SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements for the period ended June 30, 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 consolidated statement of financial position as of June 30, 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the periods of six and three months ended on that date. 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 Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the 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 and plans to repay shareholder loans in April 2025 in the amount of approximately CAD 30 million. In the event that sale of assets are delayed or not completed, additional source of funding might be required for certain capital investments including renovations of hotels. Based on the Management and the Board of Directors analysis of the cash needs and available sources, the company's Board of Directors and Management are of the opinion that the Company will comply with its liabilities in the foreseeable future when they come due.

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

Haifa,
August 22, 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	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)	December 31, 2023 (Audited)
Assets:				
Current assets				
Cash and cash equivalents		14,095	13,692	57,139
Trade receivables, other receivables and prepayments		9,820	20,433	8,633
Inventories		622	722	405
Real estate inventory		5,220	8,267	9,986
Loans to purchasers		54,961	2,252	2,120
Financial derivative		1,168	-	2,435
Restricted bank deposits		8,092	1,960	9,959
		93,978	**47,326**	**90,677**
Non-current assets				
Financial derivative		-	4,418	-
Investment properties	5	14,115	13,846	13,769
Property, plant and equipment	6	447,564	410,258	436,878
Loans to purchasers		32,805	83,036	80,863
Other non-current assets		2,897	2,794	2,801
Other investments measured at fair value through profit or loss		-	32,700	-
Restricted bank deposits		15,846	12,381	15,909
		513,227	**559,433**	**550,220**
Total assets		**607,205**	**606,759**	**640,897**
Liabilities and equity:				
Current liabilities				
Loans and leases payable	7	48,947	6,186	10,092
Bonds		-	3,743	52,037
Trade payables		9,914	6,650	6,620
Other payables and accruals		32,544	37,014	38,030
Deferred revenue		1,508	5,113	1,206
Income taxes payable		-	-	1,793
		92,913	**58,706**	**109,778**
Non-current liabilities				
Loans and leases payable	7	261,035	196,569	248,699
Bonds		-	39,692	-
Other liabilities		6,182	2,489	5,966
Deferred tax		2,760	14,234	9,759
		269,977	**252,984**	**264,424**
Total liabilities		**362,890**	**311,690**	**374,202**
Equity				
Equity attributable to shareholders of the Company		214,953	258,601	234,959
Non-controlling interest		29,362	36,468	31,736
Total equity		**244,315**	**295,069**	**266,695**
Total liabilities and equity		**607,205**	**606,759**	**640,897**

On behalf of the board of directors:

"Shimshon Marfogel"	*"Blake Lyon"*	*"Neha Kapelus"*	August 22, 2024
Shimshon Marfogel Chairman	Blake Lyon CEO	Neha Kapelus CFO	Date

(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	Six months ended June 30, 2024 (Unaudited)	Six months ended June 30, 2023 (Unaudited)	Three months ended June 30, 2024 (Unaudited)	Three months ended June 30, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Revenue						
Income from hotels and resorts	8	55,294	66,847	33,412	32,370	121,335
Sale of residential real estate	11(i)	4,281	4	4,281	-	4
Total revenue		59,575	66,851	37,693	32,370	121,339
Expenses and costs						
Operating expenses from hotels and resorts		(48,301)	(56,478)	(26,476)	(27,830)	(107,278)
Cost of sales of residential real estate	11(i)	(5,445)	(22)	(5,435)	(10)	(28)
Total expenses and costs		(53,746)	(56,500)	(31,911)	(27,840)	(107,306)
Gross profit		5,829	10,351	5,782	4,530	14,033
Real estate selling and marketing expenses		-	-	-	-	-
Administrative and general expenses		(3,508)	(4,416)	(1,564)	(2,414)	(9,035)
Operating income loss before depreciation, valuation adjustments and other income		2,321	5,935	4,218	2,116	4,998
Impairment of real estate properties		-	(900)	-	-	(234)
Depreciation		(6,753)	(7,598)	(3,341)	(3,767)	(14,579)
Gain from fair value adjustments of investment properties		-	1,013	-	983	945
Gain (loss) from fair value adjustments of financial instruments, net		-	(4,180)	-	(4,180)	(6,880)
Gain (loss) on sale and other capital gains (losses), net		-	-	-	-	(282)
Other expenses		55	(3,140)	199	(510)	(3,141)
Net income (loss) from operations		(4,377)	(8,870)	1,076	(5,358)	(19,173)
Financial expense	9	(18,661)	(14,906)	(10,026)	(8,783)	(38,695)
Financial income		3,210	2,379	1,466	1,180	5,072
Net loss before income taxes		(19,828)	(21,397)	(7,484)	(12,961)	(52,796)
Income tax recovery	10	3,333	2,041	1,048	639	4,502
Net loss for the year		(16,495)	(19,356)	(6,436)	(12,322)	(48,294)
Attributable to:						
Shareholders of the Company		(12,992)	(16,030)	(5,334)	(10,574)	(40,303)
Non-controlling interest		(3,503)	(3,326)	(1,102)	(1,748)	(7,991)
Net loss for the year		(16,495)	(19,356)	(6,436)	(12,322)	(48,294)
Net loss per share:						
Basic		(0.79)	(0.97)	(0.32)	(0.64)	(2.44)
Diluted		(0.79)	(0.97)	(0.32)	(0.64)	(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	Six months ended June 30, 2024 (Unaudited)	Six months ended June 30, 2023 (Unaudited)	Three months ended June 30, 2024 (Unaudited)	Three months ended June 30, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Net loss for the year	(16,495)	(19,356)	(6,436)	(12,322)	(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	(16,787)	(3,788)	(5,086)	(5,228)	(8,927)
Income taxes	3,524	965	884	717	1,424
Net loss from revaluation of property, plant and equipment	(13,263)	(2,823)	(4,202)	(4,511)	(7,503)
Items that will or may be reclassified subsequently to net income (loss):					
Foreign exchange differences on translation of foreign operations	5,857	(4,708)	1,658	(4,530)	(3,832)
Other comprehensive loss for the year net of income tax	(7,406)	(7,531)	(2,544)	(9,041)	(11,335)
Total comprehensive loss for the year, net of income tax	**(23,901)**	**(26,887)**	**(8,980)**	**(21,363)**	**(59,629)**
Attributable to:					
Shareholders of the Company	(20,178)	(21,863)	(7,003)	(16,927)	(45,510)
Non-controlling interest	(3,723)	(5,024)	(1,977)	(4,436)	(14,119)
Total comprehensive income loss for the year, net of income tax	**(23,901)**	**(26,887)**	**(8,980)**	**(21,363)**	**(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 six months ended June 30, 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	-	-	-	-	-	-	(12,992)	(12,992)	(3,503)	(16,495)
Other comprehensive income (loss) for the period	-	-	-	(11,925)	-	4,739	-	(7,186)	(220)	(7,406)
Total comprehensive income (loss) for the period	**-**	-	-	(11,925)	-	4,739	(12,992)	(20,178)	(3,723)	(23,901)
Transfer upon recognition of depreciation	-	-	-	(427)	-	-	427	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	1,349	1,349
Receipt of a benefit from shareholders - see note 11(c)	-	172	-	-	-	-	-	172	-	172
Balance at the end of the period	**80,188**	**297**	**(433)**	**29,722**	**396**	**13,977**	**90,806**	**214,953**	**29,362**	**244,315**
For the six months ended June 30, 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	-	-	-	-	-	-	(16,030)	(16,030)	(3,326)	(19,356)
Other comprehensive loss for the period	-	-	-	(1,757)	-	(4,076)	-	(5,833)	(1,698)	(7,531)
Total comprehensive loss for the period	**-**	**-**	**-**	(1,757)	-	(4,076)	(16,030)	(21,863)	(5,024)	(26,887)
Transfer upon recognition of depreciation	-	-	-	(627)	-	-	627	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	5,984	5,984
Recognition of share-based payment	-	-	-	-	6	-	-	6	-	6
Transfer upon expiration	321	-	-	-	(321)	-	-	-	-	-
Balance at the end of the period	**80,188**	**125**	**(433)**	**42,782**	**391**	**8,377**	**127,171**	**258,601**	**36,468**	**295,069**

Condensed interim consolidated statements of changes in equity
(in thousands of Canadian Dollars)

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 June 30, 2024 (Unaudited):										
Balance at the beginning of the period	80,188	125	(433)	32,895	396	12,655	95,958	221,784	31,339	253,123
Net loss for the period	-	-	-	-	-	-	(5,334)	(5,334)	(1,102)	(6,436)
Other comprehensive income (loss) for the period	-	-	-	(2,991)	-	1,322	-	(1,669)	(875)	(2,544)
Total comprehensive income (loss) for the period	-	-	-	(2,991)	-	1,322	(5,334)	(7,003)	(1,977)	(8,980)
Transfer upon recognition of depreciation	-	-	-	(182)	-	-	182	-	-	-
Receipt of a benefit from shareholders - see note 11(c)	-	172	-	-	-	-	-	172	-	172
Balance at the end of the period	**80,188**	**297**	**(433)**	**29,722**	**396**	**13,977**	**90,806**	**214,953**	**29,362**	**244,315**
For the three months ended June 30, 2023 (Unaudited):										
Balance at the beginning of the period	80,188	125	(433)	45,487	388	12,301	137,469	275,525	36,118	311,643
Net loss for the period	-	-	-	-	-	-	(10,574)	(10,574)	(1,748)	(12,322)
Other comprehensive loss for the period	-	-	-	(2,429)	-	(3,924)	-	(6,353)	(2,688)	(9,041)
Total comprehensive loss for the period	**-**	**-**	**-**	(2,429)	-	(3,924)	(10,574)	(16,927)	(4,436)	(21,363)
Transfer upon recognition of depreciation	-	-	-	(276)	-	-	276	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	4,786	4,786
Recognition of share-based payment	-	-	-	-	3	-	-	3	-	3
Balance at the end of the period	**80,188**	**125**	**(433)**	**42,782**	**391**	**8,377**	**127,171**	**258,601**	**36,468**	**295,069**
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 loss for the year	-	-	-	-	-	-	(40,303)	(40,303)	(7,991)	(48,294)
Other comprehensive loss for the year	-	-	-	(1,992)	-	(3,215)	-	(5,207)	(6,128)	(11,335)
Total comprehensive 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**

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

(in thousands of Canadian Dollars)

Condensed interim consolidated statements of cash flows

Condensed interim consolidated statements of cash flows	Six months ended June 30, 2024 (Unaudited)	Six months ended June 30, 2023 (Unaudited)	Three months ended June 30, 2024 (Unaudited)	Three months ended June 30, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Operating activities:					
Net loss for the year	(16,495)	(19,356)	(6,436)	(12,322)	(48,294)
Adjustments for:					
Depreciation and amortization	7,819	9,563	3,882	4,127	17,128
Gain from fair value adjustments on investment properties and financial instruments	-	3,167	-	3,197	5,935
Loss (gain) on sale of investment and other property	-	3,964	-	-	3,578
Financing costs from bonds including foreign exchange	1,038	(898)	316	(257)	(285)
Financing expense on (income from) financial derivative	1,346	(341)	772	(821)	1,649
Finance costs from shareholders' loan	216	-	216	-	-
Deferred tax, net	(3,726)	(1,914)	(1,328)	(485)	(5,962)
Share based compensation	-	6	-	3	11
Changes in non-cash working capital:					
Trade receivables, other receivables, prepayments and others	(6,315)	4,015	(5,409)	4,821	12,296
Inventories	(202)	362	(159)	62	420
Real estate inventory	4,766	(1,633)	4,952	(1,133)	(3,352)
Trade and other payables and credit balances	6,308	1,854	6,141	3,000	6,739
Income taxes	(153)	313	(145)	347	2,687
Cash used in operating activities	(5,398)	(898)	2,802	539	(7,450)
Investing activities:					
Additions to investment properties	(21)		(21)		
Release from (Investment in) restricted deposit	2,638	(2,949)	885	(3,271)	(14,511)
Additions to property, plant and equipment	(26,863)	(18,244)	(4,993)	(14,242)	(82,351)
Income taxes paid	(1,724)	-	(1,724)	-	-
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	(25,970)	(21,193)	(5,853)	(17,513)	(44,046)
Financing activities:					
Bank credit and other short-term loans	(1,375)	1,602	(939)	196	7,507
Repayment of bonds	(54,825)	(2,039)	(52,215)	-	(4,033)
Issuance of bonds	-	-	-	-	10,464
Proceeds from long term loans	13,226	33,117	1,406	32,806	88,593
Repayments of long-term loans and capital leases	(478)	(22,257)	(255)	(21,616)	(23,785)
Receipt of a benefit from shareholders	172	-	172	-	-
Proceeds on loans payable to shareholders	30,018	-	30,018	-	-
Contribution from non-controlling shareholders, net	1,349	5,984	-	4,786	10,347
Cash provided by financing activities	(11,913)	16,407	(21,813)	16,172	89,093
Foreign exchange translation of cash balances	237	(127)	73	(118)	39
Net increase (decrease) in cash and cash equivalents	(43,044)	(5,811)	(24,791)	(920)	37,636
Cash and cash equivalents at beginning of year	57,139	19,503	38,886	14,612	19,503
Cash and cash equivalents at end of year	**14,095**	**13,692**	**14,095**	**13,692**	**57,139**

(in thousands of Canadian Dollars)

Supplemental cash flow information for the period	Six months ended June 30, 2024 (Unaudited)	Six months ended June 30, 2023 (Unaudited)	Three months ended June 30, 2024 (Unaudited)	Three months ended June 30, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Interest paid	12,485	10,309	6,544	4,836	19,523
Interest received	863	931	656	347	6,928
Income taxes paid	2,155	(445)	2,122	(447)	(981)

Significant non-cash investing and financing activities for the period	Six months ended June 30, 2024 (Unaudited)	Six months ended June 30, 2023 (Unaudited)	Three months ended June 30, 2024 (Unaudited)	Three months ended June 30, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Right-of-use assets and lease liabilities	-	-	-	-	149
Loans to purchasers	3,213	-	3,213	-	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 June 30, 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 trade on the Tel Aviv Stock Exchange (the "TASE"), and the Company is a reporting issuer in Canada.

(b) The Company’s Financial Position

In May 2024, 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 11(c)). These loans were used for the payment of the Company's Series B debentures, that were due in July 2024, and were redeemed by way of a full early redemption on June 13, 2024. 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 11(h) for further information. Further, the Company is scheduled to receive payment on the Freed VTBs in the amount of $55 million in principal and accrued interest on March 31, 2025 (the “Freed Transaction”, see Note 4 in the Company’s Annual Consolidated Financial Statements as at December 31, 2023), prior to the payment date for the shareholders loans. In the event that the Company’s plans for the sale of its assets are delayed or unsuccessful, there may be additional funding required for certain capital expenditures including Property Improvement Plans that may be mandated by the Franchisor for some of the Company’s assets.

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.

In Q1 2024, 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 was enacted for balances in the related property bank accounts. Accordingly, the cash in these accounts can only be used to service the associated loan and properties. See note 11(f) for further details.

Based on analyses of Management and the Company’s Board of Directors of the cash needs and available sources 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 consolidated 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.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on August 22, 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 communicated 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-totals and categorization in the profit or loss statement.
(2) Requirements regarding the improvement of the grouping and disaggregation of information in financial statements and notes.
(3) Display of information regarding management-defined performance measures ("MPM") that are not based on accounting standards (non-GAAP) in the notes to the financial statements.

In addition, when IFRS 18 is implemented, amendments to additional IFRS will come into effect, including International Accounting Standard 7 " Statement of Cash Flows" designed to improve the comparability between entities. The changes mainly include:

- The use of an operating profit sub-total as a sole starting point in implementing the indirect method of reporting cash flows from operating activities

- The elimination of alternatives regarding the accounting policy choice for presenting interest and dividends. As a result, except in certain cases, interest and dividends received will be included within cash flows from investing activities, while interest paid and dividends paid will be included within financing activities.

The standard will take effect for annual reporting periods beginning on or after January 1, 2027. The standard is applied retrospectively, with specific transition provisions. Early adoption is permitted, but according to the decision of the Israel Securities Authority, early adoption will be allowed only for periods beginning on or after January 1, 2025 (for financial statements for the first quarter of 2025).

The Company is assessing the impact of IFRS 18, including the impact of amendments to additional IFRS resulting from its implementation, on the financial statements.

International Financial Reporting Standard 9 "Financial Instruments" ("IFRS 9") and International Financial Reporting Standard 7 "Financial Instruments: Disclosures”("IFRS 7")

On April 9, 2024, amendments to IFRS 9 and IFRS 7 were published, mainly addressing changes related to the classification and measurement requirements of financial instruments and introducing additional disclosure requirements) ("IFRS 7").

Main amendments to IFRS 9:

(1) Introducing a derecognition option for a financial liability that is settled via an electronic payment system before the settlement date, provided that:
    - The entity has no practical ability to withdraw, stop or cancel the payment instruction;
    - The entity has no practical ability to access the cash to be used for settlement as a result of the payment instruction;
    - The settlement risk associated with the electronic payment system is insignificant.
    - An entity that elects to apply this derecognition option must apply it to all settlements made through the same electronic payment system.

(2) Providing application guidance and illustrative examples on how an entity can assess whether the expected contractual cash flows of a financial asset reflect solely payments of principal and interest for the outstanding principal amount, for classifying the financial asset.
(3) Clarifying that a financial asset has non-recourse features if the entity’s ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.
(4) Clarifying the characteristics of contractually linked instruments that distinguish them from other transactions.

Main amendments to IFRS 7:

(1) Updated disclosure requirements for investments in equity instruments designated at FVTOCI.
(2) Introducing additional disclosure requirements for financial instruments that include contractual terms that could change the timing or amount of contractual cash flows upon the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in risks and costs of a basic lending arrangement (such as the time value of money or credit risk).

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, and will be applied retrospectively. Early application is permitted if all the amendments are applied simultaneously or if the amendments applied are related only to the classification of financial assets. An entity is not required to restate prior periods to reflect the application of the amendments, but it may restate prior periods if, and only if, it is possible to do so without the use of hindsight.

Annual improvements to IFRS Accounting Standards (Volume 11):

As part of the annual improvements process, the following amendments were published by the IASB in July 2024:

(1) Narrow-scope wording amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 10 “Consolidated Financial Statements” and IAS 7 “Statement of Cash Flows”.

(in thousands of Canadian Dollars except where otherwise stated)

(2) Amendments to IFRS 9 "Financial Instruments", which clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9:3.3.3 and recognize any resulting gain or loss in profit or loss. It also clarifies that a receivable should be measured at initial recognition at an amount determined by applying IFRS 15, which might differ from the transaction price.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early application of the amendments is permitted, and if an entity applies the amendments early, it must disclose this fact. The amendment to IFRS 9 regarding extinguished lease liabilities will be applied from the beginning of the annual reporting period in which the entity first applies that amendment.

(d) Foreign currency

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

Exchange rates - At balance sheet date as at	June 30, 2024	June 30, 2023	March 31, 2024	March 31, 2023	December 31, 2023
USD / CAD	1.369	1.324	1.355	1.353	1.323
CAD / NIS	2.741	2.790	2.712	2.667	2.739

Exchange rates - Average during the period ended	Six months ended June 30, 2024	Six months ended June 30, 2023	Three months ended June 30, 2024	Three months ended June 30, 2023	Year ended December 31, 2023
USD / CAD	1.359	1.348	1.368	1.343	1.350
CAD / NIS	2.721	2.665	2.723	2.719	2.733

Change in rate - During the period ended	Six months ended June 30, 2024	Six months ended June 30, 2023	Three months ended June 30, 2024	Three months ended June 30, 2023	Year ended December 31, 2023
USD / CAD	3.5%	(2.2%)	1.0%	(2.2%)	(2.3%)
CAD / NIS	0.1%	7.4%	1.1%	4.6%	5.5%

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 June 30, 2024	Fair value as at June 30, 2023	Fair value as at Year ended December 31, 2023	Carrying amount as at June 30, 2024	Carrying amount as at June 30, 2023	Carrying amount as at Year ended December 31, 2023
Financial assets						
Loans to purchasers	88,927	84,231	81,485	87,766	85,288	82,983
Financial liabilities						
Loans payable*	307,315	196,188	254,304	309,982	202,755	258,791
Bonds	-	43,213	53,536	-	44,726	53,787

* Fair value amounts include deferred finance costs.

(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 and sale of Port McNicoll. Loans to Purchasers are debt instruments carried on the balance sheet at amortized cost under IFRS 9.

(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 transaction costs, in addition with accrued interest.

(in thousands of Canadian Dollars except where otherwise stated)

(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. The Company's Series B debentures, that were due in July 2024, and were redeemed by way of a full early redemption on June 13, 2024.

(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.

5 Investment properties

Investment properties movement	Six months ended June 30, 2024	Six months ended June 30, 2023	Year ended December 31, 2023
Balance as at the beginning of the period	13,769	13,046	13,046
Expenditures subsequent to acquisition	21	-	-
Net gain (loss) from fair value adjustments	-	1,013	945
Foreign exchange translation and other	325	(213)	(222)
Balance as at the end of the period	**14,115**	**13,846**	**13,769**

6 Property, plant and equipment

Property, plant and equipment movement	Six months ended June 30, 2024	Six months ended June 30, 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*	19,048	34,095	98,488
Adjustment to fair value through revaluation surplus	(16,787)	(3,788)	(8,927)
Right-of-use assets and lease liabilities	-	-	149
Depreciation	(6,753)	(7,598)	(14,579)
Impairment	-	(900)	(234)
Disposals	-	(3,964)	(30,165)
Foreign exchange translation	15,178	(9,093)	(9,360)
Balance as at the end of the period	**447,564**	**410,258**	**436,878**

* The six months ended June 30, 2024, includes $6.9 million related to Capital expenditures that were incurred and have not yet been paid as of June 30, 2024 (six months ended June 30, 2023: $14.5 million; Year ended December 31, 2023: $14.7 million). $6.6 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, certain assets were revalued by independent appraisers. For assets 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 the Courtyard portfolio, external appraisals were performed for 6 of the properties. For the remaining 8 properties, discussions with independent appraisers indicated that property and market performance, as well as observations from market transactions, all indicated that the value of the portfolio did not have a material change from last quarter. Value conclusions for all assets are consistent with the Company's observation from arms' length offers it has received for certain assets from potential buyers. As described in Note 11(g), the Company has signed agreements for the sale of 12 of its Courtyard assets. For these 12 properties, the value in the financial statements for the period ended June 30, 2024 is US $130.6 million, and the price indicated by the transaction in aggregate is US $123.2 million. Subsequent to the balance sheet date, one of the buyers canceled the purchase of one of the hotels. For further details, see note 15(d). 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 June 30, 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 11(f) for further information.

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.

Significant unobservable (level 3) inputs used in the DCF method as at June 30, 2024 are as follows:

(in thousands of Canadian Dollars except where otherwise stated)

(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 12.50% (as at December 31, 2023: 10.25% and 12.25%), terminal capitalization rates ranged between 8.50% and 10.00% (as at December 31, 2023: 8.50% and 9.75%).

As at June 30, 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 $5,708. As at June 30, 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 $6,274.

7 Loans and leases payable

Loans and leases payable properties movement	Six months ended June 30, 2024	Six months ended June 30, 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	13,226	33,117	88,593
Repayments of long-term loans	(478)	(22,257)	(27,777)
Net proceeds from short-term loans	(1,375)	1,602	7,507
Proceeds on loans payable to shareholders	30,018	-	-
Right-of-use assets and lease liabilities	-	(60)	149
Transfers to (from) other non-current assets and other	(240)	(422)	(483)
Interest expenses, linkage differences and exchange rate differences on loans from shareholders	216	-	-
Amortization of deferred financing charges	1,066	1,065	2,315
Foreign exchange translation	8,758	(4,478)	(5,701)
Balance as at the end of the period	**309,982**	**202,755**	**258,791**

8 Income from hotels and resorts

For the period ended,	Six months ended June 30, 2024	Six months ended June 30, 2023	Three months ended June 30, 2024	Three months ended June 30, 2023	Year ended December 31, 2023
Room revenue	45,525	48,883	26,577	26,568	93,077
Food & beverage revenue	7,441	6,138	5,437	3,120	13,546
Ski revenue	-	8,709	-	1,252	8,708
Other revenue	2,328	3,117	1,398	1,430	6,004
	55,294	**66,847**	**33,412**	**32,370**	**121,335**

9 Financial expense

For the period ended,	Six months ended June 30, 2024	Six months ended June 30, 2023	Three months ended June 30, 2024	Three months ended June 30, 2023	Year ended December 31, 2023
Interest on loans and leases	(12,206)	(8,006)	(6,525)	(3,373)	(21,239)
Provision for credit losses	(1,027)	(5,231)	(1,027)	(5,231)	(12,500)
Interest and foreign exchange revaluation of bonds	(3,948)	(441)	(1,624)	258	(2,322)
Interest on shareholder loans	(216)	-	(216)	-	-
Amortization of deferred financing charges	(1,066)	(1,065)	(541)	(360)	(2,315)
Bank charges	(198)	(163)	(93)	(77)	(319)
	(18,661)	**(14,906)**	**(10,026)**	**(8,783)**	**(38,695)**

10 Income taxes

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

For the year ended December 31,	Six months ended June 30, 2024	Six months ended June 30, 2023	Three months ended June 30, 2024	Three months ended June 30, 2023	Year ended December 31, 2023
Current income tax expense	(140)	166	(83)	171	(1,802)
Prior year income tax recovery (expense)	(253)	(39)	(197)	(17)	342
Deferred income tax recovery	3,726	1,914	1,328	485	5,962
Income tax recovery	**3,333**	**2,041**	**1,048**	**639**	**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 12 Courtyard properties, see note 11(g).

(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"), undertook 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, undertook to provide a loan of up to NIS 27 million on the same terms (so that the amounts from ILDC were provided pro rata to the loan from Mishorim). The loans provided to the Company were 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. Mishorim and ILDC 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 linked to the Israeli Consumer Price Index ("CPI"). As these are considered to be loans from related parties, the Company engaged an independent expert to assess the fair value of these loans at inception. The assessment included taking into consideration the Company's credit worthiness, and the rate it may have received from an arms' length lender with standard market conditions for a similar loan. The conclusion of this analysis is that the non-market component of the loan was NIS 468 thousand (approximately $172 thousand), which was booked as an adjustment to equity as a contribution from shareholders, which was recorded in the equity statements as an increase in the related party transaction reserve.

(d) On March 25, 2024 Ms. Neha Kapelus (who served as VP Finance) was appointed to Chief Financial Officer. Please refer to the Company's Annual Report for the period ended December 31, 2023, for further information.

(e) 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 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.

(f) 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. On a monthly basis, the lender transfers to an account controlled by the Company any net amounts after applying debt servicing and any reserves for taxes and capital expenditures. Funds in this account as at June 30, 2024, amounted to US $2.8 million, and are classified as short-term restricted cash in the financial statements.

(g) On April 18, 2024, the Company signed agreements for the sale of six of its Courtyard hotels, following the Company's board of directors' preliminary approval on April 18, 2024; on May 21, 2024, the Company's Board of Directors and Audit Committee approved the signing of agreements for the sale of two additional Courtyard hotels, and on July 11, 2024 the Company signed sales agreements of four additional Courtyard hotels, following the approval of the Audit Committee and the Board of Directors; these deals represent sales of a total of twelve out of fourteen of the Company's Courtyard 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, Dayton Miamisburg, Little Rock, Oklahoma City and Toledo Holland, at an aggregate price of US $123.2 million, US $7.3 million or 5.6% lower than the total aggregate book value of these assets as of June 30, 2024 of US $130.6 million. The transaction completion date is expected to be in the third quarter of this year. Subsequent to the balance sheet date, one of the buyers canceled the purchase of one of the hotels. For further details, see note 15(d). 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 11 of the above 12 CY hotels, are pledged in favor of a single Bank loan (which has total collateral of 12 properties). Accordingly, the completion of the sale agreements of 12 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 10.88%). Subsequent to the balance sheet date, the company signed a financing agreement for $20 million. For further details, see note 15(c). As of this date, the Company is in discussions with other potential buyers regarding the Hotel Cleveland and Cleveland Hyatt Regency hotels, but not in progressed negotiations with any of them.

(h) 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 was executed on June 13, 2024, is NIS 144.55 million (approximately CAD 53.44 million), including principal and interest.

(i) During the second quarter of 2024, the Company completed a partial sale of 27 out of 56 lots of its real estate inventory in Golf Cottages for $4.3 million to two unrelated parties. As part of the sale, which closed on June 2024, a VTB with a total of $3.2 million was given to the purchasers. The VTBs are interest free until two years and thereafter bear interest at 4.0% per annum, and compounded monthly for the third and final year. As at June 30, 2024, the balance of the VTB classified as current receivable is $0.2 million, while the remaining $3.0 million, which is due in three years, is classified as non-current receivable. Skyline recognized losses of $0.5 million from the sale and $0.6 million from the write-down to record the remaining Golf Cottages inventory at its net realizable value.

(j) Further to Note 12 of the Company's consolidated financial statements for the year 2023 which were attached to the annual report, during Q2 2024, the Company recorded Expected Credit Losses (“ECL”) for a total of $0.2 million from the Freed VTB, which as at June 30, 2024 were $49 million, and total of $2.3 million from Port McNicoll VTB (of which $1.5 million had been previously recognized in Q4-2023). As of June 30, 2024, the balance of the Port McNicoll VTB was $26.2 million, with the total provision for credit losses amounting to $2.3 million. The Company continues to monitor the borrower's ability to meet the loan terms and will reevaluate the credit loss provisions as necessary.
In relation to the Freed loans, ECL has been determined in accordance with IFRS 9 instructions, for the financial asset as at the reporting date. The Company utilized for its analysis any information available to it in the capacity as a creditor, including but not limited to the Audited Consolidated Financial Statements of Resort Communities Limited Partnership (“RCLP”) as at December 31, 2023. In the Company’s assessment, there has been no adverse change in the counterparty risk of the underlying borrower; in the Audited Consolidated Financial Statements of RCLP as at December 31, 2023, a going concern note was not included. The Company considered the Freed loans as performing Stage 1 loans (i.e., there has been no significant increase in credit risk), and specifically looked at the loan to value (“LTV”) on RCLP’s total debt, which was noted as being under 60%. In the Company’s conclusion, there is no significant ECL related to the Freed loans and the total ECL of $0.2 million was considered sufficient.
In relation to the Port McNicoll loans, ECL has been determined in accordance with IFRS 9 instructions, for the financial asset as at the reporting date. The Company utilized for its analysis any information available to it in the capacity as a creditor, and taking into account a recent appraisal of the underlying land that was completed by an independent expert. The buyer of Port McNicoll is in default with the last payment received for November 2023. As of June 30, 2024, total unpaid principal is $1.13 million and unpaid interest is $0.4 million. The loan is currently considered to be a financial asset impaired due to credit risk; therefore, the loan was classified as Stage 3 asset. The Company considered the potential resale value of the underlying land, and the time and cost it would take to market and sell the land to recover its loan amount. The Company concluded that there was an increase in the exposure to expected credit losses on the Port McNicoll VTB, and recorded an additional provision $0.8 million in the current quarter, for a total ECL amount of $2.3 million. the Company has updated the provision for credit losses related to the VTB loan of Port McNicoll. During the second quarter of 2024, the Company recorded an additional provision for credit losses amounting to approximately $0.8 million. This provision was recorded in accordance with IFRS 9 requirements and results from the Company's assessment of the credit risk associated with the loan.

(k) As of June 30, 2024, the Company is in compliance with all financial and non-financial covenants under its existing loan agreements, except for the debt yield ratio related to the Courtyard hotel portfolio, as detailed in note 11(f).

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.

(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.

(in thousands of Canadian Dollars except where otherwise stated)

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 six months ended June 30, 2024 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	55,254	40	4,281	59,575
Costs and expenses	(48,299)	(2)	(5,445)	(53,746)
	6,955	38	(1,164)	5,829
Administrative and general expenses				(3,508)
Depreciation				(6,753)
Other expense, net				55
Financial expense				(18,661)
Financial income				3,210
Loss before income taxes				**(19,828)**

For the six months ended June 30, 2023 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	66,807	40	4	66,851
Costs and expenses	(56,466)	(12)	(22)	(56,500)
	10,341	28	(18)	10,351
Administrative and general expenses				(4,416)
Impairment of real estate properties				(900)
Depreciation				(7,598)
Gain from fair value adjustments of investment properties				1,013
Loss from fair value adjustments of financial instruments, net				(4,180)
Other expense, net[1]				(3,140)
Financial expense				(14,906)
Financial income				2,379
Loss before income taxes				**(21,397)**

For the three months ended June 30, 2024 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	33,392	20	4,281	37,693
Costs and expenses	(26,475)	(1)	(5,435)	(31,911)
	6,917	19	(1,154)	5,782
Administrative and general expenses				(1,564)
Depreciation				(3,341)
Other expense, net				199
Financial expense				(10,026)
Financial income				1,466
Loss before income taxes				**(7,484)**

[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.

(in thousands of Canadian Dollars except where otherwise stated)

For the three months ended June 30, 2023 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	32,350	20	-	32,370
Costs and expenses	(27,830)	-	(10)	(27,840)
	4,520	20	(10)	4,530
Administrative and general expenses				(2,414)
Depreciation				(3,767)
Gain from fair value adjustments of investment properties				983
Gain (loss) from fair value adjustments of financial instruments, net				(4,180)
Other expense, net				(510)
Financial expense				(8,783)
Financial income				1,180
Loss before income taxes				**(12,961)**

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[2]				(3,141)
Financial expense				(38,695)
Financial income				5,072
Loss before income taxes				**(52,796)**

As at June 30, 2024 (Unaudited)	US hotels and resorts	Canadian hotels and resorts[3]	Development	Total
Assets[1]	505,132	55,910	46,163	607,205
Liabilities	(314,803)	(36,202)	(11,885)	(362,890)
	190,329	**19,708**	**34,278**	**244,315**
As at June 30, 2023 (Unaudited)				
Assets[2]	451,178	94,479	61,102	606,759
Liabilities	(292,693)	(5,260)	(13,737)	(311,690)
	158,485	**89,219**	**47,365**	**295,069**
As at December 31, 2023 (Audited)				
Assets[1]	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**

[1] Includes loans to Freed
[2] 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
[3] During the reporting period, the Company received funds from a shareholder loan (see note 11(c)) and used the proceeds, together with cash that was in the Canadian Hotels and Resorts, in order to make the repayment of the Company's Bonds (see note 11(h)).

14 Material non controlling interest

The table below shows details of non-wholly owned subsidiaries of the group that have material non-controlling interests

[2] 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.

(in thousands of Canadian Dollars except where otherwise stated)

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interests	Non-controlling interests as at June 30, 2024 (Unaudited)	Non-controlling interests as at June 30, 2023 (Unaudited)	Non-controlling interests as at December 31, 2023 (Audited)
Hotel Cleveland, LLC (formerly Skyline Cleveland Renaissance Inc.)	50.495%	26,128	29,141	28,590
Individually immaterial subsidiaries with non controlling interests		3,234	7,327	3,146
		29,362	**36,468**	**31,736**

The Company's subsidiary, Hotel Cleveland, LLC (formerly Skyline Cleveland Renaissance Inc.), a Delaware corporation with its principal place of business in Cleveland, Ohio has a single non-controlling interest of 49.5%. The Company, through its right to appoint the majority of the board of directors, has control of the subsidiary and consolidates its results for financial reporting purposes.

The partner, Elico US Investments, LLC, has mainly protective rights, such as the right to participate in the management of the Hotel Cleveland LLC's business through the appointment of one of the three managers of the Board. There are certain actions that require approval of all members, including admitting new members, additional capital contributions, acquisitions, mergers, bankruptcy and liquidation or dissolution of the company.

Summarized financial information:

CAD 000'	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)	December 31, 2023 (Audited)
Current assets	8,630	3,243	10,447
Non-current assets	165,388	99,815	150,368
Current liabilities	(26,986)	(17,643)	18,501
Non-current liabilities	(84,411)	(29,531)	79,941
Total equity	**62,621**	**55,884**	**62,373**

CAD 000'	Six months ended June 30, 2024 (Unaudited)	Six months ended June 30, 2023 (Unaudited)	Three months ended June 30, 2024 (Unaudited)	Three months ended June 30, 2023 (Unaudited)	Year ended December 31, 2023 (Audited)
Revenue	8,934	5,952	6,817	3,397	10,621
Profit (loss) for the year	(6,307)	(4,560)	(1,992)	(2,087)	(12,063)
Total comprehensive income (loss) for the year, net of income tax*	(6,440)	(7,684)	(3,453)	(6,946)	(22,928)
Profit (loss) allocated to non-controlling interests	(3,591)	(2,592)	(1,131)	(1,184)	(6,254)
Total comprehensive income (loss) allocated to non-controlling interests of the subsidiary	(3,809)	(4,290)	(2,005)	(3,873)	(12,382)
Net contribution from non- controlling interests	1,349	7,439	-	5,003	14,980

* Since this is a fiscally transparent U.S. company, tax liabilities and deferred taxes are recognized at the shareholder level rather than at the company level. Therefore, the tax expenses are attributed solely to the Company.

15 Subsequent events

(a) On July 11, 2024 the Company signed sales agreements of four Courtyard hotels (Courtyard Dayton Miamisburg, Courtyard Little Rock, Courtyard Oklahoma City, Courtyard Toledo Holland) at a cumulative price of approximately USD 31,500 thousand; please see Note 11(g) for further detail.

(b) On August 12, 2024, Skyline Investments Inc. and Skyline (Port McNicoll) Land Inc. signed a mortgage loan renewal for a loan that was initially obtained on September 19, 2023. The loan term was extended for a further period of one year from the original maturity date, to mature on October 01, 2025 after the renewal. The interest rate is floating at the greater of 9.90% per annum or the TD Canada Trust posted bank prime rate of interest plus 3.2% per annum (as of August 12, 2024 the rate applicable to the loan was 9.90%). The loan principal balance as at the renewal date was $4.5 million ($6.0 million when initially obtained in September 2023). All other loan terms remain unchanged from the original loan.

(c) On August 15, 2024, the Company has entered into a commitment for a financing facility with a lender in the amount of US $20 million. Please see note 15(d) for details.

(d) On August 20, 2024, one of the purchasers with whom the Company has entered into an agreement to sell four hotels (Chicago Deerfield, Chicago Arlington Heights, Chicago Rockford and Courtyard Ft Myers) has announced the cancellation of the purchase agreement for Courtyard Ft. Myers only. Pursuant to the agreements between the parties, the deposit of US $0.75 million from the Ft. Myers agreement will be added equally to the consideration for the remaining three properties (the current consideration for these three properties of US $24.00 million will increase to US $24.75 million). The aggregate proceeds expected to the Company from the sale of the remaining CY assets for which signed sales agreements exist (total of 11) will be approximately US $101 million. As stated in previous reports, the Company must repay the existing loans on the pledged CY assets in favor of the financing entity, the balance of which as of the date of this report is approximately USD 105.5 million. The Company contracted with a lender for a financing facility in the amount of US $20 million, under which, the Company may provide certain CY assets as collateral after they have been released from their current loan, and borrow up to 50% against the value of the pledged properties. The loan will bear interest rate of Wall Street Journal Prime Rate (“WSJP”) (which currently stands at a rate of 8.50%) +1.00% for the first US $14 million borrowed, and WSJP + 2.25% for the remaining US $6 million. The interest rate shall not be less than 7.50% for the first US $14 million and not less than 8.50% for the remaining US $6 million facilities. The loan term would be 12 months from the date of issuance, and will be repaid at the end of the period, and the Company may prepay the loan at any time with no penalties.

(e) On August 22, 2024, the Company's board of directors approved, subject to the approval of the general meeting of the Company's shareholders, which will be summoned by the Company, to enter into a settlement agreement with Mr. Gil Blutrich in the lawsuit he filed against the Company in Ontario in December 2017. Under the agreement, the Company will pay Mr. Blutrich a one-time and final compensation of CAD 750,000, which will be paid as follows: CAD 100,000 shortly after the approval of the general meeting, and CAD 650,000 by January 30, 2025. The settlement agreement includes, among other things, mutual release from claims and demands.

(f) On August 22 2024, the Company reported that, in accordance with Section 1b1 of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000, the Company's Compensation Committee approved the engagement in a directors' and officers' liability insurance policy, including for officers who are among the controlling shareholders and/or their relatives, for a period of one year starting from August 14, 2024.