SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements for the period ended March 31, 2024 (Unaudited)

Contents

Deloitte.

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.** and consolidated companies (hereafter- “the Company”) which includes the condensed interim consolidated statement of financial position as of March 31, 2024 and the related condensed interim consolidated statements of income (loss), 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.

Emphasis of matter

Without qualifying our conclusion above, we draw attention to Note 1b of the condensed consolidated financial statements which details, among other, Company’s obligation to repay bonds (series B) in July 2024 in the amount of approximately CAD 52.95 million, shareholder loans in the amount of approximately CAD 30 million which were obtained after the end of the reporting period, which were extended to the Company in order to fund the repayment of above bonds, and which are payable in April 2025, and the plans of the Management and Board of Directors, which include selling of properties, in order to repay Company’s obligations on time. Based on the Management and the Boad of Directors analysis of debt repayment dates and available alternatives and sources, the company’s Board of Directors and Management are of the opinion that the Company will repay its liabilities when they come due.

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

Haifa,
May 27, 2024.

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(in thousands of Canadian Dollars)

Condensed interim consolidated statements of financial position

Condensed interim consolidated statements of financial position as at	Note	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)	December 31, 2023 (Audited)
Assets:				
Current assets				
Cash and cash equivalents		38,886	14,612	57,139
Trade receivables, other receivables and prepayments		7,932	19,829	8,633
Inventories		458	801	405
Real estate inventory		10,172	7,194	9,986
Loans to purchasers		53,062	1,859	2,120
Financial derivative		1,921	-	2,435
Restricted bank deposits		8,532	1,903	9,959
		120,963	**46,198**	**90,677**
Non-current assets				
Financial derivative		-	3,677	-
Investment properties	5	13,997	13,069	13,769
Property, plant and equipment	6	441,762	399,667	436,878
Loans to purchasers		31,177	89,019	80,863
Other non-current assets		2,865	2,915	2,801
Other investments measured at fair value through profit or loss		-	36,880	-
Restricted bank deposits		16,091	9,369	15,909
		505,892	**554,596**	**550,220**
Total assets		**626,855**	**600,794**	**640,897**
Liabilities and equity:				
Current liabilities				
Loans and leases payable	7	9,714	28,054	10,092
Bonds		51,057	3,835	52,037
Trade payables		7,025	7,398	6,620
Other payables and accruals		24,417	20,680	38,030
Deferred revenue		1,860	2,832	1,206
Income taxes payable		1,786	6	1,793
		95,859	**62,805**	**109,778**
Non-current liabilities				
Loans and leases payable	7	266,832	167,427	248,699
Bonds		-	40,569	-
Other liabilities		6,111	2,678	5,966
Deferred tax		4,930	15,672	9,759
		277,873	**226,346**	**264,424**
Total liabilities		**373,732**	**289,151**	**374,202**
Equity				
Equity attributable to shareholders of the Company		221,784	275,525	234,959
Non-controlling interest		31,339	36,118	31,736
Total equity		**253,123**	**311,643**	**266,695**
Total liabilities and equity		**626,855**	**600,794**	**640,897**

On behalf of the board of directors:

“Shimshon Marfogel”	*“Blake Lyon”*	*“Neha Kapelus”*	May 27, 2024
Shimshon Marfogel	Blake Lyon	Neha Kapelus	Date
Chairman	CEO	CFO	

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

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

Condensed interim consolidated statements of income (loss)

Condensed interim consolidated statements of income (loss)	Note	Three months ended March 31, 2024 (Unaudited)	Three months ended March 31, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Revenue				
Income from hotels and resorts	8	21,882	34,477	121,335
Sale of residential real estate		-	4	4
Total revenue		21,882	34,481	121,339
Expenses and costs				
Operating expenses from hotels and resorts		(21,825)	(28,648)	(107,278)
Cost of sales of residential real estate		(10)	(12)	(28)
Total expenses and costs		(21,835)	(28,660)	(107,306)
Gross profit		47	5,821	14,033
Real estate selling and marketing expenses		-	-	-
Administrative and general expenses		(1,944)	(2,002)	(9,035)
Operating income (loss) before depreciation, valuation adjustments and other income		(1,897)	3,819	4,998
Impairment of real estate properties		-	(900)	(234)
Depreciation		(3,412)	(3,831)	(14,579)
Gain from fair value adjustments of investment properties		-	30	945
Gain (loss) from fair value adjustments of financial instruments, net		-	-	(6,880)
Gain (loss) on sale and other capital gains (losses), net		-	-	(282)
Other expenses		(144)	(2,630)	(3,141)
Net loss from operations		(5,453)	(3,512)	(19,173)
Financial expense	9	(8,635)	(6,123)	(38,695)
Financial income		1,744	1,199	5,072
Net loss before income taxes		(12,344)	(8,436)	(52,796)
Income tax recovery	10	2,285	1,402	4,502
Net loss for the year		(10,059)	(7,034)	(48,294)
Attributable to:				
Shareholders of the Company		(7,658)	(5,456)	(40,303)
Non-controlling interest		(2,401)	(1,578)	(7,991)
Net loss for the year		(10,059)	(7,034)	(48,294)
Net loss per share:				
Basic		(0.46)	(0.33)	(2.44)
Diluted		(0.46)	(0.33)	(2.44)

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

(in thousands of Canadian Dollars)

Condensed interim consolidated statements of comprehensive income

Condensed interim consolidated statements of comprehensive income (loss) for the	Three months ended March 31, 2024 (Unaudited)	Three months ended March 31, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Net loss for the year	(10,059)	(7,034)	(48,294)
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to net income (loss):			
Revaluation of property, plant and equipment, before income taxes	(11,701)	1,440	(8,927)
Income taxes	2,640	248	1,424
Net gain (loss) from revaluation of property, plant and equipment	(9,061)	1,688	(7,503)
Items that will or may be reclassified subsequently to net income (loss):			
Foreign exchange differences on translation of foreign operations	4,199	(178)	(3,832)
Other comprehensive income (loss) for the year net of income tax	(4,862)	1,510	(11,335)
Total comprehensive income (loss) for the year, net of income tax	(14,921)	(5,524)	(59,629)
Attributable to:			
Shareholders of the Company	(13,175)	(4,936)	(45,510)
Non-controlling interest	(1,746)	(588)	(14,119)
Total comprehensive income (loss) for the year, net of income tax	**(14,921)**	**(5,524)**	**(59,629)**

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

(in thousands of Canadian Dollars)

Condensed interim consolidated statements of changes in equity

Condensed interim consolidated statements of changes in equity	Share capital and premium	Related party surplus	Treasury shares	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, 2024 (Unaudited):										
Balance at the beginning of the period	80,188	125	(433)	42,074	396	9,238	103,371	234,959	31,736	266,695
Net loss for the period	-	-	-	-	-	-	(7,658)	(7,658)	(2,401)	(10,059)
Other comprehensive income (loss) for the period	-	-	-	(8,934)	-	3,417	-	(5,517)	655	(4,862)
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**(8,934)**	**-**	**3,417**	**(7,658)**	**(13,175)**	**(1,746)**	**(14,921)**
Transfer upon recognition of depreciation	-	-	-	(245)	-	-	245	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	1,349	1,349
Balance at the end of the period	**80,188**	**125**	**(433)**	**32,895**	**396**	**12,655**	**95,958**	**221,784**	**31,339**	**253,123**
For the three months ended March 31, 2023 (Unaudited):										
Balance at the beginning of the period	79,867	125	(433)	45,166	706	12,453	142,574	280,458	35,508	315,966
Net loss for the period	-	-	-	-	-	-	(5,456)	(5,456)	(1,578)	(7,034)
Other comprehensive income (loss) for the period	-	-	-	672	-	(152)	-	520	990	1,510
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**672**	**-**	**(152)**	**(5,456)**	**(4,936)**	**(588)**	**(5,524)**
Transfer upon recognition of depreciation	-	-	-	(351)	-	-	351	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	1,198	1,198
Recognition of share-based payment	-	-	-	-	3	-	-	3	-	3
Transfer upon expiration	321	-	-	-	(321)	-	-	-	-	-
Balance at the end of the period	**80,188**	**125**	**(433)**	**45,487**	**388**	**12,301**	**137,469**	**275,525**	**36,118**	**311,643**
For the year ended December 31, 2023 (Audited):										
Balance at the beginning of the year	79,867	125	(433)	45,166	706	12,453	142,574	280,458	35,508	315,966
Net income for the year	-	-	-	-	-	-	(40,303)	(40,303)	(7,991)	(48,294)
Other comprehensive income (loss) for the year	-	-	-	(1,992)	-	(3,215)	-	(5,207)	(6,128)	(11,335)
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**(1,992)**	**-**	**(3,215)**	**(40,303)**	**(45,510)**	**(14,119)**	**(59,629)**
Transfer upon recognition of depreciation	-	-	-	(1,100)	-	-	1,100	-	-	-
Distribution to non-controlling shareholders	-	-	-	-	-	-	-	-	10,347	10,347
Recognition of share-based payment	-	-	-	-	11	-	-	11	-	11
Transfer upon expiration	321	-	-	-	(321)	-	-	-	-	-
Balance at the end of the year	**80,188**	**125**	**(433)**	**42,074**	**396**	**9,238**	**103,371**	**234,959**	**31,736**	**266,695**

(in thousands of Canadian Dollars)

Condensed interim consolidated statements of cash flows

Condensed interim consolidated statements of cash flows	Three months ended March 31, 2024 (Unaudited)	Three months ended March 31, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Operating activities:			
Net loss for the year	(10,059)	(7,034)	(48,294)
Adjustments for:			
Depreciation and amortization	3,937	5,436	17,128
Gain from fair value adjustments on investment properties and financial instruments	-	(30)	5,935
Loss (gain) on sale of investment and other property	-	3,964	3,578
Financing costs from bonds including foreign exchange	722	(641)	(285)
Financing expense on (income from) financial derivative	574	480	1,649
Deferred tax, net	(2,398)	(1,429)	(5,962)
Share based compensation	-	3	11
Changes in non-cash working capital:			
Trade receivables, other receivables, prepayments and others	(906)	(806)	12,296
Inventories	(43)	300	420
Real estate inventory	(186)	(500)	(3,352)
Trade and other payables and credit balances	167	(1,146)	6,739
Income taxes	(8)	(34)	2,687
Cash used in operating activities	(8,200)	(1,437)	(7,450)
Investing activities:			
Release from (Investment in) restricted deposit	1,753	322	(14,511)
Additions to property, plant and equipment	(21,870)	(4,002)	(82,351)
Proceeds of loans given to purchasers	-	-	41,489
Net proceeds from sale of disposal group	-	-	10,027
Proceeds from sale of property, plant and equipment, net of income tax	-	-	1,300
Cash used in investing activities	(20,117)	(3,680)	(44,046)
Financing activities:			
Bank credit and other short-term loans	(436)	1,406	7,507
Repayment of bonds	(2,610)	(2,039)	(4,033)
Issuance of bonds	-	-	10,464
Proceeds from long term loans	11,820	311	88,593
Repayments of long-term loans and capital leases	(223)	(641)	(23,785)
Contribution from (Distribution to) non-controlling shareholders	1,349	1,198	10,347
Cash provided by financing activities	9,900	235	89,093
Foreign exchange translation of cash balances	164	(9)	39
Net increase (decrease) in cash and cash equivalents	(18,253)	(4,891)	37,636
Cash and cash equivalents at beginning of year	57,139	19,503	19,503
Cash and cash equivalents at end of year	38,886	14,612	57,139

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

(in thousands of Canadian Dollars)

Supplemental cash flow information for the period	Three months ended March 31, 2024 (Unaudited)	Three months ended March 31, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Interest paid	5,941	5,473	19,523
Interest received	207	584	6,928
Income taxes paid	33	2	(981)

Significant non-cash investing and financing activities for the period	Three months ended March 31, 2024 (Unaudited)	Three months ended March 31, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Right-of-use assets and lease liabilities	-	-	149
Loans to purchasers	-	-	38,325
Share capital and premium increase	-	321	321

Notes to 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 43 Colborne Street, Suite 300, Toronto, Ontario, Canada.

Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada.

As at March 31, 2024, the Company is 52.75% owned by its controlling shareholder, Mishorim Real Estate Investments Ltd (“Mishorim”) and 25.69% owned by The Israel Land Development Co. Ltd (“ILDC”). Both are public companies whose shares are traded on the Tel-Aviv Stock Exchange ("TASE").

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) The Company’s Financial Position

The Company has an upcoming maturity of its Debentures (Series B) in July 2024, estimated in the amount of US $39.01 million (approximately CAD 52.95 million and NIS 143.60 million based on the March 31, 2024 CAD/USD and NIS/USD exchange rates), (payable in NIS, but linked to the NIS/ USD exchange rate at the time of issuance), including accrued interest as at the maturity date, and also including the expansion of the Series that was completed in July 2023 (See Note 13(c) in the Annual Consolidated Financial Statements as at December 31, 2023 for details).

After the reporting period, the Company’s major shareholders, Mishorim Real Estate Investments Ltd. and the Israel Land Development Company Ltd., have provided shareholder loans in the amount of NIS 55 million (approximately CAD 20 million) and NIS 27 million (approximately CAD 10 million), respectively (see note 14 (c)). These loans are intended to help with the payment of the Company's Series B debentures. The shareholder loans are payable in April 2025. To fund repayment of shareholder loans, the company plans, among other, to sell certain properties. See note 14 d for further information.

The Company is a guarantor under certain existing loan agreements and the related guarantor covenants set in under the guarantor agreements require the Company to maintain a minimum liquidity of CA$12.5 million.

At the end of the reporting period the company did not meet the debt yield ratio set in a loan agreement for a loan that finances the Courtyard portfolio, thus cash management will be enacted for cash balances in the related bank accounts. Accordingly, the cash in the related bank accounts can only be used to service the related loan and properties. See note 14b for further details.

Based on analyses of Management and the Company’s Board of Directors of the cash needs and available sources, including the aforementioned shareholder loans, the Company expects to meet all of its financial obligations in the foreseeable future when they come due.

2 Material accounting policies

(a) Basis of presentation

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. The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the annual consolidated financial statements. 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, 2023.

(in thousands of Canadian Dollars except where otherwise stated)

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on May 27, 2024.

(b) Significant estimates, assumptions, and judgements

For information regarding Management's significant assumptions and estimates, please refer to Note 6.

(c) Amendments to standards and new standards

International Financial Reporting Standard 18 "Presentation and Disclosure in Financial Statements" ("IFRS 18")
On April 9, 2024, IFRS 18 was published, which replaces International Accounting Standard 1 "Presentation of Financial Statements" ("IAS 1"). The purpose of the standard is to improve the way information is transmitted by entities to users in their financial statements.
The standard focuses on the following areas:

(1) Structure of the profit or loss statement – presentation of defined sub-summaries and division into categories in the profit or loss statement.
(2) Requirements regarding the improvement of the grouping and distribution of information in financial statements and annotations.
(3) Display information regarding management-defined performance indicators ("MPM") that are not based on non-GAAP accounting standards in financial statement annotations.

In addition, when IFRS 18 is implemented, amendments to additional IFRS will come into effect, including International Accounting Standard 7 "Cash Flow Statement" designed to improve the comparison between entities. The changes mainly include: the use of a sub-summary of operating profit as a sole starting point in implementing the indirect method of reporting cash flows from current operations, as well as the elimination of alternatives to choosing an accounting policy regarding the presentation of interest and dividends. In light of this, except in certain cases, interest and dividends received will be included in cash flows from investment activities, while interest paid and dividends paid will be included in financing activities.

The standard will take effect for annual reporting periods beginning on or after January 1, 2027. The device is applied intermittently, with specific transition instructions. Early adoption is possible.

The Company is examining the impact of IFRS 18, including the impact of amendments to additional IFRS as a result of its implementation, on the financial statements.

(d) Foreign currency

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

Exchange rates - At balance sheet date as at	March 31, 2024	March 31, 2023	December 31, 2023
USD / CAD	1.355	1.353	1.323
CAD / NIS	2.712	2.667	2.739

Exchange rates - Average during the period ended	Three months ended March 31, 2024	Three months ended March 31, 2023	Year ended December 31, 2023
USD / CAD	1.349	1.353	1.350
CAD / NIS	2.719	2.616	2.733

Change in rate - During the period ended	Three months ended March 31, 2024	Three months ended March 31, 2023	Year ended December 31, 2023
USD / CAD	2.4%	(0.1%)	(2.3%)
CAD / NIS	(1.0%)	2.7%	5.5%

(in thousands of Canadian Dollars except where otherwise stated)

3 Seasonality and other disclosures

The Company's hotels are all-season operations, though stronger during June through October and slower during December through February, and therefore maintain a balanced level of income throughout the year. The second quarter is historically the strongest and the first quarter is historically the weakest for the 14 Courtyard by Marriott hotels. Prior to selling the Bear Valley Ski Resort in November 2023, due to the seasonal nature of the resort, revenues of the resort were typically higher in the winter months, especially due to ski revenue. 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. Please refer to Note 8 for details.

4 Fair value of financial assets and liabilities

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

Financial assets and liabilities at fair value through profit or loss	Fair value as at March 31, 2024	Fair value as at March 31, 2023	Fair value as at Year ended December 31, 2023	Carrying amount as at March 31, 2024	Carrying amount as at March 31, 2023	Carrying amount as at Year ended December 31, 2023
Financial assets						
Loans to purchasers	83,997	83,977	81,485	84,239	90,878	82,983
Financial liabilities						
Loans payable	280,120	199,573	262,736	276,546	195,481	258,791
Bonds	51,720	43,170	53,536	51,900	44,983	53,787

(b) The fair value of financial assets includes loans to purchasers as vendor-take-back mortgages ("VTB"), including the VTBs as part of the Freed Transaction. Fair value has been determined by calculating the present value of the asset as at the reporting date, including considerations for changes in the counterparty risk of the underlying borrower. The carrying value of the VTB principal as part of the Freed transaction, was adjusted based on the agreement entered in November 2023, and fair values were updated accordingly. Please refer to Note 4 in the Annual Consolidated Financial Statements as at December 31, 2023, for more details on the calculation of the VTBs value.

(c) The fair value of long-term financial liabilities has been determined by calculating their present values as at the reporting date, using effective market interest rates available to the Company. The carrying amount of these loans approximate their fair values. The carrying amount presented in the statement of financial position is net of financing costs.

(d) 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.

(e) 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.

(f) 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 March 31, 2024, the Company complies with these covenants per the deed of trust.

(g) On May 31, 2023, following discussions with the Debentures (Series B) Trustee, and pursuant to Section 5.4 of the Deed of Trust for the Debentures (Series B) of the Company dated September 24, 2017 (the "Deed of Trust"), the Company announced as follows: Based on the Company's reviewed financial statements as of March 31, 2023, published on May 14, 2023 (the "Deviation Date"), the Operating EBITDA (as defined in Section 1.5.31 of the Deed of Trust) for the last four quarters preceding the date of the last financial statements, was CA\$ 13.58 million. Pursuant to Section 5.4 of the Deed of Trust, if Operating EBITDA during the last four quarters preceding the review date falls below CA \$18.0 million, the stated interest rate will increase by 0.25% per year. The exact annual interest rate borne by principal of the Debentures for the current interest period, from January 16, 2023 and until the Deviation Date, is 5.65% (the "Original Interest"). The annual and semi-annual interest rates to be paid for the Debentures for the next periods (from and after July 16, 2023) will be 5.9% and 2.95%, respectively. As at March 31, 2024, the total unpaid principal balance of the bonds is CA$ 51 million; the four-quarter trailing Operating EBITDA is negative $(2.3) million – the Company remains non-compliant with this requirement under the Deed of Trust, and continues to pay interest at the increased rate until the Bond maturity date. The Company's also has a requirement to have Consolidated Equity (excluding minority interests) of not less than CA$130 million, as at March 31, 2024, the balance is CA $233 million and the Company is in compliance with this covenant. See details in note 14(e) regarding decision on an early repayment.

(in thousands of Canadian Dollars except where otherwise stated)

5 Investment properties

Investment properties movement	Three months ended March 31, 2024	Three months ended March 31, 2023	Year ended December 31, 2023
Balance as at the beginning of the period	13,769	13,046	13,046
Net gain (loss) from fair value adjustments	-	30	945
Foreign exchange translation and other	228	(7)	(222)
Balance as at the end of the period	**13,997**	**13,069**	**13,769**

6 Property, plant and equipment

Property, plant and equipment movement	Three months ended March 31, 2024	Three months ended March 31, 2023	Year ended December 31, 2023
Property, plant and equipment as at beginning of year	**436,878**	401,506	401,506
Expenditures subsequent to acquisitions, including payable amounts (see note) *	9,283	5,737	98,488
Adjustment to fair value through revaluation surplus	(11,701)	1,440	(8,927)
Right-of-use assets and lease liabilities	-	-	149
Depreciation	(3,412)	(3,831)	(14,579)
Impairment	-	(900)	(234)
Disposals	-	(3,964)	(30,165)
Foreign exchange translation	10,714	(321)	(9,360)
Balance as at the end of the period	**441,762**	**399,667**	**436,878**

* The three months ended March 31, 2024, includes $2.1 million related to Capital expenditures that were incurred and have not yet been paid as of March 31, 2024 (Three months ended March 31, 2023: $0 million; Year ended December 31, 2023: $14.7 million). $1.4 million was paid after the reporting period.

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.

In the current reporting period, no assets were revalued by independent appraisers. 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 the inputs mentioned above in a discounted cash flow analysis over ten years to determine if there is any required revaluation at the reporting date.

For its current period reporting, the Company had discussions with its independent appraisers; although full appraisals were not performed. For the Courtyard portfolio, the independent appraisers indicated that property and market performance, as well as observations from market transactions, all indicated that a decline in value was indicated for the portfolio. This decline was estimated through an increase of approximately 50 basis points in the discount rate for the specified forecast period, as well as the terminal capitalization rate. This is consistent with the Company's observation from arms' length offers it has received for certain assets from potential buyers. As described in Note 14(d), the Company has signed agreements for the sale of six of its Courtyard assets, and is in the process of signing agreements for the sale of two additional properties. For these 8 properties, the value in the financial statements for the period ended March 31, 2024 is US $97.70 million, and the price indicated by the transaction in aggregate is US $91.75 million. The price from these transactions was considered a data point, but ultimately was not the only deciding factor in the fair value assessment of the properties for reporting as at March 31, 2024, partially because repayment of loan to which these and other portfolio assets are pledged, requires selling of these properties at one date, together with other properties (or it requires obtaining other funding for part of the portfolio). See note 14b for further information.

(in thousands of Canadian Dollars except where otherwise stated)

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.

Significant unobservable (level 3) inputs used in the DCF method as at March 31, 2024 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 timing and amount of investment in the property improvement plans;
(d) Estimations of the average occupancy as well as the average daily rate;
(e) Other factors such as building rights, planning and legal status.

Discount rates used in applying the DCF method ranged between 10.25% and 12.75%, terminal capitalization rates ranged between 8.50% and 10.25%.

As at March 31, 2024, 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 $5,993. As at March 31, 2024, 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 $6,161.

7 Loans and leases payable

Loans and leases payable properties movement	Three months ended March 31, 2024	Three months ended March 31, 2023	Year ended December 31, 2023
Balance as at the beginning of the period	258,791	194,188	194,188
Proceeds from long-term loans	11,820	311	88,593
Repayments of long-term loans	(223)	(641)	(27,777)
Net proceeds from short-term loans	(436)	1,406	7,507
Right-of-use assets and lease liabilities	-	-	149
Transfers to (from) other non-current assets and other	-	(332)	(483)
Amortization of deferred financing charges	525	705	2,315
Foreign exchange translation	6,069	(156)	(5,701)
Balance as at the end of the period	**276,546**	**195,481**	**258,791**

8 Income from hotels and resorts

For the period ended,	Three months ended March 31, 2024	Three months ended March 31, 2023	Year ended December 31, 2023
Room revenue	18,948	22,315	93,077
Food & beverage revenue	2,004	3,018	13,546
Ski revenue	-	7,457	8,708
Other revenue	930	1,687	6,004
	21,882	**34,477**	**121,335**

(in thousands of Canadian Dollars except where otherwise stated)

9 Financial expense

For the period ended,	Three months ended March 31, 2024	Three months ended March 31, 2023	Year ended December 31, 2023
Interest on loans and leases	(5,681)	(4,633)	(21,239)
Provision for credit losses	-	-	(12,500)
Interest and foreign exchange revaluation of bonds	(2,324)	(699)	(2,322)
Amortization of deferred financing charges	(525)	(705)	(2,315)
Bank charges	(105)	(86)	(319)
	(8,635)	**(6,123)**	**(38,695)**

10 Income taxes

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

For the year ended December 31,	Three months ended March 31, 2024	Three months ended March 31, 2023	Year ended December 31, 2023
Current income tax expense	(57)	(5)	(1,802)
Prior year income tax recovery (expense)	(56)	(22)	342
Deferred income tax recovery	2,398	1,429	5,962
Income tax recovery	**2,285**	**1,402**	**4,502**

11 Significant events during the period

(a) On February 20, 2024, the Company announced that its negotiations with the potential buyer for the sale of all of the Company's hotel properties in the US had not resulted in a binding agreement as provided for in the original non-binding Letter of Intent (LOI), and the Company is considering the possibility of selling all or some of the Courtyard hotels it owns to other third-party buyers unrelated to the Company but known to the potential buyer. For details regarding the Company's engagement in sales agreements with respect to 8 Courtyard properties, see note 14(d).

(b) On March 15, 2024, Mr. Shmuel Rosenblum, who served as the Internal Auditor of the Company, announced his resignation as the Company's Internal Auditor after 6.5 years in office, and in his place the Board of Directors, on recommendation of the Audit Committee, appointed Mr. Oren Grupi of KPMG firm, as the Company's Internal Auditor, effective March 25, 2024.

(c) On March 24, 2024, the Company's controlling shareholder, Mishorim Real Estate Investments Ltd. ("Mishorim"), has undertaken to provide an on-call loan to the Company of up to NIS 55 million. Similarly, Israel Land Development Corporation Ltd. ("ILDC"), a major shareholder of the Company, has undertaken to provide a loan of up to NIS 27 million on the same terms (so that the amounts from ILDC is provided pro rata to the loan from Mishorim). The loans provided to the Company are intended to bridge the cash flow gap created for the Company, inter alia due to the full and final repayment of the Series B Bonds expected in mid-July 2024. The loans will be repaid (pro rata between Mishorim and ILDC) (principal, interest and indexation) in one payment until April 1, 2025 and not before final and full repayment of the Company's Series B debentures. The repayment of the loans will precede any dividend distributions, and includes customary events of default. Among other things, having a dividend distribution without first repaying the loan, having the Company's shares no longer listed on the Tel Aviv Stock Exchange, or if there are changes in the controlling shareholders of the Company or of Mishorim. In the event of default, the lenders shall, in addition to all other rights and remedies available, be entitled by written notice to the Company to terminate this agreement and to declare any outstanding principal amount and all accrued and unpaid interest and the Indexation Difference accrued thereon, to become immediately due and payable.

(d) On March 25, 2024 Ms. Neha Kapelus (who served as VP Finance) was appointed to Chief Financial Officer.

12 Legal Claims

(a) 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. In agreement with the Company's legal counsel, Management concludes that it is not possible at this stage to estimate the Company's chances of success or the likely amount of settlement amount or recovery, if any.

(in thousands of Canadian Dollars except where otherwise stated)

(b) The Company has been served with claims totaling $1.7 million in relation to certain construction projects. In agreement with the Company's legal counsel, Management concludes that it is not possible at this stage to estimate the Company's chances of success or the likely amount of settlement, if any.

13 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 14 Hotels branded Marriott Courtyard located in 10 different states and until November 01, 2023, the Bear Valley Resort located in California.

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:

Business segment	Description
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 other investments measured at FV through profit or loss on an aggregated basis. These were sold as part of the Freed Agreement in November 2023, in exchange for a Note Receivable (see Note 4 in the Annual Consolidated Financial Statements as at December 31, 2023, for detail). After this date there are no other investments measured at FV through profit and loss.

Segmented financial information is as follows:

For the three months ended March 31, 2024 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	21,862	20	-	21,882
Costs and expenses	(21,824)	(1)	(10)	(21,835)
	38	19	(10)	47
Administrative and general expenses				(1,944)
Impairment of real estate properties				-
Depreciation				(3,412)
Other expense, net				(144)
Financial expense				(8,635)
Financial income				1,744
Loss before income taxes				**(12,344)**

For the three months ended March 31, 2023 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	34,457	20	4	34,481
Costs and expenses	(28,636)	(12)	(12)	(28,660)
	5,821	8	(8)	5,821
Administrative and general expenses				(2,002)
Impairment of real estate properties				(900)
Depreciation				(3,831)
Gain from fair value adjustments of investment properties				30
Other expense, net				(2,630)
Financial expense				(6,123)
Financial income				1,199
Loss before income taxes				**(8,436)**

(in thousands of Canadian Dollars except where otherwise stated)

For the Year ended December 31, 2023 (Audited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	121,256	79	4	121,339
Costs and expenses	(107,264)	(14)	(28)	(107,306)
	13,992	65	(24)	14,033
Administrative and general expenses				(9,035)
Impairment of real estate properties				(234)
Depreciation				(14,579)
Gain from fair value adjustments of investment properties				945
loss from fair value adjustments of financial instruments				(6,880)
Derecognition of investment costs and other capital losses, net				(282)
Other expense, net[1]				(3,141)
Financial expense				(38,695)
Financial income				5,072
Loss before income taxes				**(52,796)**

As at March 31, 2024 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Assets *	495,111	82,158	49,586	626,855
Liabilities	(351,891)	(8,146)	(13,695)	(373,732)
	143,220	**74,012**	**35,891**	**253,123**

As at March 31, 2023 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Assets **	438,400	100,750	61,644	600,794
Liabilities	(271,707)	(3,521)	(13,923)	(289,151)
	166,693	**97,229**	**47,721**	**311,643**

As at December 31, 2023 (Audited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Assets *	494,899	96,080	49,918	640,897
Liabilities	(349,455)	(10,602)	(14,145)	(374,202)
	145,444	**85,478**	**35,773**	**266,695**

* Includes loans to Freed; ** Includes investment in Freed equity and loans, refer to Note 4 in the Annual Consolidated Financial Statements as at December 31, 2023, for further detail.

14 Subsequent events

(a) On April 10, 2024, the Renaissance Cleveland Hotel held by the Company's subsidiary successfully completed its rebranding to the Hotel Cleveland Autograph Collection. The Company entered into a renewed franchise agreement with the Marriott chain, for a period of 20 years from the brand opening date, i.e. until April 10, 2044, with no extension option. Similar to the period agreement, the new agreement provides that the Marriott chain is entitled to franchise fees of 5% of gross rooms revenue as well as additional payments mainly for marketing and sales services and use of computer systems. The Company has completed over 95% of the Property Improvement Plan ("PIP") renovation of all the conference space, common areas

[1] Other expense: $3.1 million other expense relates to the $3.9 million loss related to the donation of Keewatin; $1.0 million donation provision related to the Keewatin; partially offset by $1.8 million recapturing of reserves from several completed development projects.

and rooms at the hotel. The agreement establishes conditions governing the relationship between the parties as is customary in such agreement, and similar to the terms in the previous franchise agreement with Marriott.

(b) Under the provisions of the loan agreement of the Company's subsidiary, related to 12 hotels under the Company's Courtyard hotel portfolio, the borrower obliged to maintain a Debt Yield (i.e., the ratio of Net Operating Income over the outstanding principal balance of the loan) of 8.0% during the period beginning on May 1, 2023, through April 30, 2024, tested each quarter. The Debt Yield for the April 1, 2024 test date was less than 8.0%. Failure to comply with the debt yield ratio does not constitute grounds for immediate repayment in accordance with the loan agreement, but the lender may, at its option, transfer the cash received from the hotels to a cash management account used only to pay the debt and to pay operating or capital expenses, in accordance with the terms and conditions the Cash Management Agreement that was entered into as part of the loan. Moreover, pursuant to the loan agreement, the borrower can regain control of the cash by achieving a Debt Yield of at least 9.5% for two consecutive calendar quarters.

(c) Mishorim Real Estate Investments Ltd. and the Israel Land Development Company Ltd. transferred NIS 55 million and NIS 27 million, on May 12, 2024 and May 15, 2024 respectively, as shareholders loans bearing an annual interest rate of 6% and index-linked. Please refer to Note 11(c) for further detail.

(d) On April 18, 2024 (following an approval in principal of the Company's Board of Directors dated April 18, 2024), the Company signed 6 sales agreements and on May 21, 2024, the Company's Board of Directors and Audit Committee approved the signing of agreements for the sale of 2 additional CY hotels (a total of 8 hotels) out of 14 CY Hotels (the Company's hotels expected to be sold are: Chicago Arlington Heights, Chicago Deerfield, Chicago Rockford, Birmingham Hoover, Huntsville University Drive, Fort Myers Cape Coral, Courtyard Manassas Battlefield Park, Courtyard Lexington North) at an aggregate price of approximately US $91.75 million (approximately USD $13 million lower than the total book value (in aggregate) of the Company's assets as of December 31, 2023 and a release of a reserve for deferred taxes is expected), with completion date expected to be in the third quarter of this year. The value of these 8 hotels in the financial statements for the period ended March 31, 2024 is US $97.70 million. The signed agreements are binding on the buyers, but the Company has the option not to complete the agreements under certain circumstances. It should be noted that 7 of the above 8 CY hotels, together with 5 other CY hotels, are pledged in favor of the bank (a total of 12 properties). Accordingly, the completion of the sale agreements of 8 CY Hotels is subject to the fulfillment of customary closing conditions in such agreements and to the repayment of the Bank loan currently in the amount of USD $102.6 million (bearing interest of 10.87%). To repay the existing loan, the company is examining the possibility of entering into a loan agreement with another financing entity, in the amount of US $20 million, and to pledge against the loan the remaining 5 CY assets that will not have been sold (the remaining 1 CY asset is already pledged to another lender). The signing of the sale agreements reflects an average discount of 12% of the value of the assets on the Company's books (as of December 31, 2023). As of this date, the Company is in discussions with other potential buyers regarding the Renaissance and Hyatt hotels, but not in progressed negotiations with any of them.

(e) On May 23, 2024, the Company's Board of Directors decided on the full early redemption of the company's Series B debentures. The total redemption amount, which will be executed on June 13, 2024, is NIS 143.03 million (approximately CAD 53.06 million), including principal, interest, and an early redemption fee.