

SKYLINE INVESTMENTS INC.
Consolidated financial statements
for the year ended
December 31, 2025

SKYLINE INVESTMENTS INC.

**Consolidated financial statements for the year ended
December 31, 2025**

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Independent Auditor's Report

To the Shareholders and the Board of Directors of
SKYLINE INVESTMENTS INC.

Opinion

We have audited the consolidated financial statements of SKYLINE INVESTMENTS INC. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of income or loss, comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2025, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2025 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(b) of the consolidated financial statements regarding Company's financial position and specifically to the negative working capital as of December 31, 2025, possibility of not meeting the DSCR covenant as of March 31, 2026, developments related to VTBs, cash needs for renovations of properties and the management's and Board's plans. Based on analysis of the cash needs, available sources and Management's and Board's plans, the Company expects to meet all its financial obligations in the foreseeable future when they come due.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Company's financial position – Refer to note 1b

Key Audit Matter Description

As mentioned in note 1(b) to the Company's consolidated financial statements as of December 31, 2025 regarding Company's financial position, based on analyses of Management and the Company's Board of Directors of the cash needs, available sources and Management's and Board's plans, the Company expects to meet all of its financial obligations in the foreseeable future when they come due. Auditing the judgments made by management required a high degree of auditor judgment and an increased extent of audit effort. See also the emphasis matter paragraph included in this audit report.

How the Key Audit Matter Was Addressed in the Audit

We have conducted the following main audit procedures regarding the key judgments made by management around Company's financial position: 1. Gained an understanding and evaluated the internal controls related to the preparation of cash flow forecast, the assessment of available sources and Company's assessment of the going concern assumption; 2. Tested key assumptions underlying management's cash flow forecast; 3. Performed sensitivity analysis on certain significant assumptions underlying management's cash flow forecast; 4. Performed procedures to review events after the end of the reporting period 5. Assessed management's plans in the context of other audit evidence obtained during the audit to determine whether it supported or contradicted the conclusion reached by management 6. Assessed the adequacy of the disclosure in the consolidated financial statements regarding the company's financial position.

Valuation of Property, Plant and Equipment – Refer to notes 2(f), 3 and 8 to the consolidated financial statements

Key Audit Matter Description

As discussed in note 2(f), 3 and 8 of the consolidated financial statements as of December 31, 2025, the Company's Property, Plant and Equipment are presented in the statements of financial position at their revaluated amount as of December 31, 2025 in accordance with the accounting policy described in note 2. The Company's property, plant, and equipment as of December 31, 2025 is 235 million Canadian Dollars. During the year ended December 31, 2025, the Company recognized a negative revaluation through revaluation surplus of 8.6 million Canadian Dollars and impairment through profit and loss of 8.6 million Canadian Dollars.

As discussed in note 3, the Company's evaluation of property plant and equipment is measured using the revaluation model. The revaluation model is supported by external valuations with recognized valuation techniques. The techniques used comprise mainly the capitalized net operating income method and the discounted cash flow method. These techniques include estimating, among other things, future stabilized net operating income, terminal capitalization rates, discount rates and other future cash flows. These valuations are subject to significant judgements, estimates and assumptions about market conditions in effect as at the consolidated statement of financial position date.

Because the fair value of property, plant and equipment is a significant accounting estimate, subject to uncertainties and based on valuations which include assumptions some of which are subjective, we have determined, by applying our professional judgement, that the fair value of property, plant, and equipment, with emphasis on discount rates, is a key audit matter.

How the Key Audit Matter Was Addressed in the Audit

As a response to uncertainties that underly the determination of the fair value of property, plant, and equipment, we have conducted the following main audit procedures with emphasis on discount rates determined in the valuations: 1. Gained an understanding and evaluated the internal controls related to management determination of fair value of PP&E. 2. Reviewed and evaluated the PP&E valuations prepared by management and its external appraisers. 3. Evaluated the reasonableness of the key assumptions underlying the valuations of PP&E, especially the discount rates and the operating profit. 4. With the assistance of fair value specialists, evaluated the reasonableness of the methodology and discount rates used in PP&E valuations, on a sample basis. 5. Conducted inquiries of the management and Company's external appraisers.

Expected Credit Losses (ECL) – Refer to notes 2(k), 3, 4 and 12 to the consolidated financial statements

Key Audit Matter Description

As discussed in note 2(k), 3 and 10 of the consolidated financial statements as of December 31, 2025, the estimation of Expected Credit Losses (ECL) on Vendor Take Back Loans (VTBs) and Equity Loan involves significant judgement and assumptions. The ECL model incorporates Probability of Default (PD), Loss Given Default (LGD), and forward-looking information, including macroeconomic factors like GDP growth rates and industry trends. The Company's VTBs and Equity Loan as of December 31, 2025 amount to 40.4 million Canadian Dollars, net of ECL.

The Company's ECL on the VTBs and Equity Loan as of December 31, 2025 is 52.7 million Canadian Dollars (during the year ended December 31, 2025, the Company recognized provision for ECL through profit and loss of 47.3 million Canadian Dollars).

As discussed in note 10, the attempts of the buyer Freed to negotiate a transaction to obtain the financing required to repay the aforesaid VTBs have not materialized into a binding agreement. Additionally, the buyer of Port McNicoll is in default.

Given the above, we have determined, by applying our professional judgement, that the ECL on the loans to purchasers is a Key Audit Matter.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures in relation to this matter included, but were not limited to, the following: 1. Gained an understanding of main terms and conditions of the VTBs and Equity Loan. 2. Gained an understanding of the process implemented by management to measure ECL. 3. Evaluated the appropriateness of the ECL model used, the reasonableness of its key assumptions, and the accuracy of the data inputs. 4. Reperformed calculation to assess the mathematical accuracy. 5. Evaluated the adequacy of the disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or

regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Marina Kaplun.

Brightman Almagor Zohar & Co.
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13 March 2026

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SKYLINE INVESTMENTS INC.**Consolidated financial statements for the years ended
December 31, 2025**

Consolidated statements of financial position, as at December 31,	Note	2025	2024
Assets:			
Current assets			
Cash and cash equivalents		13,716	24,622
Trade receivables, other receivables and prepayments	4	5,232	8,002
Inventories	6	366	491
Loans to purchasers	10	-	56,243
Restricted bank deposits	5	1,671	5,520
Disposal group classified as held for sale	8(b)	-	20,755
		20,985	115,633
Non-current assets			
Investment properties	7	13,943	14,609
Property, plant and equipment	8	235,113	276,639
Loans to purchasers	10	40,435	35,180
Other non-current assets	16(b)	452	466
Restricted bank deposits	5	10,206	9,530
Deferred tax	9	4,821	6,718
		304,970	343,142
Total assets		325,955	458,775
Liabilities and equity:			
Current liabilities			
Loans and leases payable	12	54,219	54,825
Trade payables		6,426	7,779
Other payables and accruals	11	10,507	19,705
Deferred revenue		6,394	6,303
Income taxes payable	22	-	7
Disposal group classified as held for sale	8(b)	-	19,534
		77,546	108,153
Non-current liabilities			
Loans and leases payable	12	90,531	129,592
Other liabilities	12(f)	11,669	13,210
		102,200	142,802
Total liabilities		179,746	250,955
Equity			
Equity attributable to shareholders of the Company	15	117,524	180,016
Non-controlling interest	26	28,685	27,804
Total equity		146,209	207,820
Total liabilities and equity		325,955	458,775

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

On behalf of the board of directors:

<u>“Amir Tamari”</u> Amir Tamari Chairman	<u>“Neha Kapelus”</u> Neha Kapelus CEO	<u>“Chanda Kuber”</u> Chanda Kuber VP Finance	<u>March 13, 2026</u> Date
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SKYLINE INVESTMENTS INC.**Consolidated statements of income (loss)**

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

Consolidated statements of income or loss for the year ended				
December 31,	Note	2025	2024	2023
Revenue				
Income from hotels and resorts	17	81,732	111,889	121,335
Sale of residential real estate		1	9,502	4
Total revenue		81,733	121,391	121,339
Expenses and costs				
Operating expenses from hotels and resorts	18	(72,024)	(96,901)	(107,278)
Cost of sales of residential real estate	19	(76)	(12,470)	(28)
Total expenses and costs		(72,100)	(109,371)	(107,306)
Gross profit		9,633	12,020	14,033
Administrative and general expenses	20	(4,917)	(8,153)	(9,035)
Operating income before depreciation, valuation adjustments and other income		4,716	3,867	4,998
Impairment of real estate properties	8	(8,584)	(2,201)	(234)
Depreciation	8	(16,453)	(20,457)	(14,579)
Gain (loss) from fair value adjustments of investment properties	7	(200)	-	945
Gain (loss) from fair value adjustments of financial instruments, net		-	-	(6,880)
Gain (loss) on sale and other capital gains (losses), net	8	(64)	(18,048)	(282)
Other income (expenses)	25	2,033	453	(3,141)
Net loss from operations		(18,552)	(36,386)	(19,173)
Financial expenses				
Provision for credit losses	10	(47,287)	(3,914)	(12,500)
Other financial expenses	21	(21,095)	(36,479)	(26,195)
Total Financial expense	21,25	(68,382)	(40,393)	(38,695)
Financial income		5,724	5,789	5,072
Net loss before income taxes		(81,210)	(70,990)	(52,796)
Income tax recovery (expense)	9, 22	(4,411)	12,454	4,502
Net loss for the year		(85,621)	(58,536)	(48,294)
Attributable to:				
Shareholders of the Company	15	(76,791)	(49,864)	(40,303)
Non-controlling interest		(8,830)	(8,672)	(7,991)
Net loss for the year		(85,621)	(58,536)	(48,294)
Net loss per share:				
Basic	15	(4.65)	(3.02)	(2.44)
Diluted		(4.65)	(3.02)	(2.44)

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

SKYLINE INVESTMENTS INC.**Consolidated statements of comprehensive income (loss)**

(in thousands of Canadian Dollars)

Consolidated statements of comprehensive income (loss) for the year ended December 31,	2025	2024	2023
Net loss for the year	(85,621)	(58,536)	(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	(8,598)	(20,604)	(8,927)
Income taxes	2,786	4,667	1,424
Net loss from revaluation of property, plant and equipment	(5,812)	(15,937)	(7,503)
Items that will or may be reclassified subsequently to net income (loss):			
Foreign exchange differences on translation of foreign operations	(6,241)	14,077	(3,832)
Other comprehensive loss for the year net of income tax	(12,053)	(1,860)	(11,335)
Total comprehensive loss for the year, net of income tax	(97,674)	(60,396)	(59,629)
Attributable to:			
Shareholders of the Company	(92,597)	(55,115)	(45,510)
Non-controlling interest	(5,077)	(5,281)	(14,119)
Total comprehensive loss for the year, net of income tax	(97,674)	(60,396)	(59,629)

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

SKYLINE INVESTMENTS INC.
Consolidated statements of changes in equity

(in thousands of Canadian Dollars)

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	Share capital - Shareholder loan	Attributable to shareholders of the Company	Non-controlling interest	Total Equity
For the year ended December 31, 2025:											
Balance at the beginning of the year	80,188	297	(433)	24,630	396	20,698	54,240	-	180,016	27,804	207,820
Net loss for the year	-	-	-	-	-	-	(76,791)	-	(76,791)	(8,830)	(85,621)
Other comprehensive loss for the year	-	-	-	(10,999)	-	(4,807)	-	-	(15,806)	3,753	(12,053)
Total comprehensive loss for the year	-	-	-	(10,999)	-	(4,807)	(76,791)	-	(92,597)	(5,077)	(97,674)
Transfer upon recognition of depreciation	-	-	-	(376)	-	-	376	-	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	5,958	5,958
Contribution from shareholders (see note 12(j))	-	-	-	-	-	-	-	30,105	30,105	-	30,105
Transfer upon sale	-	-	-	(3,238)	-	-	3,238	-	-	-	-
Transfer upon expiration	396	-	-	-	(396)	-	-	-	-	-	-
Balance at the end of the year	80,584	297	(433)	10,017	-	15,891	(18,937)	30,105	117,524	28,685	146,209
For the year ended December 31, 2024:											
Balance at the beginning of the year	80,188	125	(433)	42,074	396	9,245	103,364	-	234,959	31,736	266,695
Net loss for the year	-	-	-	-	-	-	(49,864)	-	(49,864)	(8,672)	(58,536)
Other comprehensive loss for the year	-	-	-	(16,704)	-	11,453	-	-	(5,251)	3,391	(1,860)
Total comprehensive loss for the year	-	-	-	(16,704)	-	11,453	(49,864)	-	(55,115)	(5,281)	(60,396)
Transfer upon recognition of depreciation	-	-	-	(740)	-	-	740	-	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	1,349	1,349
Contribution from shareholders	-	172	-	-	-	-	-	-	172	-	172
Balance at the end of the year	80,188	297	(433)	24,630	396	20,698	54,240	-	180,016	27,804	207,820
For the year ended December 31, 2023:											
Balance at the beginning of the year	79,867	125	(433)	45,166	706	12,460	142,567	-	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	-	-	-	-
Contribution from 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	9,245	103,364	-	234,959	31,736	266,695

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

SKYLINE INVESTMENTS INC.**Consolidated statements of cash flows**

(in thousands of Canadian Dollars)

Consolidated statements of cash flows for the year ended December 31,	2025	2024	2023
Operating activities:			
Net income (loss) for the year	(85,621)	(58,536)	(48,294)
Adjustments for:			
Depreciation, amortization and impairment	26,654	27,917	17,128
Gain (loss) from fair value adjustments on investment properties and financial instruments	200	-	5,935
Loss (gain) on sale of investment and other property	64	18,048	3,578
Financing costs from bonds including foreign exchange	-	1,038	(285)
Financing expense on (income from) financial derivative	-	1,938	1,649
Finance costs from shareholders' loan	6,522	4,252	-
Deferred tax, net	4,262	(12,102)	(5,962)
Share based compensation	-	-	11
Changes in non-cash working capital:			
Trade receivables, other receivables, prepayments and others	46,081	(3,806)	12,296
Inventories	103	(47)	420
Real estate inventory	-	9,986	(3,352)
Trade and other payables and credit balances	(9,124)	8,786	6,739
Income taxes	(132)	(688)	2,687
Cash provided by (used in) operating activities	(10,991)	(3,214)	(7,450)
Investing activities:			
Additions to investment properties	(15)	(22)	-
Release from (Investment in) restricted deposit	2,667	12,413	(14,511)
Additions to property, plant and equipment	(6,621)	(37,631)	(82,351)
Income taxes	-	(1,259)	-
Proceeds of loans given to purchasers	7,257	-	41,489
Net proceeds from sale of disposal group	-	-	10,027
Disposition (Purchase) of financial derivative	-	575	-
Proceeds from sale of property, plant and equipment	17,628	130,403	1,300
Cash provided by (used in) investing activities	20,916	104,479	(44,046)
Financing activities:			
Bank credit and other short-term loans	(21,693)	24,631	7,507
Repayment of bonds	-	(54,825)	(4,033)
Issuance of bonds	-	-	10,464
Proceeds from long term loans	1,666	19,019	88,593
Repayments of long-term loans and leases	(11,335)	(154,416)	(23,785)
Capital contribution from shareholders	-	172	-
Proceeds on loans payable to related parties	4,029	30,018	-
Contribution from (Distribution to) non-controlling shareholders	5,958	1,349	10,347
Cash provided by (used in) financing activities	(21,375)	(134,052)	89,093
Foreign exchange translation of cash balances	544	270	39
Net increase (decrease) in cash and cash equivalents	(10,906)	(32,517)	37,636
Cash and cash equivalents at beginning of year	24,622	57,139	19,503
Cash and cash equivalents at end of year	13,716	24,622	57,139

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

SKYLINE INVESTMENTS INC.**Consolidated statements of cash flows**

(in thousands of Canadian Dollars)

Supplemental cash flow information for the year ended December 31,	2025	2024	2023
Interest paid	11,172	19,924	19,523
Interest received	20	881	6,928
Income taxes paid and refunded *	277	1,582	(981)

* Income taxes paid for the year ended December 31, 2025 of CAD 277 (year ended December 31, 2024 CAD 1,259) is related to investing activities.

Significant non-cash investing and financing activities for the year ended December 31,	2025	2024	2023
Right-of-use assets and lease liabilities	-	368	149
Loans to purchasers	-	-	38,325
Share capital and premium increase and share capital shareholder loan	30,105	-	321

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

SKYLINE INVESTMENTS INC.

Notes to consolidated financial statements

(in thousands of Canadian Dollars except where otherwise stated)

1 - Nature of operations

(a) Nature of operations

Skyline Investments Inc. (the "Company", 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 has hospitality real estate investments in the United States and financial assets related to real estate assets sold in Canada.

As of the date of this report, the Company is approximately 53.39% owned by its controlling shareholder, Mishorim Real Estate Investments Ltd ("Mishorim") and approximately 26% owned by Land Development of Nimrodi Group Ltd ("ILDC") (formerly 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

- 1) As of December 31, 2025, the Company presents a negative working capital of approximately CAD 56.6 million compared to a positive working capital position of CAD 7.5 million as of December 31, 2024, mainly due to classification of Freed VTBs (approximately CAD 15.8 million net of ECL, see 3 below) from short to long term assets, and the below loan, in the approximate amount of CAD 52.4 million, being classified to short-term liabilities, as follows:

Due to the breach of the Debt Service Coverage Ratio as of 30 June 2025 related to Hotel Cleveland Autograph loans, these loans amounting to CAD 52.4 million (US 38.3 million) as of December 31, 2025 are classified as short-term liabilities.

On August 13, 2025, the Company reached an agreement with the lender, according to which: the Company made a principal repayment of the loan in the amount of CAD 9.2 million (USD 6.6 million); the bank waived the Debt Service Coverage Ratio ("DSCR") requirements for June 2025 and September 2025; a new DSCR requirement of 1.4 was implemented starting in December 2025 calculated based on a six-month consecutive measurement period, it was also agreed that the DSCR as at March 31, 2026 and June 30, 2026 will be calculated based on a nine and twelve-month consecutive measurement period respectively; and the required minimum liquidity was reduced from CAD 12.5 million to CAD 7 million. The Company was in compliance with the DSCR requirement as at December 31, 2025, with a DSCR of 1.53. See Note 12(f) for further details.

Because the Company received the aforesaid waiver after the actual breach of the DSCR, and because the waiver was provided for a period that is less than 12 months, these loans are classified in short-term liabilities until the company presents actual or theoretical compliance with the most stringent standard that the company will have to meet by June 2026.

Based on the Hotel's operating performance for the six-month period ended December 31, 2025, and management's forecast for the first quarter of 2026 (which is seasonally weaker), there is a possibility that the DSCR covenant applicable at March 31, 2026 (calculated on a nine-month consecutive measurement period in accordance with the amended agreement) might not be met. Accordingly, management plans are: to either engage in discussions with the current lender for a waiver and/or agree on a remedy; or refinance the loan with a different lender.

- 2) The Company is a guarantor under certain existing loan agreements and as of the reporting date, it must maintain a minimum liquidity of CAD 7 million and minimum equity of CAD 100 million. The Company and its subsidiaries comply with the financial covenants undertaken towards financing parties with the exception of the Hyatt loans (see Note 12(h)). As the balance sheet date, liquidity is CAD 13.7 million and the equity balance is

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CAD 117.5 million. A breach of such covenants could trigger default events, potentially resulting in the acceleration of outstanding loans and a requirement for immediate repayment in the approximate amount of CAD 52.4 million.

- 3) Company's non-current assets include Freed VTBs which balance, net of Expected Credit Losses ("ECL") as of December 31, 2025 is CAD 15.8 million. During the year ended December 31, 2025, the Company recorded a provision for expected credit losses in connection with these VTBs in the amount of CAD 41.0 million (as of December 31, 2025 total ECL is CAD 43.24 million) based on valuations that use assumptions and estimates. These VTBs were expected to be repaid on March 31, 2025 (see Note 10 for further details), however, as of the reporting date, Freed has not repaid these loans.

According to information provided to the Company during 2025, the negotiations conducted by Freed regarding a transaction which, inter alia, was intended to provide it with the financing required for the repayment of its debt to the Company, have not materialized into a binding agreement. As of the reporting date, the Company has not commenced enforcement proceedings for the repayment of the loans, the Company holds collaterals (subject to the senior lender's priority). After the reporting period the Company provided to Freed's senior lender a Standstill Notice, see Note 27(a), and for details on the impact of the ECL related to the Freed VTBs on the Company results including sensitivity analysis, see Note 10.

- 4) The balance outstanding for Port McNicoll VTB presented under non-current assets, net of ECL as of December 31, 2025 is CAD 17.9 million. During the year ended December 31, 2025 the Company recorded a provision for expected credit losses in connection with this VTB of CAD 6.3 million with total ECL as at December 31, 2025 of CAD 9.5 million. See Note 10.
- 5) The Company is required to do certain renovations in Courtyard hotels (Courtyard Fort Myers and Courtyard Ithaca) in accordance with franchise requirements in the near future, with the total estimated cost being approximately CAD 6.4 million. After the reporting period the Company entered into separate and independent agreements for the sale of these hotels, subject to completion of closing conditions, the transaction is expected to close during the second quarter of 2026, see details in note 27 (b). In the event these sales do not materialize, management plans to fund these renovations through an existing credit facility of approximately CAD 4 million and existing reserve of CAD 2.4 million. If renovation costs come higher than expected or the Company is unable to obtain extensions of the renovation timelines from the franchisor (if required), the Company may be at risk of defaulting under the franchise agreements. Such a default could also trigger cross-default provisions in related loan agreements in the amount of approximately CAD 19 million

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

2 - Material accounting policies

(a) Statement of compliance

The Company has prepared these consolidated financial statements in accordance with **IFRS® Accounting Standards** as issued by the International Accounting Standards Board ("IASB®") and in accordance with the Israeli Securities Regulations (Annual Financial Statements), 2010. These policies have been consistently applied to all periods presented, unless stated otherwise.

In accordance with Regulation 4 of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, the company did not attach separate financial information according to Regulation 9C of the aforementioned regulations to the periodic report for the year ended December 31, 2025. In the Company's judgment, the separate financial information would not provide any material additional information to the reasonable investor that is not already included in the company's consolidated financial statements.

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The company examined the insignificance of the additional information derived from the separate financial information in relation to the consolidated reports based on the following parameters:

- The majority of the Company's business activity is run through subsidiaries.
- Most of the material information that would be included in the separate financial information relate to the Company's loans to purchasers, which have extensive disclosure in the consolidated financial statements.
- Lack of significant creditors of the parent Company, other than the major shareholders that provided loans to the Company as described in note 12. During the reporting period, one of these loans classified as Equity.

(b) Basis of presentation

These consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is the functional currency of the Company.

(c) Principles of consolidation

These consolidated financial statements comprise the assets and liabilities of all subsidiaries and the results of all subsidiaries for the financial period. The Company and its subsidiaries are collectively referred to as "Skyline" or "the Company" in these consolidated financial statements. Subsidiaries are all entities over which the Company has control.

All inter-entity balances, income and expenses, and unrealized gains and losses resulting from inter-entity transactions are eliminated in full. Where the Company consolidates a subsidiary in which it does not have 100% ownership, the non-controlling interest is presented separately within the Company's equity. Net income (loss) and each component of other comprehensive income (loss) are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income (loss) of the subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The functional currency of the Company's U.S. subsidiaries is the U.S. dollar. The functional currency of the Company's Canadian subsidiaries is the Canadian dollar. The functional and presentation currency of the Company is the Canadian dollar.

In light of the sale of the Company's Canadian resorts in December 2021, the sale of equity holdings in Resort Communities LP Partnership in November 2023 (See note 10 for details), and changes in the Company strategy during 2024, the Company examined whether it is necessary to change its functional currency from Canadian dollars to US dollars. The Company's conclusion is that the functional currency of the Company remains Canadian dollars, supported by:

- (1) The Company is incorporated in Canada, and its headquarters and all corporate employees are in Canada.
- (2) During 2024, the Company sold 11 assets in the US. In 2025, an additional asset located in the US was also sold and after the balance sheet period the Company entered into separate and independent agreements for the sale of another 2 assets located in the US, see details in note 27 (b). In addition, in accordance with the Company's current strategy, the Company will review, from time to time, the most appropriate timing and price for selling the existing assets.
- (3) The Company continues to review its strategy, including options for entering new areas of activity and/or territories.

In addition, it should be noted that the functional currency of the US subsidiaries is US dollars; the treatment of these operations in the Consolidated Financial Statements is that their functional currency is US dollars, and their presentation currency is Canadian dollars.

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Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated into the functional currency using the prevailing rate of exchange at the statement of financial position date. Foreign exchange gains and losses from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statements of income in the period in which they arise, except for exchange differences on monetary items receivable from a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are recognized initially in other comprehensive income.

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

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

Exchange rates - At balance sheet date for the year ended December 31,	2025	2024	2023
USD / CAD	1.371	1.439	1.323
CAD / NIS	2.328	2.535	2.739
Exchange rates - Average during the year ended December 31,	2025	2024	2023
USD / CAD	1.398	1.370	1.350
CAD / NIS	2.469	2.701	2.733
Change in rate - during the year ended December 31,	2025	2024	2023
USD / CAD	(4.7%)	8.8%	(2.3%)
CAD / NIS	(8.2%)	(7.4%)	5.5%

(e) Operating cycle

The Company's normal operating cycle is twelve months except for development activities of real estate inventory, which are in excess of twelve months and typically range between one to four years.

(f) Property, plant and equipment*Recognition and measurement*

The company has selected the revaluation model to account for its property, plant and equipment ("PP&E") under IAS 16, "Property, Plant and Equipment" ("IAS 16"). Under the revaluation model, the Company's assets that are classified as PP&E, are presented in the statement of financial position at their revalued amounts, which is the fair value at the most recent date of revaluation, less any accumulated depreciation and accumulated impairment losses.

Revaluations are performed with sufficient regularity by qualified, independent third-party appraisers who hold recognized relevant professional qualifications and have recent experience in the location and category of similar properties. The Company discusses the valuation process and verifies all major inputs to the valuations and reviews the results with the external appraisers for all independent valuations. During the year end December 31, 2025, the

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Company received independent third-party valuations for 2 of its hotels. The remaining 2 hotels were measured at December 31, 2025 at their transaction price. For periods when an independent third-party valuation is not performed, the Company undertakes specific actions to determine if there is any change in the value of its PP&E, including discussions with independent, third-party experts, referencing market transactions and any non-binding offers received on its hotels, and review of updated internal forecasts. The Company then uses these inputs in a discounted cash flow analysis over ten years to determine if there is any required revaluation at each reporting date.

Property Plant & Equipment is valued on a highest and best use basis, and does not include any portfolio premium that may be derived from economies of scale associated with owning a large portfolio, or the consolidation value from having compiled a large portfolio over a long period of time primarily through individual acquisitions. Similarly, the fair value, does not consider any discount for a portfolio sale which may be considered for business purposes, for the ease of crystallizing returns from the sale of multiple properties.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties' revaluation reserve through other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued PP&E is recognized in profit or loss. On sale or retirement of revalued PP&E, the attributable revaluation surplus remaining in accumulated other comprehensive income is transferred directly to retained earnings.

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use.

Depreciation

Depreciation is calculated on a straight-line basis based on the useful lives of each component of PP&E as follows:

Component	Useful life
Freehold buildings	25-60 years
Furniture and equipment	3 to 10 years
Computers and monitors	3 to 5 years
Appliances in buildings	10 years
Leasehold improvements	Lesser of lease term or useful life of improvements

A write down or impairment charge is made against the carrying value of PP&E where an impairment in value is deemed to have occurred.

Depreciation methods, useful lives and residual values are reviewed periodically and adjusted, if appropriate.

Benefits provided with reference to a specific property and which market participants would have taken into account when the property was acquired, for example Tax Increment Financing, ("TIF") are taken into account in determining the property's fair value insofar as it is measured at fair value. Also, when the Company is obligated to make principal and interest payments for the TIF, the Company recognizes a financial liability for the TIF amounts received.

IFRS 16, "Leases" ("IFRS 16")

The Company recognizes certain lease liabilities under the scope of IFRS 16. Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the Company's incremental borrowing rate. Lease payments included in the measurement of lease liabilities comprise future fixed lease payments. Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

(g) Investment property

The Company considers its properties held to earn rentals and/or for capital appreciation to be investment properties under IAS 40, Investment Property ("IAS 40"), and has chosen the fair value method to account for investment properties in its consolidated financial statements

Investment property is valued on a highest and best use basis and does not include any portfolio premium that may be derived from economies of scale associated with owning a large portfolio, or the consolidation value from having compiled a large portfolio over a long period of time primarily through individual acquisitions. Similarly, the fair value, doesn't consider any discount for a portfolio sale which may be considered for business purposes, for the ease of crystallizing returns from the sale of multiple properties.

All investment properties are recorded at cost, including transaction costs, at their respective acquisition dates, and are subsequently remeasured at fair value at each statement of financial position date, with any gain or loss arising from the change in fair value recognized within the consolidated statement of income for the period.

The fair value of the Company's investment properties is assessed at each reporting date, consistent with the Company's approach to property, plant and equipment ("PPE"). Revaluations are performed with sufficient regularity by qualified, independent third-party appraisers who hold recognized relevant professional qualifications and have recent experience in the location and category of similar properties. The Company discusses the valuation process and verifies all major inputs to the valuations and reviews the results with the external appraisers for all independent valuations. The Company received independent third-party valuations during the year. Fair values are analyzed as part of ongoing discussions between the Company and its external appraisers and internally with sufficient regularity such that the fair value does not differ materially from the carrying amount at each reporting date. These assumptions are then tested against market information. Where increases or decreases are warranted, the Company adjusts the carrying value of its investment properties.

(h) Revenue recognition

The Company's principal sources of revenues under IFRS 15 and their method of recognition are as follows:

Hotel Revenue

Revenue from hotel operations is recognized when services are provided, and collectability is reasonably assured.

The Company may collect advance deposits prior to the use of a hotel facility. These deposits are recorded as deferred revenue until such time as the related facility is utilized, at which time the customer deposit is recognized in revenue.

Sale of Real Estate Inventory

Revenue from contracts with customers for the sale of real estate is recognized at the point in time when control over the property is ready for transfer, which is generally when possession passes to the customer, as the customer then has the ability to direct the use and obtain substantially all of the benefits of the respective property. Revenue is measured at the transaction price agreed to under the contract.

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

(i) Interest and other financing costs

Interest and other financing costs include interest on credit facilities and mortgages, which are expensed at the effective interest rate, and amortization of transaction costs incurred in connection with the loans, which are capitalized and amortized over the term of the facility to which they relate. Interest expense and other financing costs are presented collectively as financial expense as part of the profit and loss for the period, and as part of the cash flows from operating activities.

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(j) Income taxes

Income tax expense comprises current and deferred tax. Current tax expenses (income) and deferred tax expense (income) are recognized in net income, except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date, and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probably that future taxable profit will be available against which the temporary differences can be utilized. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(k) Financial instruments

Financial assets and financial liabilities

Under IFRS 9, Financial Instruments ("IFRS 9"), financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The standard requires that all financial assets and financial liabilities be classified as fair value through profit or loss ("FVTPL"), amortized cost, or fair value through other comprehensive income ("FVOCI"). Amortized cost is determined using the effective interest method.

Classification of financial instruments

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

Financial assets	Measurement Base
Cash and cash equivalents	Amortized cost
Restricted bank deposits	Amortized cost
Trade and other receivables	Amortized cost
Loans to purchasers	Amortized cost

Financial liabilities	Measurement Base
Loans and leases payable	Amortized cost
Trade payables	Amortized cost
Other payables and credit balances	Amortized cost
Purchasers' deposits	Amortized cost

Cash and cash equivalents

In the Consolidated Statements of Financial Position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Bank balances for which use by the Company is subject to third party contractual restrictions are included as part of Restricted Bank Deposits. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

As mentioned in note 1(b), the Company is required to maintain minimum liquidity balances in the amount of CAD 7 million dollars. These balances are included in the section of cash and cash equivalents within the current assets

since the use of these funds is not subject to the supervision of any party and the Company has the option of using other means (such as unused credit lines) beyond maintaining minimal liquidity balances.

Expected losses for loans to purchasers, trade receivables and other receivables ("receivables")

A provision for impairment is established based on the expected credit loss ("ECL") model. Under the ECL model, the Company estimates lifetime expected losses for its trade receivables and lease receivables at each statement of financial position date based on available information. For all other financial instruments, the group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

To measure the expected losses, trade receivables and lease receivables are grouped based on the days past due. The results of the ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the consolidated statement of profit or loss within financial expenses. Bad debt write-offs occur when the Company determines collection is not realistic. Any subsequent recoveries of amounts previously written off are credited against financial expenses.

Financial liabilities

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

Loans and leases payable

Loans and leases payable are recognized at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees and costs directly related to the loan are recognized in finance expenses in the consolidated statement of income over the expected term of the loan. Loan maturities and repayments due more than 12 months after the consolidated statement of financial position date are classified as non-current.

(l) Non-current assets held for sale and discontinuing operation

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(m) New and amended IFRS Accounting Standards that are effective for the current year

No new or amended IFRS Accounting Standards effective in the current year had a material impact on the Company's financial statements.

(n) New and amended IFRS Accounting Standards that are not effective for the current year

IFRS 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.

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(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.

IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"

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.

The Company is assessing the impact of the amendments to IFRS 9 and IFRS 7 on the financial statements.

3 - Critical accounting estimates, assumptions, and judgements

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates, assumptions and judgements that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the consolidated financial statements and accompanying notes. Areas of such estimation include but are not limited to: valuation of investment properties; valuation of PP&E, valuation of expected credit losses for loans and receivables measured at amortized cost, the depreciation of certain assets, and account of deferred income taxes. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions.

The estimates deemed to be more significant, due to subjectivity and the potential risk of causing a material adjustment to the carrying amounts of assets and liabilities, are discussed below:

Valuation of PP&E

PP&E is measured at fair value as at the consolidated statement of financial position date using the revaluation model. Revaluation is supported by independent external valuations, detailed internal valuations using market-based assumptions, each in accordance with recognized valuation techniques. The techniques used comprise comparable sales approach, the capitalized net operating income method and the discounted cash flow method. These techniques include estimating, among other things, future stabilized net operating income, terminal capitalization rates, discount rates and other future cash flows applicable to PP&E. PP&E under the revaluation model are classified as Level 3 in the fair value hierarchy. These valuations are subject to significant judgements, estimates and assumptions about market conditions in effect as at the consolidated statement of financial position date. See note 8 for further detail of the valuation methods and the significant assumptions and estimates used.

Expected Credit Losses (ECL)

The estimation of Expected Credit Losses (ECL) on Vendor Take Back Loans (VTBs) involves significant judgement and assumptions. The Company engages an external independent appraiser to ensure reliable and accurate ECL estimates. This appraiser assesses the credit risk of each relevant VTb, considering factors such as the borrower's financial health, historical repayment patterns, and the economic environment. The ECL model incorporates Probability of Default (PD), Loss Given Default (LGD), and forward-looking information, including macroeconomic factors like GDP growth rates and industry trends.

The Company monitors for any significant increase in credit risk (SICR) since initial recognition, adjusting the ECL measurement accordingly. The estimation of ECL impacts the financial statements, particularly the allowance for credit losses and the carrying amount of the VTbs. While the use of an independent appraiser enhances the objectivity of the estimates, actual credit losses may differ from the estimated ECL due to inherent uncertainties in the process.

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4 - Trade receivables, other receivables and prepayments

As at December 31,	2025	2024
Due from hospitality guests and clients	3,574	6,313
Prepayments	1,097	1,174
Government institutions	710	672
Allowance for doubtful accounts	(149)	(157)
	5,232	8,002

5 - Restricted bank deposits

Restricted bank deposits are amounts held with financial institutions that are subject to externally imposed restrictions with respect to the Company's access to, and use of these funds, including deposits for the sale of real estate, letters of credit in favour of local authorities in respect of the past development activities, and collateral and capital expenditures at hotels and resorts (which are classified as long-term) .

6 - Inventories

As at December 31,	2025	2024
Food & beverage	261	317
Retail	7	10
Other inventory	98	164
	366	491

7 Investment properties

As at December 31,	2025	2024
Balance as at the beginning of the year	14,609	13,769
Expenditures subsequent to acquisition	15	22
Net gain (loss) from fair value adjustments	(200)	-
Foreign exchange translation	(481)	818
	13,943	14,609

As at December 31,	2025	2024
Income producing retail components	9,668	10,134
Lands	4,275	4,475
	13,943	14,609

Valuation basis

The fair value of the Company's income producing retail properties is primarily determined using the discounted cash flow ("DCF") and the comparable sales methods. The fair value of these properties is measured in conjunction with the Company's Property, plant and equipment; please refer to note 8(a) for valuation basis and other relevant information.

8 - Property, plant and equipment

As at December 31,	Lands, buildings & improvements (2025)	Furniture, equipment and other (2025)	Total (2025)	Lands, buildings & improvements (2024)	Furniture, equipment and other (2024)	Total (2024)
Gross carrying amount as at beginning of year	259,476	81,086	340,562	471,794	49,080	520,874
Accumulated depreciation as at beginning of year	(38,951)	(24,972)	(63,923)	(48,637)	(35,359)	(83,996)
	220,525	56,114	276,639	423,157	13,721	436,878

Expenditures subsequent to acquisitions, including payable amounts (see note 11)	3,319	1,863	5,182	20,728	3,634	24,362
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SKYLINE INVESTMENTS INC.
Notes to consolidated financial statements

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As at December 31,	Lands, buildings & improvements (2025)	Furniture, equipment and other (2025)	Total (2025)	Lands, buildings & improvements (2024)	Furniture, equipment and other (2024)	Total (2024)
Adjustment to fair value through revaluation surplus	(8,598)	-	(8,598)	(20,604)	-	(20,604)
Transfers to disposal group (see note 8(b))	-	-	-	(17,987)	(2,768)	(20,755)
Transfer from Construction In Progress *	-	-	-	(50,529)	50,529	-
Right-of-use assets and lease liabilities	-	-	-	368	-	368
Depreciation	(8,419)	(8,034)	(16,453)	(12,766)	(7,691)	(20,457)
Impairment	(8,584)	-	(8,584)	(2,201)	(934)	(3,135)
Disposals	-	-	-	(147,461)	(990)	(148,451)
Foreign exchange translation	(10,675)	(2,398)	(13,073)	27,820	613	28,433
Balance as at the end of the year	187,568	47,545	235,113	220,525	56,114	276,639

* This relates to Autograph assets that were classified under Buildings during the renovation period which were subsequently reclassified under furniture and equipment after the completion of the renovation in 2024.

Balance as at the end of year for items measured at:	2025	2024
Fair value	234,985	276,337
Cost	128	302
Balance as at the end of the year	235,113	276,639

Carrying amount under cost model	2025	2024
Balance as at the end of the year	213,440	256,314

(a) Valuation basis

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

Significant unobservable (level 3) inputs used to determine the fair value of PP&E as at December 31, 2025 are as follows:

- (1) Forecast of the operating profit of the property for a period of up to 10 years;
- (2) Specific discount rate and terminal capitalization rate for each asset according to its condition, location and risks specific to the asset;
- (3) Required timing and amount of investment in the property improvement plans;
- (4) Estimations of the average occupancy as well as the average daily rate;
- (5) Other factors such as building rights, planning and legal status.

Discount rates used in applying the DCF method ranged between 10.25%-12.50% (2024: 10.25%-13.0%), and terminal capitalization rates ranged between 8.50%-10.0% (2024: 8.50%-10.50%).

As at December 31, 2025, a 25-basis point ("bps") decreases in both the discount and terminal capitalization rates would increase the fair value of the Company's PP&E by CAD 4.1 million for asset measured using the DCF method. As at December 31, 2025, 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 CAD 4.1 million for asset measured using the DCF method.

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Based on the appraisals completed during the reporting period for the Company's Hyatt Regency Cleveland hotel, the fair value decreased by USD 8.3 million and its value as of December 31, 2025 is USD 40.5 million (CAD 55.6 million). The decrease in value was driven by lower expected food & beverage revenue and expected increases in operating expenses such as insurance, property tax, security, etc.

In December 2025, the Company adjusted the carrying amounts of the Courtyard Fort Myers and Courtyard Ithaca hotels under the revaluation model to reflect fair value based on the most recent market evidence, including expected transaction pricing and related terms. Accordingly, at reporting date the properties were carried at USD 9.25 million (Courtyard Fort Myers) and USD 7.25 million (Courtyard Ithaca). Refer to Note 27 for further details. The revaluation decrease was recognized in profit or loss to the extent it exceeded any revaluation surplus for the respective asset.

(b) Disposals

On January 22, 2025 an agreement was completed for the sale of the Courtyard Tucson Airport Hotel to a third party for a total of approximately USD 14.9 million (CAD 21.4 million). Refer to Note 30 (b) to the Consolidated financial statements as of December 31, 2024 for further details.

9 Deferred tax

(a) Taxation in Canada

The taxable income of the Canadian Group of companies is subject to effective corporate tax rate (combined Federal and Provincial) of 26.5%. A Canadian resident corporation is subject to tax on only one half of realized capital gains. Capital gains for this purpose are generally defined as a difference between the net proceeds and cost. In general, and subject to certain conditions, dividends received by a Canadian company from other Canadian companies and/or from foreign affiliate companies should not be subject to Canadian corporate income tax. Dividends between companies in the Canadian Group are not taxable to the recipient, and are not deductible to the payer. According to the FAPI (Foreign Accrual Property Income) rules, a Canadian resident company may be liable for tax in Canada on undistributed passive income of a foreign affiliate company, but can receive relief for foreign tax imposed on this income. Generally, dividends paid by a Canadian resident company to a foreign resident are subject to withholding tax of 25%. Reduced withholding tax rates may apply under the relevant tax treaty (if applicable). Effective January 1, 2017, under the new Canada-Israel Tax treaty, withholding tax on dividends and interest is limited to 15% and 10% for residents of the treaty country (or 5% for dividends paid to a company that holds directly (or indirectly) at least 25% of the capital of the Company that paid the dividends).

Non capital losses can be carried forward 20 years or back 3 years to apply against taxable income earned in those years. Allowable capital losses (i.e. one half of actual capital losses) can be carried back three years, but forward indefinitely to apply against capital gains in those years.

(b) Taxation in the U.S.

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act (the Tax Act). This significantly changed US tax laws in a number of ways including but not limited to reducing the corporate tax rate from 35% to 21% and moving from a worldwide tax system to a territorial system.

(c) Some income and expenses for accounting purposes may be recognized in earlier or later years for tax purposes. These temporary differences result in deferred tax balances and reflect taxes that are expected to become payable, or recoverable, in future periods.

The composition and movement in deferred taxes are as follows:

Year ended December 31, 2025	Investment Properties & Real estate Inventory	Property Plant and Equipment	Carry Forward Losses	Depreciation Temporary Differences	Other	Total
Balance at beginning of year	1,173	(21,364)	26,909	-	-	6,718

SKYLINE INVESTMENTS INC.**Notes to consolidated financial statements**

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Year ended December 31, 2025	Investment Properties & Real estate Inventory	Property Plant and Equipment	Carry Forward Losses	Depreciation Temporary Differences	Other	Total
Amounts carried to:						
Net income (loss)	(6)	4,155	(8,411)	-	-	(4,262)
Other comprehensive income (loss)	-	2,786	-	-	-	2,786
Foreign currency translation reserve	-	1,014	(1,435)	-	-	(421)
Balance as at the end of the year	1,167	(13,409)	17,063	-	-	4,821

Year ended December 31, 2024	Investment Properties & Real estate Inventory	Property Plant and Equipment	Carry Forward Losses	Depreciation Temporary Differences	Other	Total
Balance at beginning of year	(686)	(26,167)	17,094	-	-	(9,759)
Amounts carried to:						
Net income (loss)	1,859	2,437	7,806	-	-	12,102
Other comprehensive income (loss)	-	4,667	-	-	-	4,667
Foreign currency translation reserve	-	(2,301)	2,009	-	-	(292)
Balance as at the end of the year	1,173	(21,364)	26,909	-	-	6,718

The deferred taxes are calculated at tax rates ranging between 13.25% and 27.98% (2024 - 13.25% and 27.98%) - see note 9(d) below. The realization of deferred tax assets is dependent on the existence of sufficient taxable income in the subsequent years. The Company has assessed the sufficiency of its deferred tax asset by evaluating projected net operating income based on estimates used during the budgeting process.

(d) Tax rates

Deferred Canadian and U.S. federal and provincial income tax is calculated based on the following combined rates:

Non-capital gain (loss) tax rates:	2025 and forward	2024
Ontario	26.50%	26.50%
Ohio, USA	22.98%	22.98%
California, USA	27.98%	27.98%
Other states (on average), USA	23.73%	23.73%

Capital gain (loss) tax rates:	2025 and forward	2024
Ontario	13.25%	13.25%
Ohio, USA	22.98%	22.98%
California, USA	27.98%	27.98%
Other states (on average), USA	23.73%	23.73%

(e) Non-capital losses

The Company has non-capital losses carried forward for US and Canadian tax purposes of CAD 124,541 as at December 31, 2025, which expire at various dates commencing December 31, 2032 (December 31, 2024: CAD 129,889).

10 - Loans to purchasers

Loans to Purchasers	2025	2024
Port McNicoll VTB		
<i>Principal and Interest</i>	27,738	26,854
<i>Provision for ECL</i>	(9,463)	(3,177)
Total – Port McNicoll VTB	17,915	23,677

SKYLINE INVESTMENTS INC.**Notes to consolidated financial statements**

(in thousands of Canadian Dollars except where otherwise stated)

Loans to Purchasers	2025	2024
Freed VTBs and Equity Notes Receivable	59,008	53,852
Provision for ECL	(43,238)	(2,237)
Total – Freed VTBs and Equity Notes Receivable	15,770	51,615
Bear Valley VTB	-	8,633
Total – Bear Valley VTB	-	8,633
Golf Cottages VTB	6,750	7,497
Total - Golf Cottages VTB	6,750	7,497

Port McNicoll VTB

In July 2017 the Company completed the sale of the Port McNicoll development lands for CAD 41,967. The buyer paid CAD 4,197 on closing, and the Company provided a VTB for the balance of the purchase price, secured by a first mortgage on the project lands. Due to a dispute between shareholders of the purchaser, the Original VTB was in default, and the Company initiated a power of sale process. On December 2, 2021, the Company announced the closing of an agreement with an unrelated third-party (the “New Buyer”) for the sale of the Port McNicoll site for a total amount of CAD 32,500 (the “Port McNicoll Transaction”). Upon completion of the Port McNicoll Transaction, a total of CAD 3,000 was paid to the Company. The balance of the consideration, totaling CAD 29,500 was provided to the New Buyer as a first ranking VTB bearing an annual interest rate of 2.5% for a 5-year period (the “New VTB”).

The buyer of Port McNicoll is in default with the last payment received for November 2023. The Company provided notice to the borrower in July 2024 and commenced the power of sale process due to the loan being in default in November 2024. The loan is currently considered to be a credit impaired financial asset; therefore, the loan was classified as Stage 3 asset. The Port McNicoll VTB has first place security over the underlying collateral, for which the Company has engaged an external appraiser to determine its fair value. The Company has been marketing the property and has received non-binding and non-exclusive offers, however, to date none have materialized into definitive agreements.

The Company engaged with an external appraiser to assist with the ECL calculation as of December 31, 2025. The Company utilized for its analysis any information available to it in the capacity as a creditor and taking into account the appraisal conducted in December 2025 of the underlying land that was completed by an independent expert. A provision amount of CAD 6.3 million was recorded in 2025 in accordance with the requirements of IFRS 9 and results from the Company's assessment of the credit risk associated with the loan.

In the ECL calculation, the Company first assessed whether the fair value of the collateral was sufficient to cover the outstanding VTB balances. The collateral value was adjusted for estimated liquidations costs of 4.5%, as well as a haircut under the low scenario of 5% and a 15% haircut under the high scenario. After applying these adjustments, a shortfall in the collateral of 18.0% and 27.7%, respectively, was identified. The present value of this shortfall was included in the loss given default (“LGD”). Accordingly, a 60% probability weighting was assigned to the high scenario, with the remaining 40% allocated to the low scenario, reflecting heightened uncertainty and observed decline in appraised values.

Based on the Company's assessment in current period, management concluded that the ECL related to the Port McNicoll VTB in the amount of CAD 9.5 million is adequate.

Freed VTB loans

As a result of the Freed settlement transaction completed in November 2023, the total principal balance outstanding of Freed VTB loans was reduced to CAD 19 million as at December 31, 2023, compared to CAD 60 million prior to the transaction. The pre-settlement balance of CAD 60 million comprised CAD 30 million received in November 2023, CAD 19 million payable in March 2025, and a CAD 11 million discount granted upon closing of the Freed Agreement.

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Freed Equity loan

As part of the Freed Transaction, Skyline held 29% of the Limited Partnership units in RCLP (the "Equity Investment"), with a fair value at inception of CAD 28.81 million, and certain protective rights laid out in the partnership agreement, including the right to approve certain decisions such as the issuance of additional equity, or issuance of debt above certain amounts. Freed or its affiliates operate and manage the RCLP assets as General Partner, in return for fees set out in the purchase and sale agreements.

The Freed Agreement from November 2023 crystallized a value of CAD 30 million for the Company's Equity Investment in RCLP. The CAD 30 million value is a Note Receivable (Equity loan), that was due on March 31, 2025, accruing interest at 9% (from the date of signing until February 28, 2025, and thereafter, the interest rate increased to 15%), annually.

The Freed VTBs and Equity loan were contractually due for repayment on March 31, 2025. As at the reporting date, Freed has not repaid the outstanding balance (principal and accrued interest).

To the best of the Company's knowledge, Freed's attempts to negotiate different transaction frameworks to obtain the financing required to repay the aforesaid VTBs have not materialized into a binding agreement.

The Company holds the following collateral (subject to the senior lender's priority): a second lien on some of the Partnership's properties which are secured by a VTB loan (subject to the senior lender's priority), a first lien on Freed's interest in the Partnership, and a guarantee from Freed's parent company for the entire debt. If the Company decides to commence enforcement proceedings for immediate repayment and realization of the collateral, then under Canadian law and all the agreements, the proceedings will be commenced by notice served by the Company on the senior lender to trigger a 150 days notice period during which it cannot take enforcement measures and, thereafter, assuming the senior lender will not commence enforcement proceedings against Freed, the Company may issue notice of default to Freed, from which the Company's enforcement proceedings will begin. If the senior lender commences enforcement proceedings, the Company may be a witness in such proceedings but may not conduct enforcement proceedings on its own. After the senior lender's enforcement proceedings are completed, the proceeds will be used first to repay the debt to the senior lender and then, to repay the debt to the Company. Moreover, if there are any properties of Freed or the Partnership against which enforcement measures are not taken by the senior lender, the Company will have an opportunity to do so if any portion of the debt owed to it is not paid. Refer to Note 27(a), Subsequent Events, for updates occurring after the reporting date.

The VTB loans and Equity Loan (together Freed VTBs) related to RCLP are debt instruments carried on the balance sheet at amortized cost under IFRS 9. The loan is currently considered to be a credit impaired financial assets, therefore, the loan was classified as a Stage 3 asset. The Company engaged with an external appraiser to assist with the ECL calculation as of December 31, 2025.

In the ECL calculation as at December 31 2025, the first scenario considered in the model is the liquidation of the collateral ("Liquidation") with a weight of 70%. The Company first considered if the value of the collateral (based on December 31, 2025 unaudited and unreviewed financial information received) can cover the entire VTBs amounts, after applying a 5% deduction for estimated liquidation and commission costs and a 25% discount to the value of the Freed assets. After these deductions it was concluded that there is a potential collateral shortfall of 13.43% (CAD 52.7 million). The present value of this shortfall was included in the loss given default (LGD).

To the best of the Company's knowledge, Freed's attempts to negotiate different transaction frameworks to obtain the financing required to repay the aforesaid VTBs have not materialized into a binding agreement, and Freed has intended to conduct negotiations for a transaction under a different framework, as of the reporting date, neither the Company nor the senior lender has initiated enforcement action for repayment of the loans. Refer to Note 27(a), Subsequent Events, for updates occurring after the reporting date. In the ECL calculation in Q4 2025, potential transaction was considered as a second possible scenario ("Collect") with a weight of 30%. In this scenario the Company considered that the VTBs would be paid in full and the loss given default is a result of the delay on the time to receive the payments until the deal is closed. Any transaction will require, inter alia, the approval of Freed's senior lender.

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The following summarizes the sensitivity of ECL to the key assumptions of scenario weighting and discount on Freed assets. The ECL reflected as of December 31, 2025 incorporates a 30% weight on the “Collect” scenario and a 70% weight on the “Liquidation” scenario, and a 25% discount on Freed assets:

- i. Impact on ECL of changing discount on Freed assets, while holding scenario weights constant:

Scenario Weighting		Discount	ECL
Collect	Liquidation	on assets	in CAD Million
30%	70%	20%	\$24.69
30%	70%	25%	\$43.24
30%	70%	30%	\$50.88
30%	70%	35%	\$50.88

- ii. Impact on ECL of changing scenario weights while holding discount on assets constant:

Scenario Weighting		Discount	ECL
Collect	Liquidation	on assets	in CAD Million
40%	60%	25%	\$37.51
30%	70%	25%	\$43.24
20%	80%	25%	\$48.96
10%	90%	25%	\$54.69
0%	100%	25%	\$60.42

Based on the Company's assessment and the work done by the external appraiser in current period, management concluded that the ECL related to the Freed VTBs in the amount of CAD 43.24 million is adequate.

Bear Valley VTB

On November 01, 2023, the Company signed an agreement with a third party unrelated to the Company (the "Purchaser") for the sale of the Bear Valley resort for a total of USD 19.5 million, which was to be paid as follows: USD 13.5 million to be paid in cash (subject to various deductions relating to, inter alia, working capital, lease liabilities related to ski lifts and other equipment, income from ski passes sold in advance, restoration works of weather damages incurred during the ski season, which are the subject of an insurance claim, and other liabilities). The net cash receivable on closing, after such adjustments but before taxes, was approximately USD 4.3 million. Deferred consideration in the amount of USD 6.0 million was receivable on November 2, 2026. Following discussions between the Company and the purchaser regarding the parties' respective claims concerning the purchase agreement, the parties entered into a settlement and release agreement, under which the deferred consideration of USD 6 million (CAD 8.35 million) was reduced to USD 4.75 million (CAD 6.61 million) retroactively effective as of November 1, 2023 (the "Deferred Consideration") and fully due and payable on December 29, 2025 (the "Final Maturity Date"). An initial payment of USD 2 million (CAD 2.78 million) from the Deferred Consideration balance was made to the Company upon execution of the agreement in October 2025, and an additional payment of USD 2.75 million (CAD 3.83 million) was made to the Company in December 2025. It was further agreed that, the Company shall waive the interest on the Deferred Consideration. Considering that the loss from the settlement and release agreement it relates to buyer's claims, as at December 31, 2025, the CAD 1.74 million (USD 1.25 million) difference was recorded in Other income (loss).

Golf Cottages VTB

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 CAD 4.3 million to two unrelated parties. As part of the sale, which closed on June 2024, a VTB with a total of CAD 3.2 million was given to the purchasers. In Q4 2024, all of the remaining lots were sold for CAD 5.2 million, a VTB with a total of CAD 4.4 million was given to the purchasers.

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As at December 31, 2025, total VTB receivable is CAD 2.6 million and CAD 4.2 million which is due in June 2027 and November 2027, respectively, are classified as non-current receivable. The VTBs bear interest at 4.0% per annum, and compounded monthly, for the third and final year.

11 - Other payables and accruals

As at December 31,	2025	2024
Provision for completion costs	1,592	3,009
Sales and property taxes	207	295
Employees and payroll institutions (see note 13)	1,996	1,757
Amounts due to Property, Plant and Equipment additions ^(*)	-	1,439
Purchasers' deposits	132	180
Accrued expenses	6,580	13,025
	10,507	19,705

^(*) These amounts related to accounts payable balances as at December 31, 2024, related to vendor holdbacks from the renovations at the Company's hotels. The outstanding balances were fully settled during the year ended December 31, 2025.

12 - Loans and leases payable**(a) Loans and leases payable****(1) Short term liabilities:**

As at December 31,	2025	2024
Short term loans	985	54,159
Current maturities of long-term loans and leases	53,234	666
	54,219	54,825

(2) Long term liabilities:

As at December 31,	2025	2024
Loans and mortgages	146,160	134,174
Leases	1,784	1,933
	147,944	136,107
Deferred financing costs	(4,179)	(5,849)
	143,765	130,258
Less - Current maturities of long-term loans and leases	(53,234)	(666)
	90,531	129,592

(3) Additional information:

Loans from financing institutions denominated in:	Weighted average contractual interest rate 2025	Weighted average contractual interest rate 2024	As at December 31, 2025	As at December 31, 2024
CAD	6.33%	8.34%	4,266	8,771
US dollar	7.42%	7.72%	129,363	146,482
NIS	6.00%	6.00%	13,516	33,080
Leases	7.84%	7.94%	1,784	1,933
			148,929	190,266
Deferred financing costs			(4,179)	(5,849)
			144,750	184,417
Less - Current maturities of long-term loans and leases and short-term loans			(54,219)	(54,825)
			90,531	129,592

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(b) Maturity years subsequent to December 31, 2025:

	Year 1**	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter	Total
Development loans*	703	2,578	-	-	-	-	3,281
Other loans and leases*	3,358	33,397	36,448	50,420	750	21,275	145,648
	4,061	35,975	36,448	50,420	750	21,275	148,929
Deferred financing costs							(4,179)
Total loans payable							144,750

* Includes only principal, without interest.

** Excluding Autograph loans classified as short-term liabilities as the Company received the waiver after the breach of the Debt Service Coverage Ratio, and the waiver period is less than 12 months. See note 12(f)..

(c) Security

As of December 31, 2025 CAD 126,834 (2024: CAD 162,523) of the Company's loans payable, excluding leases, are secured against the Company's assets. The total value of the Company's real estate assets that are pledged to any loan, excluding leases was CAD 242,903 as at December 31, 2025 (2024: CAD 311,700).

(d) Marriott Courtyard hotels*Courtyard Ithaca*

In connection with the acquisition, the Company entered into a 5-year financing agreement with a US Bank for USD 4.6 million, representing 40% of the total Acquisition costs. The Bank has also provided the Company with a line of credit to complete the renovation of USD 4,432 thousand, representing 100% of estimated costs of the renovation. As of December 31, 2025, USD 3,943 thousand are undrawn from the line of credit. For the first 24 months, the interest rate on the loan was floating, based on 2.25% over the Wall Street Journal Prime ("WSJP") rate and the payments were interest only. For the last 36 months of the Loan, commencing on August 2024, the interest rate became fixed at the WSJP rate at such time (8.50%), plus 2.25% (for a total interest of 10.75% for the remaining loan term). Payments made during the last 36 months of the loan will be a blend of interest and principal, based on a 20-year amortization schedule. The balance of the loan as at December 31, 2025, was USD 5.03 million, representing the acquisition loan plus amounts drawn from the construction loan. The guarantor should maintain an equity of no lower than CAD 100,000 thousand. As of December 31, 2025 the amount is CAD 117,524 thousand. The Borrower shall maintain a Debt Service Coverage Ratio of 1.30:1. The DSCR based on the 12 months ending December 31, 2025 was 1.41. Also, refer to Note 27(b), Subsequent Events, for information regarding events occurring subsequent to the reporting date.

Courtyard Fort Myers

On September 30, 2024, the Company contracted a USD 20 million credit facility, net of a USD 2.0 million interest reserve held by the lender, whereby the Company pledged its rights in the Courtyard Tucson and Ft. Myers hotels. The maturity date of the facility was September 2025. In January 2025, around 11.4 million USD were paid off this loan, as part of the Courtyard Tucson sale.

In August 2025, a subsidiary of the Company executed a loan extension agreement, converting the facility into an 18-month term loan. As part of this extension, the Company made a principal repayment of USD 0.5 million (CAD 0.7 million), which was funded through a corresponding reduction of the restricted cash balance, thereby reducing both the loan balance and restricted cash by USD 0.5 million (CAD 0.7 million). The outstanding loan balance after repayment was USD 8.0 million (CAD 11.1 million) and the interest reserve was USD 1.5 million (CAD 2.1 million). The rate of interest on the outstanding principal balance of the loan is 8.50%, to be paid monthly. The Company's subsidiary has provided a capital expenditure reserve of USD 0.5 million (CAD 0.7 million), to be held by the lender for the purpose of completing the capital expenditure requirements under the franchise agreement.

As of December 31, 2025 the balance was USD 8 million. As noted in note 16b(1) In case there is any non-compliance with the conditions set by Marriott in the forbearance agreement, this will cause a default under the franchise agreement, and the lender will have the right to call the loan for immediate repayment under the terms of

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the loan extension agreement. The Company has not completed the renovations required in the forbearance agreement as of December 31, 2025 due to delay on approvals that were out of the Company's control, additionally Marriot agreed to extend the due date for completion of the renovations to May 2026, and therefore as of December 31, 2025 there was no default on the franchise agreement. Also, refer to Note 27(b), Subsequent Events, for information regarding events occurring subsequent to the reporting date.

(e) Lines of credit

The Company has various other secured credit facilities. As part of the regular course of business, the Company obtains and repays various loans to facilitate its operations. The unused balance as of December 31, 2025 was CAD 15 thousand.

(f) Autograph loans

On October 7, 2022, the Company's subsidiary reached an extension agreement with its lender on the Autograph (formerly Renaissance hotel), as was first extended in 2020, for an additional period of 6 years and 9 months, until June 2029, at an annual interest rate of 30-day SOFR (which as of December 31, 2025, was 4.56%), plus 2.75%. The original loan balance as at October 7, 2022, was USD 20.5 million, and as at December 31, 2025 was USD 18.9 million. The bank also provided the Company an additional loan in the amount of USD 16.6 million for the purpose of upgrading and improving the hotel (the "Additional Renovation Loan of 2022"). The renovation portion of the loan has an interest rate of 30-day SOFR plus an annual interest rate of 3.50%. The renovation loan is to be drawn as needed. This loan was further amended on August 15, 2023, as described below.

On August 15, 2023, an amendment was signed to the loan agreement for the renovation and upgrade of the Autograph Hotel. Under this amendment, the amount of the renovation loan was increased to USD 27.4 million, comprising of the original amount of USD 16.6 million and an additional USD 10.8 million (the "Additional Renovation amount of 2023"), to be drawn as needed. The interest rate for the Additional Renovation Loan of 2022 and the Additional Renovation amount of 2023 was set to be an annual interest rate of 30-day SOFR plus 4.30%, which could be reduced to an additional 3.50% if the borrower met a debt coverage ratio not less than 1.4. Repayment terms for the existing loans remained unchanged, while the Additional Renovation amount of 2023 of USD 10.75 million would commence amortization in November 2025 over a 10-year period. The Company has assessed this amendment in accordance with IFRS 9, based on this assessment management has concluded that the amendment does not represent a substantial modification and therefore the Company is not required to perform the derecognition of the previous instrument and recognition of a new one. Furthermore, all previous Debt Service Coverage Ratio ("DSCR") requirements were deleted and replaced by new requirements. In addition to the borrower financial covenants, the loan agreement also includes a covenant applicable to the Company (as the "Guarantor") requiring the guarantor to maintain minimum equity of CAD 100 million. As of December 31, 2025, the renovation loan of USD 27.4 million was fully drawn.

As of June 30, 2025, the Company was required to meet a DSCR of 1.4, which it failed to meet and consequently the loan was classified in current liabilities. The Company had a contractual right to cure the breach; however, the Company did not have sufficient funds as of June 30th 2025 to cure the breach while also meeting its minimum liquidity requirement of CAD 12.5 million.

In August 2025, the Company reached an agreement with the lender, according to which: the Company made a principal repayment of the loan in the amount of CAD 9.2 million (USD 6.6 million); the bank waived the DSCR requirements for June 2025 and September 2025; a new DSCR requirement of 1.4 was implemented starting in December 2025; and the required minimum liquidity was reduced from CAD 12.5 million to CAD 7 million. Because the Company received the aforesaid waiver after the actual breach of the Debt Service Coverage Ratio, and because the waiver was provided for a period that is less than 12 months, these loans are classified in short-term liabilities until the company presents actual or theoretical compliance with the most stringent standard that the company will have to meet by June 2026. As at December 31, 2025, the Company met the requirements of DSCR at 1.53.

The balances of these loans as of December 31, 2025 amounted to CAD 52.4 million (US 38.3 million) were classified as short-term liabilities. The fair value of the Hotel as of December 31, 2025, is CAD 160.4 million (USD 117 million).

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The Company's subsidiary also entered into a transaction with a global industrial products company to sell the tax credits that will be generated as a result of the renovation for USD 13.8 million. In accordance with the transaction terms, USD 2.2 million of the consideration was paid in October 2022, a further USD 2.6 million was paid in November 2023, USD 7.04 million was paid in December 2024, USD 1.13 million in 2025, and the rest will be paid in the next 2 years as follows: USD 0.43 million in 2026 and USD 0.39 million in 2027. The balance recorded as deferred revenue as of December 31, 2025 will be transferred to other income over the next 4 years. The bank has also provided the Company with a Bridge Loan for USD 7.5 million. Upon completion of the renovation, the tax credit buyer has provided additional funds which were used to partially repay the bridge loan. As of December 31, 2025, the Bridge Loan was fully paid.

On November 10, 2023, the Company's subsidiary entered into a loan agreement with Ohio Water Development Authority (OWDA) in connection with the renovation of the Autograph hotel for USD 2.0 million. The loan term is 15 years with semi-annual payments on January 1 and July 1 of each year, with the first payment starting on January 01, 2024. The interest rate is 3.76%. The guarantor (i.e., the Company) is required to maintain a net equity in the aggregate of at least USD 4.0 million and liquid assets in the aggregate of at least USD 2.0 million. As of December 31, 2025 the Company has an equity of CAD 117,524 thousand, and liquid assets in the aggregate of CAD 13,731 thousand. The loan is a construction facility that was fully drawn in 2024; the loan balance as of December 31, 2025, was USD 1.7 million.

On December 20, 2023, the Company's subsidiary entered into a loan agreement with Cuyahoga County in connection with the redevelopment of the Autograph hotel for USD 2.0 million. The loan term is 16 years, and the interest rate is 4.50%, with monthly interest payments for the first 12 months, and monthly principal and interest payments for the next 15 years. The loan can be prepaid in whole or in part, without penalty, at any time. The loan is a construction facility that was fully drawn in 2024; the loan balance as of December 31, 2025, was USD 1.9 million. As of the date of the report, the Company complies with the terms of the loan agreement.

As of December 31, 2025, the balance of liabilities related to the loans above at the Autograph hotel, gross of any deferred financing charges, is in the amount of USD 43.27 million (comprising the original loan of USD 18.9 million, and renovation loan of USD 20.7 million). Please refer also to note 12(g).

(g) Autograph Tax Increment Financing

In September 2023, Hotel Cleveland, LLC (formerly Skyline Cleveland Renaissance, LLC), a subsidiary of the Company (50%) closed a tax increment financing transaction to which the Cleveland-Cuyahoga County Port Authority and the Development Finance Authority issued an aggregate of USD 13.19 million in taxable revenue bonds, and on September 14, 2023, received a net funding of USD 9.980 million for the hotel renovation (where the difference is related to transaction expenses as well as interest reserves held in trust). The funding was provided through a Tax Increment Financing (TIF) transaction, wherein the authorities issued bonds bearing interest at a fixed rate of 6.50% per annum, maturing on May 15, 2048. The net proceeds of the bonds, amounting to USD 9.980 million, were made available to Hotel Cleveland to finance the costs of restoring and rehabilitating the Cleveland Autograph Hotel. The Tax Increment Financing (TIF) is recorded as a liability on the Company's balance sheet, and although it is repaid through normal property taxes, this transaction represents a repayable obligation of the Company. The balance of this loan as at December 31, 2025, was USD 13.1 million, gross of any deferred financing charges.

(h) Hyatt loan refinance

On April 20, 2023, a subsidiary of the Company entered into a new loan agreement with a banking corporation in connection with the financing and renovation of the Hyatt Regency Arcade Hotel in Cleveland. The new loan is a CMBS (commercial mortgage-backed security) loan that replaces a previous loan that was extended until June 13, 2023 and the balance of which is approximately USD 15.8 million. The previous loan carried interest at BSBY plus 3.5% (i.e., an annual interest rate of approximately 8.44%), and for the extension period of approximately one month, an interest rate of BSBY plus 4.5% (i.e., an annual interest rate of approximately 9.44%). The new loan is in the amount of USD 25.0 million for a period of 5 years at the end of which the loan principal will be repaid, at a fixed interest rate of 7.99%. A total of USD 1.8 million of the new loan will be used to finance the Hotel's renovation, a total of USD 15.8 million was used to repay the previous loan, USD 2.3 million will be used for expenses of the

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transaction and tax and interest reserves related to the new loan, and the balance of approximately USD 5.1 million will be used by the Company for general working capital purposes. The loan is paid in monthly interest payments. The principal will be paid at the end of the loan term.

There are no defaulting financial covenants, and no cross-default provisions. The subsidiary needs to perform a quarterly assessment of debt service coverage ratio ("DSCR"), to not be less than 1.40 to 1.00; violations of this financial obligation would result in the lender controlling the cash from the Hotel's operation to ensure all operating costs are paid including debt service until the ratio was back above 1.45 to 1.00. The DSCR based on the 12 months ending December 31, 2025 was 1.17. The balance of this loan as at December 31, 2025, was USD 25.0 million, gross of any deferred financing charges.

As noted, the loan agreement for the Company's Hyatt Regency Cleveland hotel requires a DSCR of 1.4, which the hotel did not meet in 2025. Failure to maintain the required Debt Service Coverage Ratio does not constitute an Event of Default under the Loan Agreement, but, rather, initiates a Cash Trap Event Period, during which the cash management provisions of the Loan Agreement take effect. As long as the Company's hotel is managed by Hyatt, the Cash Trap provisions apply only to (i) revenue generated by the retail portion of the property, and (ii) distributions of excess cash, if any, made by the Hyatt Regency Cleveland hotel to the Company. Accordingly, the Company does not expect the implementation of a Cash Trap Period to impair normal hotel operations. Reporting with respect to quarterly earnings will be provided to the lender in accordance with the regular schedule, after the issuance of the Company's quarterly results. To date, the bank has not notified the Company that a Cash Trap Event Period has commenced; however, if a Cash Trap Event Period does commence under the Loan Agreement, such Cash Trap Event Period will expire upon the date that the DSCR is equal to or greater than 1.45 to 1.00 for one (1) calendar quarter.

The loan principal balance as of December 31, 2025 was USD 25 million (CAD 34.3 million), with maturity date of May 01, 2028, and classified in non-current liabilities.

(i) Short term mortgage

On September 19, 2023, Skyline Investments Inc. and Skyline (Port McNicoll) Land Inc. signed a mortgage loan agreement for CAD 6 million. The loan term was 1 year from the interest adjustment date, which was October 01, 2023. The interest rate was floating at the greater of 10.15% per annum or the TD Canada Trust posted bank prime rate of interest plus 3.2% per annum. The loan was secured by an assignment of an existing mortgage (the "VTB"), and a registered assignment of rents and leases.

On August 12, 2024, the loan was renewed. 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 was 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 maturity date, the rate applicable to the loan was 9.90%). The loan principal balance as at the renewal date was CAD 4.3 million. All other loan terms remained unchanged from the original loan. The loan was fully repaid on October 01, 2025.

(j) Shareholder loans

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, Land Development of Nimrodi Group Ltd ("ILDC") (formerly, 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. The loans will be repaid (pro rata between Mishorim and ILDC) (principal, interest and indexation) in one payment until April 1, 2025. 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, if there are changes in the controlling shareholders of the Company or of Mishorim, or if any legal proceeding is initiated against the Company seeking bankruptcy, insolvency, reorganization, or other similar relief in respect of debts exceeding CAD 20 million. 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

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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 (approximately CAD 20 million) and NIS 27 million (approximately CAD 10 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 CAD 172 thousand), which was booked as an adjustment to equity in Q2 2024 as a contribution from shareholders, which was recorded in the equity statements as an increase in the related party transaction reserve.

On March 13, 2025, the Company signed an addendum to the loan agreement with Mishorim to extend the payment date of the loan from April 1, 2025 to January 5, 2026. On the same date, the Company signed an addendum to the loan agreement with ILDC to extend the payment date of the loan from April 1, 2025 to the earlier of: January 5, 2026 or 7 days after the Company receives the full principal and interest accrued in respect of the VTB loans in the Freed Transaction (see Note 10). In case the Company receives partial payment from Freed before January 5, 2026, the Company shall use the amounts received from Freed, after considering transaction fees and any amounts related to non-controlling interests, to repay the balance of ILDC loan (principal amount together with the interest and indexation accrued thereon) or part of it. The other terms of the loan remain the same.

On June 23, 2025 (following receipt of approvals from the Company's Board of Directors and Audit Committee in accordance with Section 1(5) of the Companies Regulations (Relaxations in Transactions with Interested Parties), 5760-2000), the Company entered into a supplement to the loan agreement with Mishorim, pursuant to which Mishorim provided an additional amount of CAD 2.7 million (NIS 6.67 million) as a shareholders' loan (i.e. the total principal of Mishorim's loan will amount to CAD 25 million (NIS 61.67 million)), under the same terms as the existing shareholders' loan: annual interest at a rate of 6%, linked to the Consumer Price Index and repayable by January 5, 2026. On the same date, the Company also entered into a supplement to the loan agreement relating the loan provided to the Company by ILDC, pursuant to which ILDC increased the loan amount by CAD 1.3 million (NIS 3.33 million) (i.e., the total principal of the ILDC loan will amount to CAD 12.3 million (NIS 30.33 million)), under the same terms as the original ILDC loan. The purpose of said additional amounts was to allow the Company to meet its obligations to maintain liquid cash undertaken in its capacity as a guarantor of some of the Company's subsidiaries. The Board of Directors and the Audit Committee approved the increase in Mishorim's loan in accordance with Section 1(5) of the Companies Regulations (Relaxations in Transactions with Interested Parties), 5760-2000, as an arm's length transaction entered into in the ordinary course of the Company's business for the benefit of the Company.

On August 21, 2025, the Company signed an amendment to the agreements with both shareholders to extend the maturity date of the loans to August 31, 2026; all other terms of the agreement remained the same.

On November 20, 2025, the Company signed an amendment to the agreements with both shareholders to extend the maturity date of the loans to December 31, 2027; all other terms of the agreement remained the same.

On December 31, 2025, the Company signed an amendment to the agreement with Mishorim, to grant the Company sole and absolute discretion over the loan's maturity, including unilateral right to defer repayment of principal and interest for an indefinite period (and, accordingly, the events under the original agreement, as described above, the occurrence of which would have entitled Mishorim to call the loan for immediate repayment have been removed). Accordingly, there is sufficient basis for equity classification given the Company's ability to defer repayment indefinitely. As at December 31, 2025 both the principal and accrued interest components were classified to equity and disclosed as 'Share capital – Shareholder Loan' in the Statement of Equity.

The balance of the total shareholder loans including CPI adjustments was CAD 41.21 million (NIS 95.9 million) as of December 31, 2025, of which CAD 27.69 million pertaining to Mishorim were classified as equity, and the remaining CAD 13.52 million pertaining to ILDC were classified as long term loan. Accrued interest on Mishorim

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loan of CAD 2.41 million was also classified as equity. Accrued interest on ILDC loan of CAD 1.2 million is classified as other long term liabilities.

(k) Golf Cottages Loan

In October 2025, the Company entered into an agreement with the lender of the Golf Cottages loan to extend the loan's maturity date from November 30, 2025 to November 30, 2027. Under the terms of the amendment, CAD 0.7 million is due by November 2026, an additional CAD 1.4 million is due and payable in June 2027, and the remaining balance is due by November 2027. As the Company collects the balances of the Golf Cottages VTBs, a portion of the proceeds may be applied toward repayment of the loan before the contractual dates. The outstanding loan balance as at reporting date was CAD 3.3 million.

(l) Compliance with Covenants

The Company and its subsidiaries comply with the financial covenants undertaken towards financing parties with the exception of Hyatt loan as describe above at note 12(h).

13 - Related parties**(a) Related parties:**

As at December 31,	2025	2024
Other current balances: accrued interest on Former CEO share purchase loan (see note 15(a))	-	489
Total assets	-	489
Loans payable and accrued interest due to shareholders (see note 12 (j))	(14,717)	(33,080)
Trade Payables: former President and Chairman settlement	-	(650)
Other payables and credit balances	(666)	(373)
Total liabilities	(15,383)	(34,103)

For the year ended December 31,	2025	2024	2023
Income statement: Interest expense shareholders loans	(6,522)	(4,252)	-
Income statement: other income (expense), net of foreign exchange impact, on Former CEO share purchase loan (see note 15(a))	(489)	89	41

(b) Executive compensation and appointment

Executive compensation expenses related to the Board, former President and Chairman, CEO, CFO and VP Finance are as follows:

For the year ended December 31,	2025	2024	2023
Compensation, bonus and benefits	1,264	2,617	3,283
Employee stock option expense (see note 15(d))	-	-	11
Directors' fees	500	372	336
	1,764	2,989	3,630

On January 15, 2025, the company announced that Mr. Blake Lyon, the Company's CEO, had submitted his resignation and his employment as the Company's CEO was terminated effective March 31, 2025. Mr. Lyon's entitlement to the 200,000 shares issued to him against the loan provided by the Company for the purpose of acquiring the shares expired on September 30, 2025, upon the lapse of six months following the termination of his employment, as the loan had not been repaid, and in accordance with the terms of the agreement, the Company was required to repurchase the shares at market price and to set off their value against the loan (with no cash events), with the remaining loan balance forgiven under the terms of the agreements. Refer to note 27(c), Subsequent Events, for further details regarding the repurchase and cancellation of the shares by the Company.

Mrs. Neha Kapelus, who served as the Company's CFO until the termination of Mr. Lyon's employment, was appointed CEO effective April 1, 2025, and Mr. Binu Mathai was appointed VP Finance. On April 09, 2025 the

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Company's Compensation Committee and Board of Directors, and on May 19, 2025, the General Meeting of Shareholders, approved an amendment to the Company's compensation policy, and an update to the terms of office and employment of the Company's CEO. Under the approved terms of office, the CEO is entitled to base salary and benefits, a discretionary bonus of up to 3 months base salary, and measurable bonus related to the sales of assets, cost reductions), and debt collection. Pursuant to her employment agreement, if Mrs. Kapelus terminates her employment on or after April 1, 2026, by giving three months' prior written notice, she will be entitled to six months' base salary and related benefits, as well as an additional six months' base salary and related benefits as a bonus. The aggregate amount of the performance-based bonus and any discretionary bonus shall not exceed twelve monthly salaries per year. On July 10, 2025, a special and annual general meeting of the Company's shareholders was held, at which a service agreement between the Company and its former CEO, Mr. Blake D. Lyon, was approved. Mr. Lyon will provide management services, and to the extent that his services result in the sale of the Company's assets, he will be entitled to a cash payment of 0.75% of the gross sales price. The Agreement shall remain in effect during the period from May 14, 2025 until terminated by either party. Each party shall have the right to terminate the Agreement at its discretion upon thirty (30) days prior written notice to the other party or immediately in the event of a breach of the provisions of the Agreement.

On November 30, 2025 Mr. Binu Mathai ceased to serve as the Company's VP Finance, and Ms. Chanda Kuber was appointed VP Finance effective December 01, 2025.

(c) On August 1, 2025, following the approval of the Compensation Committee, the Company's Board of Directors approved the Company's engagement in the renewal of its Directors' and Officers' Liability Insurance policy for a period of one-year effective August 14, 2025; the insurance was bound effective on this date. Such a policy is regularly purchased each year, and this transaction represents a renewal of the policy that expired at the end of its annual term. The terms of the policy are as follows: insurance coverage in the amount of up to USD 25 million per case and for period; the annual premium amount paid by the Company is a total of approximately USD 137,869 including Tax as will be required; and the Company's deductible for claims filed against it in all the world will be USD 35,000, except claims filed against it in the US in which the deductible will be USD 75,000. The deductibles in claims against the Company anywhere in the world, regarding violation of securities laws (except in the USA) will be USD 100,000 and no coverage for USA. Officers will have no deductibles.

(d) See note 12(j) for the loan agreements signed with shareholders.

14 - Fair value of financial instruments

(a) Categories of financial assets and liabilities

The fair value of the Company's financial assets and liabilities, except as noted below and elsewhere in the consolidated financial statements, approximates their carrying amount due to the short-term and variable rate nature of these instruments.

The Company has classified and disclosed the fair value of each class of financial instrument based on the fair value hierarchy in accordance with IFRS 13, Fair Value Measurement ("IFRS 13"). The fair value hierarchy distinguishes between market value data obtained from independent sources and the Company's own assumptions about market value. The hierarchy levels are defined below:

Level 1: Inputs based on quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs based on factors other than quoted prices included in Level 1, which may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals; and

Level 3: Inputs which are unobservable for the asset or liability, and are typically based on the Company's own assumptions as there is little, if any, related market activity.

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The Company's assessment of the significance of a particular input into the fair value measurement in its entirety requires judgement and considers factors specific to the asset or liability.

The following table presents the Company's estimates of financial assets and liabilities that are not measured at fair value on a recurring basis based on information available to management as at December 31, 2025, aggregated by the level in the fair value hierarchy within which those measurements fall. These estimates are not necessarily indicative of the amounts the Company could ultimately realize.

(b) Financial assets

The estimated fair values and carrying amounts of loans to purchasers are as follows:	Fair value as at December 31, 2025	Fair value as at December 31, 2024	Carrying amount as at December 31, 2025	Carrying amount as at December 31, 2024
Loans to purchasers	39,453	90,062	40,435	91,423

(c) Financial liabilities

The estimated fair values and carrying amounts of loans and leases payable and bonds are as follows:	Fair value as at December 31, 2025	Fair value as at December 31, 2024	Carrying amount as at December 31, 2025	Carrying amount as at December 31, 2024
Loans and leases payable	143,877	183,420	144,750	184,417
	143,877	183,420	144,750	184,417

Fair values of long-term financial liabilities have been determined by calculating their present values at the reporting date, using fixed effective market interest rates available to the Company. The carrying amount of the loans maturing during the next year is assumed to approximate their fair values. The fair value amounts include deferred finance costs. The carrying amount presented is net of transaction costs, in addition with accrued interest.

The carrying amount of the variable interest loans approximates the fair values of these loans.

15 - Share capital**(a) Authorized: unlimited common shares, without par value.**

Number of issued and paid-in shares for the year ended December 31,	2025	2024	2023
Outstanding at beginning of year ⁽ⁱ⁾	16,700,480	16,700,480	16,700,490
Shares issued (repurchased)	-	-	(10)
Outstanding at end of year	16,700,480	16,700,480	16,700,480

- (i) Including 200,000 shares issued to a company controlled by the former CEO and held in trust. See note 27 (c) for events after the reporting period.

On March 23, 2016 the Board of Directors approved a private allotment of 200,000 shares to a company controlled by the CEO, for total consideration of 4,793 NIS (approximately CAD 1,638) or 23.96 NIS (approximately CAD 8.20) per share, reflective of the average share price during 30 days prior to the appointment against a loan bearing 3% interest, due in full in February, 2021. On January 10, 2021, the shareholders of the Company approved the extension of this loan for an additional period of three years, until February 18, 2024, or six months after termination of the CEO's employment. On April 20, 2023 the Board of Directors and the Compensation Committee approved the update to the terms of office and employment of the Company's CEO. As part of the updated terms, if the Stock Issue Loan is not repaid in full (interest and principal) within 6 months from March 31, 2025 the Company will purchase the 200,000 shares underlying the Stock Issue Loan (the "Shares") from the Private Company at a purchase price calculated based on the stock exchange price of the Shares as of the purchase date ("Purchase Price"), and the Private Company will refund to the Company the lesser of (a) the balance of the Stock Issue Loan; or (b) the Purchase Price. On March 25, 2024, the Compensation Committee and the Company's Board of Directors approved a non-material amendment to the CEO Agreement pursuant to Section 272(d) of the Companies Law

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pursuant to which the agreement will be extended on the same terms indefinitely and each of the parties will have the option to terminate it with 60 days' notice (the "Termination Date"). All provisions of the employment agreement relating to the End of the Commitment Period shall apply in relation to the Termination Date including the repayment date of the loan for the share allocation.

The net impact of these issued shares, and the associated loan, is reflected within the Company's share capital.

The issuance of those shares is accounted for as options-based compensation. The average value of this option-based compensation was determined by an independent valuator using a Binomial option pricing model to be NIS 4.23 (approximately CAD 1.5) per share, assuming an average volatility of 26.4% and an expected option life of between 1 and 5 years. Refer to note 15 (c) below. The stock options have expired on September 30, 2025, the loan was not repaid, and based on the provisions of the agreement, the shares will be repurchased by the Company at market price and offset with the loan (with no cash events), with the remaining loan balance forgiven under the terms of the agreements. As of December 31, 2025 the shares were not cancelled, and there was no impact on the Balance sheet or income statement. Please see Note 27 for the details on the repurchase and cancellation of the shares.

On January 10, 2021 at the annual general meeting ("AGM"), the shareholders approved changes to the Company's remuneration policy, including changes to the CEO's compensation. Shareholders approved an allocation to the CEO of 100,000 stock options (the "Options") was approved, which were granted on February 11, 2021 (the "Grant Date"). The Options have a strike price of 24 NIS, have a vesting period of three years, and expire five years after the Grant Date. These shares expired on September 30, 2025 (6 months after the former CEO's resignation). As a result of the expiration, there was no impact on the Balance sheet or income statement.

(b) Income (loss) per share

The inputs used in calculating earnings per share are as follows:	2025	2024	2023
Net income (loss) attributable to shareholders of the Company	(76,791)	(49,864)	(40,303)
Weighted average number of shares outstanding	16,500,480	16,500,480	16,500,485
Weighted average number of shares for the purposes of diluted earnings per share	16,500,480	16,500,480	16,500,485

(c) Share capital – shareholder loan

As at December 31, 2025, equity increased by \$30.1 million due to the classification of an outstanding shareholder loan from Mishorim, including accrued interest, as equity. Refer to Note 12(j)

(d) Employee stock options*Summary*

Details	Nov 2016	Feb 2018	Apr 2018	Feb 2021
Grant date	Nov-16	Feb-18	Mar-18	Feb-21
Expiration date	Nov-21	Feb-23	Mar-23	Sep-25
Number of options	290,000	135,000	100,000	100,000
Exercise price	9.37	11.57	11.54	9.34
Exercise life to date	82,500	-	-	-
Cancelled	127,500	135,000	100,000	-
Expired	80,000	-	-	100,000
Net	-	-	-	-
Vested	-	-	-	66,667
Additional details	15(d)(1)	15(d)(2)	15(d)(2)	15(d)(4)

Changes in number of stock options for the year ended December 31,	2025	2024
Outstanding at the beginning of year	100,000	100,000
Expired (see note 15(d)(4) below)	(100,000)	-
	-	100,000

Additional details

- (1) On November 14, 2016 the Board of Directors approved granting 290,000 stock options, which was approved by the TASE in March 2017. The fair value of the options at the grant date was determined using the Binomial model. Where relevant, the expected life used in the models has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility of similar companies including the Company, which management estimates to approximate the volatility of the Company's shares.
In February 2017 the stock options that had been issued to certain executives in previous years, expired and the associated value of CAD 879 was classified from "Share based compensation surplus" to "Share capital and premium". In April 2017, 10,000 options were cancelled, upon resignation of an employee. During 2018, an additional 117,500 options were cancelled. During 2021, 80,000 options expired.
- (2) In February and April 2018 certain executives of the Company were granted 135,000 and 100,000 options, respectively. The options were issued in connection with the existing option plan. During 2019, 135,000 of these options were cancelled. On March 20, 2023 100,000 remaining options were cancelled.
- (3) There was no stock compensation expense recognized during the year ended December 31, 2025 (2024: CAD 0.3; 2023: CAD 11).
- (4) On November 26, 2020, the Company's Board of Directors approved the grant of 100,000 options to the Company's CEO. The grant was subsequently approved by shareholders on January 10, 2021. The Options have a strike price of 24 NIS, have a vesting period of three years, and expire five years after the Grant Date. These shares expired on September 30, 2025 (6 months after the former CEO's resignation).

16 - Commitments and Contingencies**(a) Claims**

The Company has been served several 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, if any.

(b) Material agreements

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

On November 14, 2017, one of the Company's subsidiaries entered into 13, 20-year franchise agreements with Marriott upon acquisition of 13 Courtyard by Marriott hotels in the United States (given the sale of 11 Courtyards in Q3 2024 and the sale of one Courtyard hotel in Q1 2025, there is only 1 remaining as of December 31, 2025). On July 11, 2022, one of the Company's subsidiaries entered into a 15-year franchise agreement with Marriott upon acquisition of Courtyard by Marriott hotel in Ithaca, New York (the "Courtyard Ithaca"). The agreements secure access to Marriott's reservation system, as well as its sales platforms. In the event of early termination of the agreements, Marriott is entitled for various termination fees. In addition, under the agreements, the Company is obligated to undertake a rotational property improvement plan, which involves mandated capital expenditures to ensure that the hotels are in compliance with brand standards.

With respect to the Company's Courtyard Hotel at Fort Myers, Marriott delivered a Notice of Red Zone 7 Default, dated February 21, 2025. The Hotel has been in Red Zone in different degrees since 2022; however previous notices provided that, as a result of discussions between Marriott and Skyline, Marriott would forbear from immediately terminating the Franchise Agreement. The Red Zone 7 Notice did not include such forbearance language, but, rather, stated that Marriott had the right to terminate the Franchise Agreement and arrange for de-identification of the hotel and payment of liquidated damages.

In July 2025, Marriott and Skyline executed a forbearance agreement following Skyline's replacement of Aimbridge Hospitality as the manager of the Hotel. Marriott also required the Hotel's commitment to improving performance under the Accountability Program, for the period between July 2025 and December 2025, so that the hotel would no longer be in Red Zone. In December 2025, Marriott approved the plans for renovation requiring Marriott's design and other approvals. Since receiving the approval, the Company has been working

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to complete the remaining work. Due to project delays, the Franchise Agreement provides that deadlines for completion of the renovation may be equitably extended for delays caused by acts or circumstances beyond the Company's control. Accordingly, the Company submitted a revised completion schedule extending the deadline to May 2026, which was approved by Marriott. Crescent Hotel & Resorts assumed management of the Hotel on July 15, 2025; the Crescent hotel management agreement has similar terms as the agreement with Aimbridge and may be terminated without penalty with 30 days' notice.

(2) Autograph franchise agreement with Marriott

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 prior 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 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 agreements, and similar to the terms in the previous franchise agreement with Marriott.

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

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

(4) Management agreements with Aimbridge Hospitality LLC ("Aimbridge")

On November 14, 2017, one of the Company's subsidiaries entered into 13, 5-year property management agreements with Aimbridge to operate and provide property management services to its Courtyard by Marriott hotels, in consideration for property management fees and other payments. During the year ended December 31, 2020, the Company terminated the agreements with respect to two of the Courtyard properties but remained on contract for the remaining 11 properties. With the sale of 9 of the remaining 11 properties in 2024 and the sale of on Courtyard hotel in January 2025, the company remained on contract for the remaining 1 property until July 2025, when the Company terminated the agreement for the remaining property and entered into an agreement with Crescent Hotel Management Services, LLC.

On October 28, 2015, one of the company's subsidiaries entered into a 5-year property management agreement with Aimbridge to operate and provide property management services to its Hotel Cleveland hotel, in consideration for property management fees and other payments. The agreement had a mutual extension option for an additional five years on the same terms. During the year ended December 31, 2024, the Company terminated this agreement and entered into an agreement with Crescent Hotel Management Services, LLC.

(5) Management agreements with Hersha Hospitality Management, L.P. ("HHM Hotels") (formerly Urgo Hotels L.P.)

On September 25th 2020, one of the Company's subsidiaries entered in to a 10-year property management agreement with HHM Hotels to operate and provide property management services to 2 Courtyard by Marriott Hotels (previously managed by Aimbridge), in consideration for property management fees and other payments, as is customary for this type of agreement. The Company can terminate the agreement with HHM Hotels upon 60 days advance notice given. As a result of the sale of these 2 hotels in 2024, the company no longer remains on contract for these properties. On July 11 2022, one of the Company's subsidiaries entered in to a 10-year property management agreement with HHM Hotels to operate and provide property management services to Courtyard by Marriott hotel in Ithaca in consideration for property management fees and other payments, as is customary for this type of agreement. After 1 year of anniversary, the Company can terminate the agreement with HHM Hotels upon 60 days advance notice given. During the year ended December 31, 2025, the Company terminated this agreement and entered into an agreement with Crescent Hotel Management Services, LLC.

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(6) Management agreement with Crescent Hotel Management Services, LLC ("Crescent")

On September 26, 2024, one of the company's subsidiaries entered into a 5-year property management agreement with Crescent to operate and provide property management services to its Hotel Cleveland hotel, in consideration for property management fees and other payments, as customary for this type of agreement. The company may terminate this agreement with 6 months of advanced notice.

On July 15, 2025, Crescent Hotel & Resorts assumed management of the Company's Courtyard Hotel at Fort Myers. The Crescent hotel management agreement has similar terms as the agreement with Aimbridge and may be terminated without penalty with 30 days' notice.

On August 1, 2025, Crescent Hotel & Resorts assumed management of the Company's Courtyard Ithaca Airport/University hotel. The Crescent hotel management agreement is substantially similar to the agreement with HHM LP, and may be terminated without penalty with 30 days' notice.

17 - Income from hotels and resorts

For the year ended December 31,	2025	2024	2023
Room revenue	54,686	88,088	93,077
Food & beverage revenue	20,390	18,395	13,546
Ski revenue	-	-	8,708
Other revenue	6,656	5,406	6,004
	81,732	111,889	121,335

18 - Operating expenses from hotels and resorts

For the year ended December 31,	2025	2024	2023
Room department	15,485	24,128	25,945
Cost of food & beverage	14,682	14,107	10,969
Cost of ski services	-	(65)	3,479
Selling and marketing and administrative	18,087	24,152	26,807
Repairs and maintenance	7,672	9,336	10,850
Property tax and insurance	6,373	6,111	8,565
Management fees and utilities,	9,284	16,904	19,109
Other expenses	441	2,228	1,554
	72,024	96,901	107,278

19 - Cost of sales of residential real estate

For the year ended December 31,	2025	2024	2023
Cost of sales of land and development projects	-	11,066	-
Impairment	-	1,368	-
Development periodic costs (recovery)	76	36	28
	76	12,470	28

20 - Administrative and general expenses

For the year ended December 31,	2025	2024	2023
Compensation and benefits	2,845	4,359	4,585
Professional fees	1,321	2,650	2,937
Other expenses	751	1,144	1,513
	4,917	8,153	9,035

21 - Financial expense

For the year ended December 31,	2025	2024	2023
Provision for credit losses (see note 10)	47,287	3,914	12,500
<u>Other financial expenses</u>			
Interest on loans and leases	12,651	23,577	21,239
Interest and foreign exchange revaluation of bonds, including early repayment fee	-	3,948	2,322
Interest on shareholder loans *	6,522	4,252	-
Amortization of deferred financing charges	1,617	4,325	2,315

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For the year ended December 31,	2025	2024	2023
Bank charges	305	377	319
Other financial expenses	21,095	36,479	26,195
	68,382	40,393	38,695

* Includes income (expense) from exchange rate differences and CPI index adjustment

22 - Income taxes

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

For the year ended December 31,	2025	2024	2023
Current income tax expense	390	21	(1,802)
Prior year income tax recovery (expense)	(539)	331	342
Deferred income tax recovery	(4,262)	12,102	5,962
Income tax recovery (expense)	(4,411)	12,454	4,502

(b) Current Canadian and U.S. federal and provincial combined income tax was calculated based on the following tax rates (refer to note 9):

For the year ended December 31,	2025	2024	2023
Ontario	26.50%	26.50%	26.50%
Ohio, USA	22.98%	22.98%	22.98%
California, USA	27.98%	27.98%	27.98%
Other states (on average), USA	23.73%	23.73%	23.73%

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

For the year ended December 31,	2025	2024	2023
Net gain (loss) before income taxes	(81,210)	(70,990)	(52,796)
Ontario statutory tax rate	26.50%	26.50%	26.50%
Income tax recovery (expense) calculated using statutory tax rate	21,521	18,812	13,991
Increase (decrease) resulting from:			
Prior year taxes	(539)	331	342
International Tax Rate Differentials	(580)	(1,422)	(645)
Tax attributable to Non-Controlling Interests	(1,289)	(3,173)	(2,801)
Difference in tax rates applicable to other gains	-	-	(2,899)
Valuation allowance and changes in estimates	(19,086)	(1,710)	(3,510)
Non-deductible recovery (expenses)	(5,151)	(345)	61
Other	713	(39)	(37)
Income tax recovery (expense)	(4,411)	12,454	4,502

23 - Employee benefits

Compensation and benefits are included in the following categories in the consolidated statements of income (loss):

For the year ended December 31,	2025	2024	2023
Hospitality operating expenses	28,911	37,587	41,840
Administrative and general expenses	2,845	4,359	4,585
	31,756	41,946	46,425

24 - Risks and capital management objectives and policies

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

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

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(a) Interest rate risk

The Company's policy is to minimize interest rate risk exposures on long-term financing. The Company's commercial borrowing on its properties is balanced between fixed and variable rates. In an attempt to combat inflation through cooling demand, the Federal Reserve began increasing the Federal Funds Effective Rate in the first quarter of 2022, with its last increase announced on July 26, 2023, after which rates were held steady until September 18, 2024 when the rate was cut by 0.5 percentage point. This reduction was followed by a 0.25 percentage point cut in November and a third cut on December 18, 2024 for another 0.25 percentage point. There were several cuts in 2025, with the rate being 3.64 as of December 31, 2025. A continued increase in interest rates may also result in an increase in the amount paid by the Company to service debt, which could in turn adversely affect the Company's financial condition and results of operations. The Company has available a variety of financial strategies to protect against rising interest rates and inflationary pressures. Specifically, the Company may enter into interest rate swaps, interest rate caps and other hedging measures. In November 2022, the Company entered into a 2-year interest rate cap to set the benchmark rate on the Courtyard portfolio loan, and had benefited from monthly interest rate savings since December 2022 as a result. There is no assurance regarding the impact of a significant economic contraction or recession on the business, results of operations and financial position of the Company.

At December 31, 2025, 59% (2024: 53%) of the Company's indebtedness was issued at fixed rates.

The following table illustrates the sensitivity of net income (loss) to a reasonably possible change in interest rates of +/- 1% at December 31, 2025 (2024: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Year ended December 31,	Net Income (Loss) - 1%	Net Income (Loss) - (1%)
2025	522	(487)
2024	668	(668)

(b) Credit risk

The Company operates as a hospitality manager and owner, as well as a developer of real estate. As a developer, the Company's exposure to credit risk is minimal as there are no unsold construction projects in progress at December 31, 2025.

The Company is also exposed to credit risk on certain financial assets recognized at the reporting date, as summarized below:

As at December 31,	2025	2024
Cash and cash equivalents	13,716	24,622
Trade receivables and other receivables	3,425	6,156
Restricted bank deposits	11,877	15,050
Loans to purchasers	40,435	91,423
	69,453	137,251

The Company continuously monitors defaults of customers and other counterparties. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties. Refer to Note 10 for the discussion on the process of estimating the Expected Credit Losses ("ECL") for the Port McNicoll and Freed VTBs.

(c) Liquidity risk

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

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The Group's remaining contractual maturities are as follows:

As at December 31, 2025	Current**	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter
Loans and leases payable (*)	14,043	46,127	42,580	53,506	2,065	36,675
Trade payables	6,426	-	-	-	-	-
Other payables and credit balances	10,300	-	-	-	-	-
	30,769	46,127	42,580	53,506	2,065	36,675

As at December 31, 2024	Current	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter
Loans and leases payable (*)	86,223	13,324	19,489	46,219	62,130	37,609
Trade payables	7,779	-	-	-	-	-
Other payables and credit balances	19,410	-	-	-	-	-
	113,412	13,324	19,489	46,219	62,129	37,609

(*) Including cash flows for both principal and interest as of December 31, 2025

** Excluding Autograph loans classified as short-term liabilities as the Company received the waiver after the breach of the Debt Service Coverage Ratio, and the waiver period is less than 12 months. See note 12(f).

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

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(d) Foreign Exchange currency risk

Foreign exchange risk is the financial risk exposure to unanticipated changes in the exchange rate between two currencies. The Company's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (primarily Canadian Dollars and US Dollars) with the cash generated from their own operations in that currency.

On December 31, 2025 CAD 126,834 or 87.62% (2024: CAD 142,266 or 77.14%) of the Company's indebtedness for borrowed money was denominated in US dollars.

Assets and liabilities of the Company by currency category, at December 31:	CAD (2025)	USD (2025)	NIS (2025)	Total (2025)	CAD (2024)	USD (2024)	NIS (2024)	Total (2024)
Assets:								
Cash and cash equivalents	456	12,830	430	13,716	903	22,925	794	24,622
Trade receivables and Other receivables	67	3,358	-	3,425	650	5,505	-	6,155
Restricted bank deposits	961	10,916	-	11,877	3,547	11,503	-	15,050
Loans to purchasers	40,435	-	-	40,435	82,788	8,635	-	91,423
Total financial assets	41,919	27,104	430	69,453	87,888	48,568	794	137,250
Non-financial assets	4,404	252,098	-	256,502	4,721	316,804	-	321,525
Total assets	46,323	279,202	430	325,955	92,609	365,372	794	458,775
Liabilities:								
Trade payables	435	5,991	-	6,426	857	6,922	-	7,779
Other payables and credit balances	4,393	16,582	1,201	22,176	6,977	24,747	1,191	32,915
Loans and leases payable	4,400	126,834	13,516	144,750	9,071	142,266	33,080	184,417
Disposal group classified as held for sale	-	-	-	-	-	19,534	-	19,534
Total financial liabilities	9,228	149,407	14,717	173,352	16,905	193,469	34,271	244,645
Non-financial liabilities	-	6,394	-	6,394	7	6,303	-	6,310
Total liabilities	9,228	155,801	14,717	179,746	16,912	199,772	34,271	250,955
Financial assets net of financial liabilities	32,691	(122,303)	(14,287)	(103,899)	70,983	(144,901)	(33,477)	(107,395)
Total assets, net of total liabilities	37,095	123,401	(14,287)	146,209	75,697	165,600	(33,477)	207,820
Revenue	27	81,706	-	81,733	9,582	111,809	-	121,391

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The following table illustrates the sensitivity of net income and equity to a reasonably possible change in USD exchange rate of +/- 5% at balance sheet dates. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average foreign exchange rates for each period, and the financial assets and liabilities held at each reporting date that are sensitive to changes in exchange rates. All other variables are held constant.

As at December 31,	2025 – 5%	2025 – (5%)	2024 – 5%	2024 – (5%)
Impact on assets	1,355	(1,355)	2,428	(2,428)
Impact on liabilities	(7,470)	7,470	(9,673)	9,673
Impact on net profit or loss for the year	(2,536)	2,536	(2,875)	2,875

(e) Capital Management Policies and Procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company defines capital as the aggregate of shareholders' equity, loans and leases payable, less cash and cash equivalents.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods under review is summarized as follows:

As at December 31,	2025	2024
Shareholders' equity	117,524	180,016
Loans and leases payable	144,750	184,417
Cash and cash equivalents	(13,716)	(24,622)
Total capital	248,558	339,811
Debt to total capital ratio	58%	54%

25 - Segmented information*US Hotels and Resorts*

The chief operating decision maker reviews and analyzes the US hospitality operations as a separate segment, which includes the Hyatt Regency Arcade and the Hotel Cleveland (Autograph) assets located in Cleveland, Ohio, the Hotels branded Marriott Courtyard located in different states until their sale (11 Courtyards were sold during 2024 and 1 additional Courtyard was sold during 2025) and the Bear Valley Resort located in California until November 01, 2023..

Canadian Hotels and Resorts

The chief operating decision maker reviews and analyzes the Canadian hospitality operations as a separate segment, which mainly includes loans to purchasers of the Canadian resorts that were sold in December 2021. The Canadian segment also includes assets and liabilities of the Company's headquarters, including the shareholder loan.

Development segment

Management operates the development assets regardless of their accounting classification, as one operating segment, which mainly includes loans to purchasers of Canadian development lands that were sold in December 2021. Therefore, the chief operating decision maker reviews and analyzes all land (both accounted for IAS 40 and IAS 2) under the development segment, together.

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Segmented financial information is as follows:

For the year ended December 31, 2025	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	81,706	26	1	81,733
Costs and expenses	(72,021)	(3)	(76)	(72,100)
	9,685	23	(75)	9,633
Administrative and general expenses				(4,917)
Impairment of real estate properties				(8,584)
Depreciation				(16,453)
Gain from fair value adjustments of investment properties				(200)
Derecognition of investment costs and other capital losses, net				(64)
Other income, net (*)				2,033
Financial expense (**)				(68,382)
Financial income				5,724
Loss before income taxes				(81,210)

(*) Other income includes CAD 3.5 million from the Autograph tax credit that was transferred to income (refer to Note 12(f)) and CAD 0.54 million other income related to the reversal of Bear Valley accruals. This was partially offset by CAD 1.7 million loss related to deferred consideration settlement for Bear Valley VTB based on amended agreement and CAD 0.49 million reversal of previously accrued interest income related to the loan provided to the former CEO upon expiration of eligibility period.

(**) Interest income on the Port VTB and the Freed VTB were calculated based on the net basis after deducting the provision for expected credit losses.

For the year ended December 31, 2024	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	111,809	80	9,502	121,391
Costs and expenses	(96,898)	(3)	(12,470)	(109,371)
	14,911	77	(2,968)	12,020
Administrative and general expenses				(8,153)
Impairment of real estate properties				(2,201)
Depreciation				(20,457)
Derecognition of investment costs and other capital losses, net				(18,048)
Other income, net (*)				453
Financial expense				(40,393)
Financial income				5,789
Loss before income taxes				(70,990)

(*) Other income: CAD 0.4 million other income from decrease in donation provision related to the Keewatin as per new agreement; CAD 93 refers to recapturing of reserves from several completed development projects.

For the year ended December 31, 2023	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

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For the year ended December 31, 2023	US hotels and resorts	Canadian hotels and resorts	Development	Total
Loss from fair value adjustments of financial instruments				(6,880)
Derecognition of investment costs and other capital losses, net				(282)
Other expense, net (*)				(3,141)
Financial expense				(38,695)
Financial income				5,072
Loss before income taxes				(52,796)

(*) Other expense: CAD 3.1 million other expense relates to the CAD 3.9 million loss related to the donation of Keewatin; CAD 1.0 million donation provision related to the Keewatin; partially offset by CAD 1.8 million recapturing of reserves from several completed development projects.

As at December 31, 2025	US hotels and resorts	Canadian hotels and resorts	Development	Total
Assets *	279,181	24,194	22,580	325,955
Liabilities	(155,801)	(18,373)	(5,572)	(179,746)
	123,380	5,821	17,008	146,209

As at December 31, 2024	US hotels and resorts	Canadian hotels and resorts	Development	Total
Assets *	365,360	55,586	37,829	458,775
Liabilities	(199,771)	(43,437)	(7,747)	(250,955)
	165,589	12,149	30,082	207,820

* Financial assets included within the assets:

As at December 31,	US hotels and resorts	Canadian hotels and resorts	Development	Total
2025	27,083	19,405	22,965	69,453
2024	48,556	50,532	38,163	137,251

26 – Material non controlling interest

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

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interests	Non-controlling interests as at December 31, 2025 (Audited)	Non-controlling interests as at December 31, 2024 (Audited)
Hotel Cleveland, LLC (Autograph Hotel) (formerly Skyline Cleveland Renaissance Inc.)	50.495%	28,607	24,470
Individually immaterial subsidiaries with non controlling interests		78	3,335
		28,685	27,805

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.

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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'	December 31, 2025	December 31, 2024
Current assets	5,782	6,039
Non-current assets	161,528	169,748
Current liabilities	67,781	18,693
Non-current liabilities	31,991	99,369
Total equity	67,538	57,725

CAD 000'	Year ended December 31, 2025	Year ended December 31, 2024
Revenue	43,634	27,800
Profit (loss) for the year	(9,338)	(16,433)
Total comprehensive income (loss) for the year, net of income tax*	(3,170)	(9,887)
Profit (loss) allocated to non-controlling interests	(5,573)	(8,861)
Total comprehensive income (loss) allocated to non-controlling interests of the subsidiary	(1,821)	(5,468)
Net contribution from non- controlling interests	5,958	1,349

* 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.

27 - Subsequent events

- (a) On February 9, 2026, the Company provided a Standstill Notice to Freed's senior lender in accordance with the provisions of the agreement between the Company and the senior lender. Pursuant to the Standstill Notice, the Company reserves its right to call the entire indebtedness for immediate repayment as well as its right to initiate enforcement action upon the expiration of the standstill period. Refer to Note 10 for further details.
- (b) On February 6, 2026, the Company entered into separate and independent agreements for the sale of the following properties: the sale of Courtyard Ithaca for a consideration of USD 7.25 million, and the sale of Courtyard Ft. Myers for a consideration of USD 9.25 million. Each agreement includes non-refundable deposit of USD 0.16 million, with the remaining consideration payable at closing, subject to completion of closing conditions. The estimated net cash proceeds will be finalized after consideration of transaction costs, debt repayment, and working capital adjustments. As at December 31, 2025, the aggregate outstanding loan balance related to the properties is USD 13 million. Refer to note 8 (a) for further details.

SKYLINE INVESTMENTS INC.**Notes to consolidated financial statements**

(in thousands of Canadian Dollars)

- (c) On February 9, 2026, the Company repurchased 200,000 of its shares from a private company owned by the Company's former CEO, which had been issued to him in consideration for an interest-bearing loan. As the loan had not been repaid, the repurchase was made against the loan and the shares were subsequently cancelled. Refer to note 15 (a).