	(5,852)
Gain (loss) from early repayment of bonds	—	—	(2,024)
Foreign exchange revaluation of bonds gain (loss)	—	—	(946)
Fair value loss from financial derivative	—	(2,385)	—
Amortization of deferred financing charges	(137)	(388)	(1,500)
Interest on short-term loans	(14)	(195)	(1,528)
Bank charges	(83)	(95)	(381)
	(2,852)	(6,452)	(19,454)

9 - Financial income

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Year Ended December 31, 2021
Fair value gain from financial derivative	—	—	536
Foreign exchange revaluation of bonds gain	780	3,052	—
Other financial income	1,264	102	1,418
	2,044	3,154	1,954

10 - Income tax recovery (expenses)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Year Ended December 31, 2021
Current income tax expense	(118)	(345)	(7,370)
Prior year income tax expense	(19)	(9)	(25)
Deferred income tax recovery (expense)	(424)	(680)	12,901
	(561)	(1,034)	5,506

11 - Significant events during the period

(a) On February 8, 2022, the Company exercised its option to extend the loan associated with its 13 Courtyard by Marriott hotels to June 9, 2022. On April 21, 2022, the Company closed on a loan to finance the Courtyard portfolio for a period of 5 years. Refer to note 14.

(b) On March 16, 2022, the Company extended its loan related to the Hyatt to March 16, 2023 (the “Hyatt Loan Extension”). The Hyatt Loan Extension bears interest at the Bank Bill Swap Bid Rate ("BBSY") plus 350 bps, and there are no covenants associated with the Hyatt Loan Extension. The Company is in the process of securing long-term financing for the Hyatt.

(c) The Company extended its loan related to the Renaissance hotel to at least June 16, 2022 in order to allow for sufficient time to complete a long-term extension of the loan. Skyline has received a term sheet related to the long-term extension and is in the process of finalizing the loan document, which it expects to complete during Q2 2022. The total outstanding value of the loan as at March 31, 2022 is $20,918 USD.

(d) On March 20, 2022 the Company announced that it entered into a definitive agreement of purchase and sale with an unrelated third party for the purchase of the Courtyard by Marriott hotel in Ithaca, New York (the “Courtyard Ithaca”) for a purchase price of US$11,250 plus customary closing costs (the “Ithaca Acquisition”). The Courtyard Ithaca is a leasehold property with the land owned by Cornell University. As part of the Ithaca Acquisition and as a condition precedent, the Company will enter into a new lease with Cornell University for a 49-year term at a price of approximately US$1,080. If a formal agreement cannot be reached with Cornell University, Skyline can cancel the Ithaca Acquisition and any deposits previously paid will become refundable. The Ithaca Acquisition is expected to close during the second quarter of 2022.

In connection with the Ithaca Acquisition, Marriott has provided a term sheet to the Company whereby the Company will receive a new 15-year franchise for the name Courtyard by Marriott, if executed. Urgo Corp., which manages two of Skyline’s other Courtyard by Marriott hotels, will manage the Courtyard Ithaca.

In connection with the Ithaca Acquisition, Skyline has secured a term sheet for 5-year financing from a US bank at 55% of the total cost of the Ithaca Acquisition (the “Ithaca Loan”). Interest on the Ithaca Loan will be 225 bps over the Wall Street Journal Prime (“WSJP”) rate. For the first 24 months of the Ithaca Loan, the interest rate will be floating, and payments will be interest only. For the subsequent 36 months of the Ithaca Loan, payments will be both interest and principal based on a 20-year amortization schedule. In addition to the Ithaca Loan, the same US bank will fund 55% of any planned renovation costs of the Courtyard Ithaca, which are currently estimated to be US$3,500.

12 - Claims

(a) In December 2019, the Company was served a claim from the Company's former President and Chairman for $2,400 employment related issues. In addition, the company has been served with several smaller claims. As per the Company's legal advisors, at this stage it is not possible to estimate the Company's chances of success or the likely amount of recovery, if any.

(b) The Company has been served with claims totaling $1,700 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 that were sold during 2021. 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.

(in thousands of Canadian Dollars)

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.

(b) Segmented financial information:

	US hotels and resorts	Canadian hotels and resorts	Development	Total
For the three months ended March 31, 2022 (Unaudited)				
Revenue	31,717	306	267	32,290
Costs and expenses	(23,785)	(27)	(317)	(24,129)
	7,932	279	(50)	8,161
Selling and marketing expenses				(25)
Administrative and general expenses				(1,948)
Depreciation				(3,442)
Loss from fair value adjustments				(572)
Other expense, net				(125)
Financial expense				(2,852)
Financial income				2,044
Net income before income taxes				1,241
For the 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
Gain (loss) on sale and other capital gains (losses), net				8
Other expense, net				(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 the year ended December 31, 2021 (Audited)				
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				30,976
Gain from fair value adjustments of financial instruments				14
Derecognition of investment costs and other capital losses, net				7,220
Other expense, net				(656)
Financial expense				(19,454)
Financial income				1,954
Net income before income taxes				24,072

	US hotels and resorts	Canadian hotels and resorts	Development	Total
As at March 31, 2022 (Unaudited)				
Assets	367,402	112,984	80,529	560,915
Liabilities	(246,979)	(85)	(18,280)	(265,344)
	120,423	112,899	62,249	295,571
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 December 31, 2021 (Audited)				
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

14 - Subsequent events

(a) On April 21, 2022, the Company closed on a loan to finance 12 of its Courtyard by Marriott hotels for a period of 5 years in the amount of up to $129,625 USD (the “New Courtyard Loan”), including a line of credit to fund the renovation of the secured Courtyard hotels according to the progress of the renovation program. The interest rate on any drawn portion of the New Courtyard Loan will be equal to the 30-day average Secured Overnight Financing Rate ("SOFR") plus 5.54%.The New Courtyard Loan is prepayable after 12 months. From months 13 to 24 the prepayment penalty is equal to the full interest from the time of prepayment through the 24th month plus 0.50% of the principal being repaid. From months 25-30 the prepayment penalty is 0.25% of the principal being repaid. After 30 months Skyline can repay the loan with no penalties. There are no defaulting financial covenants related to the New Courtyard loan.

$92,125 USD was drawn on closing, including a $3,000 USD interest reserve, the unused portion of which will be released to Skyline if during the first 36 months of the New Courtyard Loan the debt yield is at least 10% for 2 consecutive quarters and no events of default then exist. If the debt yield test is not met in the first 36 months of the New Courtyard Loan term, the funds will remain as an interest rate reserve for the balance of the New Courtyard Loan term. $30,000 USD will be available as a line of credit during the first 4 years of the New Courtyard Loan term to fund up to 75% of future renovation funding, which will be drawn as renovations are completed. $7,500 USD of additional loan proceeds available to be drawn once all renovations are completed and a debt yield of 11.0% is achieved for 2 consecutive quarters, among other conditions.

(b) On April 29, 2022, the Company extended the due diligence period related to the conditional sale of 90% of its interest in the Renaissance hotel and its 100% interest in the Hyatt Regency Arcade hotel (the "Cleveland Assets"), to a third party unrelated to the Company, to May 31, 2022. As a result of this extension, if completed, the transaction is expected to close during the third quarter of 2022.

(c) On April 24, 2022, the Company commenced a share repurchase plan, which will be in effect until March 31, 2023, with a maximum total purchase amount of $5,000.