Delma Properties Canada LP

Consolidated Financial Statements
Years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

Raymond Chabot Grant Thornton

Independent Auditor's Report

Raymond Chabot
Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec H3B 4L8

T 514-878-2691

To the partners of
Delma Properties Canada LP

We have audited the accompanying consolidated financial statements of Delma Properties Canada LP which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 the consolidated statements of comprehensive income (loss), the consolidated statements of change in capital and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained during our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Delma properties Canada LP as at December 31, 2017 and 2016 and its financial performance and and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Raymond Chabot Grant Thornton LLP [1]

Montreal
May 7, 2018

[1] CPA auditor, CA public accountancy permit no. A121855

Delma Properties Canada LP
Consolidated Statements of Financial Position
As at December 31, 2017 and 2016

(Expressed in Canadian dollars)

	Notes	2017	2016
		$	$
ASSETS			
Current			
Cash		**3,028**	606
Debenture receivable, without interest		**50,000**	–
Advances to companies under common control, without interest		**798,928**	1,060,954
		851,956	1,061,560
Non-current			
Investment properties	6	**14,910,200**	14,910,200
Investment in a private company, at cost		**250,000**	250,000
Property and equipment	7	**48,500**	80,000
Trademarks and domain names	8	**1,792,009**	–
Total assets		**17,852,665**	16,301,760
LIABILITIES			
Current			
Current portion of long term debt	9	**913,000**	130,000
		913,000	130,000
Non-current			
Long term debt	9	**–**	293,000
Total liabilities		**913,000**	423,000
CAPITAL			
General Partner		**697**	735
Limited partners		**14,297,911**	12,656,355
Total partners' capital		**14,298,608**	12,657,090
Non-controlling interests		**2,641,057**	3,221,670
Total capital		**16,939,665**	15,878,760
Total liabilities and capital		**17,852,665**	16,301,760

The accompanying notes are an integral part of the consolidated financial statements

Delma Properties Canada LP
Consolidated Statements of Comprehensive Income (Loss)
Year ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

	Notes	**2017**	2016
		$	$
Rental income		**130,000**	120,976
Increase in fair value of investment properties	6	**–**	9,212,100
		130,000	9,333,076
Administrative expenses		**543,695**	12,368
Net income (loss) and comprehensive income (loss)		**(413,695)**	9,320,708
Basic and diluted net income (loss) per unit		**(18)**	571
Weighted average number of units outstanding		**23,516**	16,333
Net income (loss) attributable to			
Partners of Delma Properties Canada LP		**(383,082)**	7,335,863
Non-controlling interests		**(30,613)**	1,984,845
		(413,695)	9,320,708

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

Delma Properties Canada LP
Consolidated Statements of Capital
Year ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

	Notes	Units Issued	General Partner	Limited Partners	Partners' Capital	Non-controlling interests	Total Capital
		Number	$	$	$	$	$
Balance on January 1, 2016		15,804	1	600,076	600,077	(25)	600,052
Units issued	11	1,460	–	726,000	726,000	–	726,000
Units paid to be issued	11	500	–	500,000	500,000	–	500,000
Transactions with non-controlling interests		–	–	3,495,150	3,495,150	1,236,850	4,732,000
Transactions with partners		1,960	–	4,721,150	4,721,150	1,236,850	5,958,000
Net income		–	734	7,335,129	7,335,863	1,984,845	9,320,708
Balance on December 31, 2016		17,764	735	12,656,355	12,657,090	3,221,670	15,878,760
Balance on January 1, 2017		17,764	735	12,656,355	12,657,090	3,221,670	15,878,760
Units issued	11	13,664	–	2,000,000	2,000,000	–	2,000,000
Units issued for payment of expenses	11	50	–	24,600	24,600	–	24,600
Transactions with non-controlling interests		–	–	–	–	(550,000)	(550,000)
Transactions with partners		13,714	–	2,024,600	2,024,600	(550,000)	1,474,600
Net income		–	(38)	(383,044)	(383,082)	(30,613)	(413,695)
Balance on December 31, 2017		31,478	697	14,297,911	14,298,608	2,641,057	16,939,665

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

Delma Properties Canada LP
Consolidated Statements of Cash Flows
Year ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

	Notes	**2017**	2016
		$	$
OPERATING ACTIVITIES			
Net income (loss)		**(413,695)**	9,320,708
Adjustments			
Increase in fair value of investment properties	6	**–**	(9,212,100)
Depreciation of property and equipment	7	**31,500**	–
Amortization of trademarks and domain names	8	**448,001**	–
Units issued for payment of expenses	10	**24,600**	12,000
		90,406	120,608
Change in working capital items		**–**	(20,253)
Cash flows from operating activities		**90,406**	100,355
INVESTING ACTIVITIES			
Advances to companies under common control		**(52,574)**	(358,354)
Investment properties	6	**–**	(527,000)
Disposal of investment properties	6	**–**	42,000
Trademarks and domain names	8	**(1,925,410)**	–
Cash flows from investing activities		**(1,977,984)**	(843,354)
FINANCING ACTIVITIES			
Long-term debt		**–**	130,000
Repayment of long term debt		**(110,000)**	(162,000)
Units issued	11	**2,000,000**	726,000
Cash flows from financing activities		**1,890,000**	694,000
Net change in cash		**2,422**	(48,999)
Cash, beginning of year		**606**	49,605
Cash, end of year		**3,028**	606

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

1. Statutes of Incorporation, Nature of Operations and Statement of Compliance

Delma Properties Canada LP ("Delma") is a limited partnership formed under the Civil Code of the Province of Quebec. Delma together with its subsidiaries (together referred to as the "Limited Partnership") invest in the hospitality industry, to perform property management services and land development. Delma was established pursuant to the terms of a Limited Partnership Agreement dated September 1, 2009. Delma's head office and address for service is located at 310 – 925 Blvd. De Maisonneuve West, Montreal, Quebec, H3A 0A5.

The management activities of the Limited Partnership are performed through a net, net, net, net, net master lease agreement with Delma Resorts & Hotels Canada Corporation, a company under common control. The agreement is for all the investment properties owned by the Limited Partnership. The investment properties are mainly owned by the Limited Partnership's subsidiaries who act as nominees for the Limited Partnership.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) which were consistently applied from the inception of the partnership.

The financial statements were approved and authorized by the General Partner on May 7, 2018.

2. Changes in Accounting Policies

Standards, Amendments and Interpretations to Existing Standards That Are Not Yet Effective and Have Not Been Adopted Early By the Limited Partnership

At the date of authorization of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Limited Partnership. Information on those expected to be relevant to the consolidated financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB published IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduced improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The application of this standard will not have significant impact on the consolidated financial statements other than the reclassification of certain financial instruments including the investment in a private company.

2. Changes in Accounting Policies (Continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 Revenue, IAS 11 Construction Contracts, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The application of this standard will not have significant impact on the consolidated financial statements.

IFRS 16 Leases

In January 2016, the IASB published IFRS 16 which will replace IAS 17 Leases and three related interpretations. IFRS 16 largely retains IAS 17's approach to lessor accounting, but introduces numerous and significant changes to lessee accounting, such as the elimination of the classification as an operating lease and the requirement for lessees to recognize a right-of-use asset and a lease liability in the balance sheet for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods, changes the accounting for sale and leaseback arrangements, and introduces new disclosure requirements. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Limited Partnership has yet to assess the impact of this new standard on its combined financial statements.

3. Significant Accounting Policies

Basis of Measurement

These consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarized below.

Basis of Consolidation

The Limited Partnership's consolidated financial statements consolidate those of Delma and of its subsidiaries as at December 31, 2017. All subsidiaries have a reporting date December 31. All transactions and balances between the entities are eliminated on consolidation, including unrealized gains and losses on transactions between companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by Delma. Profit or loss and other comprehensive income (loss) of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

3. Significant Accounting Policies (Continued)

Basis of Consolidation (continued)

Delma attributes total comprehensive income or loss of subsidiaries between the partners of Delma and the non-controlling interests based on their respective ownership interests.

Set out below details of subsidiaries held directly by the Limited Partnership. All subsidiaries are Canadian corporations.

Name of the subsidiary	Ownership	Activity
Delma Resorts & Hotels L.P.	92.6% (78.7% in 2016)	Limited Partnership having beneficial ownership of the investment properties
Blueberry Lake resorts Inc.	100%	Inactive
Auberge Blueberry Lake Inc.	100%	Nominee for the Blueberry lake clubhouse
Gestion 42 Degrés Nord Inc.	100%	Nominee for the Ellicottville project
BBL Holdings Inc.	100%	Nominee for Lake Alphonse as well as various lands around Blueberry Lake

Investments in Joint Ventures

Investments in joint ventures are accounted for using the equity method.

The carrying amount of the investment in joint ventures is increased or decreased to recognize Delma's share of the profit or loss and other comprehensive income (loss) of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of Delma.

Unrealized gains and losses on transactions between Delma and its joint ventures are eliminated to the extent of Delma's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

Foreign Currency Translation

Presentation Currency and Translation of Foreign-Currency Transactions

Delma's consolidated financial statements are presented in Canadian dollars, which is also Delma's functional currency. Transactions in foreign currencies are translated using the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Exchange differences arising from the transactions are recorded in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost except for non-monetary items measured at fair value which are translated using the exchange rate at the date when fair value was determined.

3. Significant Accounting Policies (Continued)

Financial Instruments

Recognition, Initial Measurement and Derecognition

Financial assets and financial liabilities are recognized when Delma becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when contractual rights to the cash flows from the financial assets expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

a) Financial Assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables
- Available – for - sale financial assets

All financial assets are subject to review for impairment annually and written down when there is evidence of impairment based on different criteria applied for each category of financial assets which are described below.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Limited Partnership’s cash, debenture receivable and advances to companies under common control fall into this category. Individually significant other receivables and advances are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Available - for - sale financial assets

Available - for - sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any other categories of financial assets. The Limited Partnership’s investment in a private company is included in this category. This equity investment is measured at cost less any impairment charges. Impairment charges are recognized in comprehensive income (loss). The Limited Partnership is unable to evaluate the fair value because it does not have access to the relevant information required to do such a valuation.

3. Significant Accounting Policies (Continued)

b) Financial Liabilities

Delma's financial liabilities long-term debt. Financial liabilities are measured subsequently at amortized cost using the effective interest method. All interest-related charges are included within finance costs or finance income.

Investment Property

Investment properties are properties held to earn rentals or for capital appreciation, or both, and are initially accounted at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management and subsequently measured using the fair value model. Investment properties are revalued annually with resulting gains and losses recognized in profit or loss and are included in the statement of financial position at their fair values.

Property and Equipment

All items of property and equipment are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management, and subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation of property and equipment is calculated based on estimated useful lives by using the straight-line method using the annual rates:

Asset	Rate
Equipment	20%
Rolling stock	30%

Useful lives, residual values and depreciation methods are reviewed annually.

Gain or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "Other gains (losses)" in the statement of comprehensive income (loss).

Trademarks and Domain Names

Trademarks and domain names are initially recognized at acquisition cost and subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

Amortization of trademarks and domain names is calculated based on estimated useful lives by using the straight-line method. The estimated useful lives of the trademarks and domain names is estimated at five years.

Useful lives, residual values and amortization methods are reviewed annually.

3. Significant Accounting Policies (Continued)

Trademarks and Domain Names (continued)

Gain or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in “Other gains (losses)” in the statement of comprehensive income (loss).

Provisions

Provisions are recognized to cover probable outflows of resources that can be estimated and that result from present obligations resulting from past events. No liability is recognized when the outflow of resources from a potential obligation resulting from past events is not probable, such situations are disclosed as contingent liabilities unless the outflow of resources is remote. The provisions are measured based on management’s best estimate of the outcome based on facts known at the reporting date. Provisions are discounted to their present values, where the time value of money is material. As at December 31, 2017 and 2016, Delma has no provisions.

Revenue

Revenue arising from the rendering of services is measured at the fair value of the consideration received or to be received, excluding sales taxes. Rental income is recognized on a straight-line basis over the term of the lease.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Operating Segments

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors. Management currently identifies only one operating segment that is the management of properties in Canada, the United States and Greece.

Partners’ Capital

Partners’ Capital represents the value received for the units upon issuance as well as the current and prior period retained profits and losses after distribution to the partners.

Net Income per Unit

Basic and diluted net income per unit is calculated by dividing net income and comprehensive income (loss) by the weighted average number of units (basic and diluted) outstanding during the reporting period.

3. Significant Accounting Policies (Continued)

Income taxes

Delma is not subject to tax under Part I of the Income Tax Act (Canada) (the “Tax Act”). Each partner of Delma is required to include in computing the partner’s income for a particular taxation year the partner’s share of the income or loss of Delma for its fiscal year ending in or on the partner’s taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

4. Principal Uncertainties Arising From The Use Of Estimates And Critical Judgments By Management

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in profit or loss in the period in which they become known.

Items for which actual results may differ materially from these estimates are described in the following section.

Significant management judgement

There is no significant management judgement in the preparation of these consolidated financial statements.

Estimation Uncertainty

Fair Value Measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

Investment properties are stated at their fair values at the consolidated statement of financial position date. Independent appraisal values obtained, as well as those determined by management, are subject to significant estimates and assumptions about market conditions in effect at the consolidated statements of financial position date.

5. Interests in subsidiaries

No distributions were paid to the non-controlling interests during the years 2017 and 2016.

Summarized financial information for Delma Resorts & Hotels L.P., before intercompany eliminations, is set out below:

	2017	2016
	$	$
Current assets	**351,956**	561,560
Non-current assets	**16,750,709**	14,990,200
Total assets	**17,102,665**	15,551,760
Current liabilities	**937,600**	130,000
Non-current liabilities	**–**	293,000
Total liabilities	**937,600**	423,000
Capital attributable to partners	**16,165,065**	15,128,760
Increase in fair value of investment properties	**–**	9,212,100
Net income (loss) and comprehensive income (loss)	**(413,695)**	9,320,708
Cash flows from operating activities	**65,806**	100,355
Cash flows from investing activities	**(1,977,984)**	(843,354)
Cash flows from financing activities	**1,914,600**	694,000
Net increase (decrease) in cash	**2,422**	(48,999)

6. Investment Properties

A reconciliation of the investment properties is as follows:

	2017	2016
	$	$
Balance, beginning of year	**14,910,200**	145,100
Acquisitions	**–**	5,595,000
Dispositions	**–**	(42,000)
Change in fair value	**–**	9,212,100
Balance end of year	**14,910,200**	14,910,200

6. Investment Properties (Continued)

The investment properties are composed of the following:

	2017	2016
	$	$
Investment properties at fair value		
Blueberry Lake Resort, Quebec, Canada (a)	**3,835,100**	3,835,100
Lake Alphonse, Quebec, Canada (a)	**3,075,000**	3,075,000
42 North Resort, New York, USA, US$2,240,000 (a)	**3,000,100**	3,000,100
Investment properties at acquisition cost to be accounted as joint ventures upon formation of joint venture		
Panagopoula Resort, Panagopoula, Greece (b)	**4,500,000**	4,500,000
Domaine Balmoral Development Project, Quebec, Canada (c)	**500,000**	500,000
	14,910,200	14,910,200

(a) In November 2015, the Limited Partnership signed a deed of sale to acquire several assets of the Blueberry Lake Resort, Lake Alphonse and the 42° North Resort for a total consideration $145,100 composed of assumed trade and other payables of $45,100, and of cash payments of $100,000 of which $27,000 was paid in February 2016. The cost was allocated between the properties as follows:

	$
Blueberry Lake Resort	112,100
Lake Alphonse	32,900
42 North Resort	100

In March 2016, the Limited Partnership concluded a private agreement to acquire the remaining assets of the Blueberry Lake Resort and Lake Alphonse, including the clubhouse and other lands as well as the property and equipment of $80,000. The various definitive agreements were concluded in July 2016. The consideration paid for these acquisitions is a term loan of $675,000. The cost was allocated between the properties as follows:

	$
Blueberry Lake Resort	82,000
Lake Alphonse	513,000

These transactions were concluded through a bankruptcy process of the former owner.

6. Investment Properties (Continued)

In December 2017, the Limited Partnership signed purchase agreements to acquire assets on two properties part of the Blueberry Lake Resort project:

- "House 16" located at 925 Chemin des Pioneers, Labelle, Quebec, Canada. The consideration to be paid for this acquisition is a mortgage assumption of $298,536 (as of November 2017) and shares of The Delma Group Inc. The Limited Partnership has until June 30, 2019 to conclude the purchase.

- "House 57" located at 335 Chemin des Labours, Labelle, Québec, Canada. The consideration to be paid for this acquisition is $500,000, payable as a mortgage assumption of $396,000 (as of December 2017) and shares of The Delma Group Inc. The Limited Partnership has until October 10, 2018 to conclude the purchase.

(b) In December 2015, the Limited Partnership signed a joint venture agreement to develop a Resort in Panagopoula, Greece. The Limited Partnership concluded the transaction in December 2016 by issuing 1,260 Class A units in exchange for 30% ownership in the lands and buildings of this property. The transaction was recorded based on the value of the consideration received which was $4,500,000 (€3,145,965). As at December 31, 2017 and 2016, no joint venture was yet created regarding this property.

In December 2017, the Limited Partnership signed a purchase agreement to acquire the remaining 70% ownership in the lands and buildings of the property. The Limited Partnership has until December 2022 to conclude the due diligence and finalize the purchase of the remaining 70%.

(c) In November 2015, the Limited Partnership signed a joint venture agreement to develop certain lands and properties located in the Domaine Balmoral in Quebec, Canada. In 2016, the Limited Partnership invested $500,000 into the development of this project. As at December 31, 2016, no joint venture was created regarding this property and the recorded amount represents the cost incurred by the Limited Partnership.

In December 2017, as part of the Domaine Balmoral project, the Limited Partnership signed a purchase agreement to acquire lands and properties, including the Balmoral Golf Club, for a total consideration of $2,950,000 payable by issuing shares of The Delma Group Inc. As at December 31, 2017, this transaction has not yet closed.

(d) In December 2017, the Limited Partnership signed a purchase agreement to acquire 100% of the shares of Chateau Carling Lake Inc., which includes the hotel, ski hill and Carling lake, for a total consideration of $4,500,000 payable cash. The Limited Partnership has until December 5, 2018 to conclude the purchase.

(e) In December 2017, the Limited Partnership signed a purchase agreement to acquire Club de Golf Mountain Acres, which is a property and land located around the Lake Rougeaud in St-Faustin, Quebec for a total consideration of $6,500,000. The consideration is payable $4,000,000 in cash and the balance in shares of The Delma Group Inc.

6. Investment Properties (Continued)

Valuation Process

Fair value of the Limited Partnership's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuators or internal valuations. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors at each reporting date. The fair value is categorized in Level 2 (Note 12).

The appraisals for each of the investment properties at fair value were carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location and current use. The extent and direction of this adjustment depends on the number of characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this is a subjective judgement, management considers that the overall valuation could not be materially affected by reasonably possible alternative assumptions. As at December 31, 2017, there was no significant change in the fair value of the investment properties.

7. Property and Equipment

	Equipment	Rolling Stock	Total
	$	$	$
Cost			
Balance as at January 1, 2016	–	–	–
Acquired	60,000	20,000	80,000
Balance as at December 31, 2017 and 2016	60,000	20,000	80,000
Accumulated depreciation			
Balance as at January 1, 2016 and 2017	–	–	–
Depreciation	21,000	10,500	31,500
Balance as at December 31, 2017	21,000	10,500	31,500
Net carrying amount as at December 31, 2016	60,000	30,000	80,000
Net carrying amount as at December 31, 2017	39,000	9,500	48,500

8. Trademarks and Domain Names

	$
Cost	
Balance as at January 1, 2016 and 2017	–
Acquired	2,240,010
Balance as at December 31, 2017	2,240,010
Accumulated depreciation	
Balance as at January 1, 2016 and 2017	–
Depreciation	448,001
Balance as at December 31, 2017	448,001
Net carrying amount as at December 31, 2017	1,792,009

The Limited Partnership signed an agreement for the acquisition of trademarks and domain names and paid an amount of $2,240,010. An amount of $1,925,410 was paid during the year ended December 31, 2017 and an amount of $314,600 was paid in 2016 through an advance to a company under common control.

9. Long-Term Debt

	2017	2016
	$	$
Term loan 10%, interest and capital payable at maturity, maturing in June 2018, secured by a hypothec on lands of the Blueberry Lake and Lake Alphonse projects with a carrying amount of $3,957,600 as at December 31, 2017 (a)	**293,000**	293,000
Term Loan, 13%, without repayment terms, secured by a hypothec on the Blueberry Lake Club house having a carrying amount of $1,879,128 as at December 2017	**130,000**	130,000
Balance payable related to the acquisition of the minority interest, payable on demand and at the latest April 18, 2019, without interest (Note 11)	**490,000**	–
	913,000	423,000
Short-term portion	**(913,000)**	(130,000)
	–	293,000

10. Segmental Information

Non-current assets are owned in the following countries:

	2017	2016
	$	$
Canada	**9,250,609**	7,490,100
United States	**3,000,100**	3,000,100
Greece	**4,500,000**	4,500,000

The rental income is 100% in Canada.

11. Partners' Capital

Authorized

The capital of Delma is composed of an unlimited number of units without par value, having voting rights.

Issued

During the year ended December 31, 2016, 1,460 units were issued in consideration of $726,000 in cash.

During the year ended December 31, 2016, 500 units were subscribed to in consideration of $500,000 of advances to companies under common control. The 500 units were issued subsequent to year-end.

During the year ended December 31, 2017, the Limited Partnership issued 13,664 units in consideration of $2,000,000 in cash.

During the year ended December 31, 2017, the Limited partnership issued 50 units for payment of certain expenses amounting to $24,600.

During the year ended December 31, 2017, the Limited Partnership acquired a portion of the minority interest for $600,000. Of this amount $110,000 was paid and the remaining amount of $490,000 is included with long-term debt. In addition, Delma Resorts & Hotels L.P. issued 50 Class A units in exchange for a $50,000 debenture receivable.

Allocation of Net Income or Net Loss

Net income or net loss for each given year shall be allocated among all partners in proportion to their unit holdings.

12. Fair Value of Financial Instruments

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position, as well as financial assets and financial liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3: Unobservable input for the asset or liability.

The net carrying amounts of cash, debenture receivable and advances to companies under common control are considered a reasonable approximation of fair value since all amounts are short-term in nature.

The estimated fair value of the long-term debt was calculated based on the discounted value of future payments using interest rates that the Limited Partnership could have obtained as at the reporting date for similar instruments with similar terms and maturities. The fair value of the long-term debt is equivalent to its carrying amount and is categorized in Level 2.

13. Financial Instruments

The Limited Partnership is exposed to various financial risks through its financial instruments: credit risk, liquidity risk, interest rate risk and other price risk. The following analysis enables users to evaluate the nature and extent of the risks at the end of the reporting period.

Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Limited Partnership. The Limited Partnership's credit risk is due mainly to its debenture receivable and advances to companies under common control which are managed and analyzed regularly to detect any potential loss in value.

In light of the above, the Limited Partnership is of the opinion that the credit risk is not significant.

13. Financial Instruments (Continued)

Liquidity Risk

Liquidity risk is that the Limited Partnership might be unable to meet its obligations. The Limited Partnership manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis below.

The Limited Partnership’s funding is provided in the form of long-term debt and available cash on hand as well as the issuance of units which provide adequate resources to meet its financial obligations as they become due.

The maturity of the Limited Partnership's financial liabilities on an undiscounted basis is $1,021,000 all due within the next twelve months.

Interest Rate Risk

The Limited Partnership is exposed to interest rate risk on its fixed rate long-term debt. Fixed rate long-term debt subjects the Limited Partnership to a fair value risk. Variations in the interest rate would not affect profit or loss significantly.

Other Price Risk

The Limited Partnership is exposed to other price risk in respect of its investment in a private company. The exposure to this risk is not significant.

14. Capital Management Disclosures

The Limited Partnership’s objectives when managing capital are to:

- maintain financial flexibility in order to preserve its ability to meet its financial obligations, including potential liabilities resulting from additional acquisitions;

- maintain a capital structure that allows it to finance its growth strategy with cash flows from its operations and its debt capacity; and

- optimize the use of its capital to provide an appropriate return on investment.

The capital structure of the Limited Partnership consists of the Partner’s Capital and the non-controlling interests.

The Limited Partnership’s financial strategy is developed and adapted on the basis of market conditions to maintain a flexible capital structure consistent with the objectives stated above and to respond to the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Limited Partnership may finance an existing debt, take out new borrowings or repurchase units or issue new units.

14. Capital Management Disclosures (Continued)

The Limited Partnership's financial strategy and objectives have remained substantially unchanged for the past year fiscal year. The objectives and strategy are reviewed annually. The Limited Partnership believes that its current ratios are satisfactory, given its size, capital management objectives and growth strategy.

15. Related Parties

Related parties of the Limited Partnership include the general partner and limited partners as well as companies under common control.

The intercompany balances and the amounts owed to the Limited Partnership are presented separately in the consolidated financial statements.

The Limited Partnership's total management income under a net, net, net, net ,net master lease is paid by affiliated parties. The rental income is $130,000 in 2017 and $120,000 in 2016. The rental income is provided on terms equivalent to those that retail in arm's length transactions.

16. Subsequent Event

On July 20, 2017, the Limited Partnership entered into a share purchase agreement, as amended on November 27, 2017 with Aydon Income Properties Inc ("Aydon") and with Delma Resorts & Hotels GP Inc., Delma Resorts & Hotels L.P. (together with the Limited partnership, the "Delma Group") and with Société en commandite Bromont I and 9216-3583 Québec Inc. (the "Bromont Group"), whereby Aydon agreed to acquire all of the issued and outstanding shares and units of each of the Delma Group and the Bromont Group (the "Transaction") on the following terms:

a) Aydon would issue 490,916,667 class A shares and 625,083,333 class B shares at a price of $33,480,000 for the shares and units related to the Delma Group; and

b) Aydon would issue 616,666,700 class A shares and 200,000,000 class B shares at a price of $24,500,000 for the shares and units related to the Bromont Group.

In accordance with IFRS 3, Business Combinations. the substance of the acquisition of Aydon by the Delma Group will be accounted for as a reverse takeover as the shareholders and unitholders of the Delma Group will hold the majority of the shares of the resulting company. The acquisition of Aydon does not constitute a business combination as Aydon does not meet the definition of a business under that standard. As a result, the acquisition of Aydon by the Delma Group will be accounted for in accordance with IFRS 2 Share-based Payment, with the Delma Group being identified as the acquirer and the equity consideration being measured at fair value.

The acquisition of the Bromont Group will be considered an acquisition of assets and the acquirer will be the Delma Group.

16. Subsequent Event (Continued)

As part of the closing of the Transaction, Aydon will implement a share consolidation on the basis of 1 new class A or class B share for every outstanding class A or B shares. Upon consolidation, the number of class A and class B shares issued and outstanding would be reduced to 5,672,516 class A shares and 4,125,417 class B shares, respectively.

The Transaction closed on March 23, 2018.