The Delma Group Inc.

(formerly Aydon Income Properties Inc.)

Consolidated Financial Statements
December 31, 2018
(Expressed in Canadian dollars)

Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
The Delma Group Inc.

Opinion

We have audited the consolidated financial statements of The Delma Group Inc. (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, the consolidated statements of shareholders' equity and the consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated 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 consolidated 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.

Material uncertainty related to going concern

We draw attention to Note 1 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information other than the consolidated financial statements and the auditor’s report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor’s report thereon, included in Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

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

Raymond Chabot Grant Thornton LLP[1]

Montréal
June 26, 2019

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

The Delma Group Inc. (formerly Aydon Income Properties Inc.)

Consolidated Statements of Financial Position

December 31, 2018 and 2017

(Expressed in Canadian dollars)

	Notes	**2018**	2017
		$	$
ASSETS			
Current			
Cash		**131,159**	3,028
Receivables		**123,569**	
Assets held for sale	6	**4,064,331**	
Debenture receivable, without interest			50,000
Prepaids and refundable deposits		**862,028**	
Advances to companies under common control, without interest		**788,240**	798,928
Other advances receivable, without interest		**280,762**	
		6,250,089	851,956
Non-current			
Investment properties	7	**88,541,212**	14,910,200
Land held for residential development		**12,190,522**	
Investment in a private company		**250,000**	250,000
Property and equipment		**81,154**	48,500
Trademarks and domain names	8	**1,342,509**	1,792,009
Total assets		**108,655,486**	17,852,665
LIABILITIES			
Current			
Bank loan	9	**3,895,000**	
Trade and other payables	10	**9,992,640**	
Other current liabilities	11	**28,664,393**	
Current portion of long-term debt	12	**20,544,063**	913,000
		63,096,096	913,000
Non-current			
Long-term debt	12	**6,991,047**	
Deferred income taxes liabilities		**375,000**	
Total liabilities		**70,462,143**	913,000
SHAREHOLDERS' EQUITY			
Share capital (Partners' capital in 2017)	15	**57,309,522**	14,298,608
Deficit		**(19,116,179)**	
		38,193,343	14,298,608
Non-controlling interests			2,641,057
Total shareholders' equity		**38,193,343**	16,939,665
Total liabilities and shareholders' equity		**108,655,486**	17,852,665

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

The Delma Group Inc. (formerly Aydon Income Properties Inc.)

Consolidated Statements of Comprehensive Loss

Year ended December 31, 2018 and 2017

(Expressed in Canadian dollars except for number of shares)

	Notes	2018	2017
		$	$
Rental Income		**1,515,096**	130,000
Operating expenses	17	**788,906**	
		726,190	130,000
Administrative expenses	17	**3,641,121**	64,194
Decrease in fair value of investment properties		**12,395,200**	
Financing costs	17	**1,477,053**	
Amortization of trademarks and domain names		**450,000**	448,001
Depreciation of property and equipment		**49,477**	31,500
Listing fees		**1,454,518**	
		19,467,369	543,695
Loss before income taxes		**(18,741,179)**	(413,695)
Income taxes	14	**375,000**	
Net loss and comprehensive loss		**(19,116,179)**	(413,695)
Basic and diluted net loss per share		**(1.78)**	(0.10)
Weighted average number of shares		**10,711,346**	4,263,606
Net loss attributable to:			
Shareholders of The Delma Group Inc.		**(19,116,179)**	
Partners of Delma Properties Canada LP in 2017			(383,082)
Non-controlling interests			(30,613)
		(19,116,179)	(413,695)

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

The Delma Group Inc. (formerly Aydon Income Properties Inc.)

Consolidated Statements of Shareholder's Equity

Year ended December 31, 2018 and 2017

(Expressed in Canadian dollars except for number of shares)

	Notes	Share Capital Number of shares	Share Capital (Partners' Capital in 2017) $	Deficit $	Non-controlling interests $	Total Equity $
Balance on January 1, 2017		127,824	12,657,090		3,221,670	15,878,760
Units issued			2,000,000			2,000,000
Shares issued		6,775				
Units issued for payment of expenses			24,600			24,600
Transactions with non-controlling interests					(550,000)	(550,000)
Transactions with partners		6,775	2,024,600		(550,000)	1,474,600
Net loss and comprehensive loss for the year			(383,082)		(30,613)	(413,695)
Balance on December 31, 2017		134,599	14,298,608		2,641,057	16,939,665
Balance on January 1, 2018		134,599	14,298,608	–	2,641,057	16,939,665
Reverse takeover	5.1	5,474,318	452,038			452,038
Purchase of Non-controlling interests	5.1	232,851	2,641,057		(2,641,057)	
Acquisition of the Bromont Group	5.2	4,083,334	23,990,424			23,990,424
Lupa Acquisition	5.3	633,890	2,206,666			2,206,666
GHP Acquisition	5.4	2,468,698	11,898,923			11,898,923
Lupa II Acquisition	5.5	266,299	1,569,788			1,569,788
Debt settlement	15	8,334	50,004			50,004
Consulting services paid in shares	15	33,669	202,014			202,014
Transactions with owners		13,201,393	43,010,914		(2,641,057)	40,369,857
Net loss and comprehensive loss for the year				(19,116,179)		(19,116,179)
Balance on December 31, 2018		13,335,992	57,309,522	(19,116,179)		38,193,343

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

The Delma Group Inc. (formerly Aydon Income Properties Inc.)

Consolidated Statements of Cash Flows

Year ended December 31, 2018 and 2017

(Expressed in Canadian dollars)

	Notes	2018	2017
		$	$
OPERATING ACTIVITIES			
Net loss		**(19,116,179)**	(413,695)
Adjustments for			
Consulting services paid in shares		**202,014**	
Non-cash interest expense		**152,859**	
Listing fees	5.1	**1,439,587**	
Decrease in fair value of investment properties		**12,395,200**	
Depreciation of property and equipment		**49,477**	31,500
Amortization of trademarks and domain names		**450,000**	448,001
Deferred income taxes		**375,000**	
Units issued for payment of expenses			24,600
Impairment of debenture receivable		**50,000**	
		(4,002,042)	90,406
Change in working capital items	18	**3,672,634**	
Cash flows from operating activities		**(329,408)**	90,406
INVESTING ACTIVITIES			
Advances to companies under common control			(52,574)
Other advances receivable		**(250,762)**	
Cash acquired through reverse takeover and acquisition	5	**(120,069)**	
Investment properties		**(6,302,268)**	
Land held for residential development		**(17,020)**	
Trademarks and domain names		**(500)**	(1,925,410)
Cash flows from investing activities		**(6,690,619)**	(1,977,984)
FINANCING ACTIVITIES			
Bank loan		**90,000**	
Other current liabilities		**1,533,172**	
Repayment of other current liabilities		**(570,605)**	
Advance payable to Lupa Investment		**1,102,338**	
Long-term debt		**5,077,500**	
Repayment of long-term debt		**(84,247)**	(110,000)
Units issued			2,000,000
Cash flows from financing activities		**7,148,158**	1,890,000
Net change in cash		**128,131**	2,422
Cash, beginning of year		**3,028**	606
Cash, end of year		**131,159**	3,028

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

1. NATURE OF OPERATIONS, STATEMENT OF COMPLIANCE AND GOING CONCERN

Nature of operations

The Delma Group Inc. (formerly Aydon Income Properties Inc.) together with its subsidiaries (together referred to as "Delma" or the "Company") operates in the development, acquisition and management of multi-purpose real estate, including office space, retail space, residential and industrial buildings as well as land for future development.

Genesis Income Properties Inc. ("Genesis") was incorporated on April 7, 2014 under the laws of the province of British Columbia. Aydon Income Properties Inc. ("Aydon") was formed by amalgamation of Genesis and Forbairt Development Acquisition Corp. under a Plan of Arrangement approved by the Supreme Court of British Columbia on August 27, 2014.

On July 20, 2017, Aydon entered into a share purchase agreement, as amended on November 27, 2017, with Delma Resorts & Hotels GP Inc., Delma Properties Canada L.P., Delma Resorts & Hotels L.P. (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"). The Transaction closed on March 23, 2018.

Following the closing of the Transaction, Aydon changed its name to The Delma Group Inc. and is trading on the Canadian Securities Exchange ("CSE") under the symbol DLMA.

The principal address and records office of the Company is located at 160-640 Orly Avenue, Dorval, Qc, H9P 1E9.

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies applied in these consolidated financial statements are based on IFRS issued and in effect as at year end.

The consolidated financial statements were approved and authorized by the directors of the Company on June 26, 2019.

Going concern

These consolidated financial statements have been prepared on the assumption that the Company is a going concern, meaning it will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

1. NATURE OF OPERATIONS, STATEMENT OF COMPLIANCE AND GOING CONCERN (Continued)

Going concern (Continued)

As at December 31, 2018, the Company has not yet generated positive cash flows from its operations and has a negative working capital of $56,846,007. The Company's ability to continue as a going concern is dependent upon its ability to raise sufficient equity financings, refinance its long-term debt and other current liabilities, issue new debt or secure related party advances to complete the identification, acquisition and development of suitable properties in accordance with its business plan and ultimately achieve profitable operations. These factors indicate the existence of material uncertainties that may cast a significant doubt regarding the Company’s ability to continue as a going concern.

Subsequent to year-end, the Company entered into active negotiations to obtain financings to be used for short-term and long-term needs. Such negotiations were ongoing at the time these consolidated financial statements were approved.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company's going concern assumption not be appropriate. While management has been successful in obtaining sufficient funding for its operating and capital requirements in the past, there is no assurance that additional funding will be available to the Company, when required, or on terms which are acceptable to management including any financing currently being negotiated.

2. CHANGES IN ACCOUNTING POLICIES

New standards adopted January 1, 2018

IFRS 9 - Financial instruments

On January 1, 2018, the Company initially applied retrospectively with restatement the requirements of IFRS 9 "Financial Instruments", which introduces new requirements for the classification and measurement of financial assets. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

(Expressed in Canadian dollars)

2. CHANGES IN ACCOUNTING POLICIES (Continued)

New standards adopted January 1, 2018 (Continued)

IFRS 9 - Financial instruments (Continued)

On the date of initial application, January 1, 2018, there have been no changes to the measurement of financial assets of the Company and they were reclassified as follows:

Financial asset	IAS 39 Category	IFRS 9 Category
Cash	Loans and receivable	Amortized cost
Debenture receivable	Loans and receivable	Amortized cost
Advances to companies under common control	Loans and receivable	Amortized cost
Investment in a private company	Available for sale	Fair value through profit or loss

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to IFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "IFRS 15") replace IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. The new Standard has been applied retrospectively without restatement. The Company determined that the adoption of IFRS 15 did not have a material impact on its consolidated financial statements.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these consolidated financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 16 Leases

IFRS 16 will replace IAS 17 "Leases" and three related Interpretations. It completes the IASB’s long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months. IFRS 16 is effective from periods beginning on or after January 1, 2019. IFRS 16 has not made any significant changes to the accounting for the lessors. The Company is currently assessing the application of this new standard and the impact on the consolidated 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. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

The Company's consolidated financial statements consolidate those of the parent company and all of its subsidiaries as of December 31, 2018. All subsidiaries have a reporting date of December 31 and are wholly owned. 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 the Company.

Profit or loss and other comprehensive income 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.

The significant subsidiaries are Delma Real Estate Corporation, Delma Hospitality Corporation, Société en Commandite Bromont I, Corporation Immobilière GHP Inc., Société en Commandite Lévis, Immobilier Emergia Inc., Lupa Investment Inc. and 9203-5849 Québec Inc.

Business combinations

The Company applies the acquisition method in accounting for business combinations. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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 the Company's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Joint Ventures (Continued)

Unrealized gains and losses on transactions between the Company and its joint ventures are eliminated to the extent of the Company'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 and balances

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and of its subsidiaries.

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

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

Segment reporting

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

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all years presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. Diluted loss per share did not include the effect of stock options and share purchase warrants, as the effect would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset 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.

Subsequent measurement of financial assets and financial liabilities is described below:

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories, if any:

- amortized cost;
- fair value through profit or loss (FVTPL);
- fair value through other comprehensive income (FVOCI).

In the years presented the Company does not have any financial assets categorized as FVOCI.

The classification is determined by both:

- the Company’s business model for managing the financial asset;
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within operating expenses.

Subsequent measurement of financial assets

<u>Financial assets at amortized cost</u>

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Subsequent measurement of financial assets (Continued)

Financial assets at amortized cost (Continued)

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, most receivables, debenture receivable, advances to companies under common control and other advances receivable fall into this category.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than ''hold to collect'' or ''hold to collect and sell'' are categorized at fair value through profit and loss. Further, irrespective of the business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The category also contains an equity investment. The Company accounts for the investment in a private company at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined using a valuation technique where no active market exists. The Company's investment in a private company falls into this category.

All interest-related charges are recognized in profit or loss.

Impairment of financial assets

For recognition of credit losses the Company considers a range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Stage 1: financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk;
- Stage 2: financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low;
- Stage 3: covers financial assets that have objective evidence of impairment at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

"12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Company's financial liabilities include bank loan, trade and other payables, other current liabilities and long-term debt.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective rate method.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital or units at the option of the holder, and for which the number of shares to be issued does not vary with changes in their fair value. The fair value of the debt component is estimated by discounting the future cash flows using an appropriate discount rate. The difference between the proceeds and the fair value of the debt component is allocated to the equity component. When debt is convertible into units that are convertible into common shares and share purchase warrants, the equity portion is allocated to the embedded warrant feature based on its calculated fair value and the residual amount is allocated to the embedded conversion feature.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Upon conversion of the convertible debenture, the equity component is transferred to share capital. If the conversion option expires, the equity component is transferred to contributed surplus.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rental income 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 consolidated statement of financial position at their fair values.

Land held for residential development

Land held for residential development is accounted at acquisition cost and is valued at the lower of cost or net realizable value. Cost includes the costs related to the development of land as well as borrowing costs.

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 are estimated at five years.

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

Gains or losses arising on the disposal of trademark and domain names are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in consolidated profit or loss within other income or administrative expenses.

Impairment of trademarks and domain names

The carrying amount of an item of trademarks and domain names is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Trademarks and domain names are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Impairment reviews are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of trademarks and domain names (Continued)

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statement of comprehensive income. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of the recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

Revenue

Revenue consists of rental income from investment properties. 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 year in which they are incurred and reported in finance costs.

Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the balance sheet liability method.

Deferred tax liabilities are generally recognized in full. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets and liabilities classified as held for sale

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Company's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Shared-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock-based compensation reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Share capital

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. Share capital also include the partners' capital of the limited partnerships prior to the reverse takeover transaction.

Deficit

Deficit includes all current and prior year retained losses.

Partner's 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.

Provisions and contingent liabilities

Provisions are recognized when the Company has a present legal obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities (Continued)

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote. As at December 31, 2018 and 2017, the Company has no provisions.

4. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATING UNCERTAINTY

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgements

The following are the judgements made by management in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

Going Concern

The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized.

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

4. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATING UNCERTAINTY (Continued)

Estimation uncertainty (Continued)

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 statement of financial position date.

Impairment of trademarks and domain names

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in many cases. When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

5. REVERSE TAKEOVER AND ACQUISITIONS

On July 20, 2017, the Company entered into a share purchase agreement, as amended on November 27, 2017 with the Delma Group and with the Bromont Group, whereby the Company agreed to acquire all of the issued and outstanding shares and units of each of the Delma Group and the Bromont Group. The Transaction closed on March 23, 2018.

In accordance with IFRS 3, Business Combinations, the substance of the acquisition of the Delma Group by the Company is a reverse takeover as the shareholders and unitholders of the Delma Group hold the majority of the shares of the Company. The acquisition of the Company does not constitute a business combination as the Company does not meet the definition of a business under that standard. As a result, the acquisition is accounted for in accordance with IFRS 2 Share-based Payment, with the Delma Group being identified as the acquirer of Aydon and of the non-controlling interest within Delma Group and the equity consideration being measured at fair value. Accordingly, the resulting balances and transactions prior to March 23, 2018 are those of the Delma Group. The Delma Group is also considered the acquirer of the Bromont Group (note 5.2).

Prior to closing the Transaction, the Company modified its share capital (note 15).

(Expressed in Canadian dollars)

5. REVERSE TAKEOVER AND ACQUISITIONS (Continued)

On April 1, 2018, The Company entered into a share purchase agreement with Lupa Investments Inc. ("Lupa Investments"), whereby the Company agreed to acquire all of the issued and outstanding shares of Lupa Investments (the "Lupa Acquisition"). The Acquisition closed on May 7, 2018 (note 5.3).

On July 12, 2018, The Company acquired all of the issued and outstanding shares of four subsidiaries of Gestion H. Petit Inc. ("GHP"), a company controlled by a director (the "GHP Acquisition") (note 5.4).

On July 26, 2018, The Company acquired all of the issued and outstanding shares of two subsidiaries of Lupa Real Estate Corporation Inc. ("Lupa II") (the "Lupa II Acquisition") (note 5.5)

The acquisitions of the Bromont Group, of Lupa Investments, of GHP and of Lupa II are considered acquisitions of assets as they do not meet the definition of a business under IFRS 3. As a result, the acquisitions are accounted for in accordance with IFRS 2 Share-based Payment. Results of operations of the acquired entities are included in the consolidated statements of comprehensive loss since the date of acquisition.

5.1 Reverse takeover

Upon closing of the reverse takeover, the Company issued 2,196,278 class "A" common shares and 3,510,891 class B common shares for the shares and units related to the Delma Group.

The Company’s shareholders that held shares before the Transaction will receive $800,000 in value (the “Additional Value”) if and when the Company is able to generate $400,000 in net income from its student housing projects. The additional income shall be recognized at the latest in the Company’s consolidated financial statements as at December 31, 2019. The additional value will be paid by the issuance of shares. No value has been accounted for the Additional Value.

The fair value of the consideration for the net assets acquired is as follows:

	$
134,599 share issued and outstanding of Aydon	452,038

The fair value of the Aydon's issued and outstanding shares has been determined based on the number of units Delma Group would have issued to acquire Aydon. The fair value of the units is based on the fair value of the net assets of Delma Properties L.P. as at December 31, 2017. The fair value of the conversion options of the convertible debentures is not significant.

(Expressed in Canadian dollars)

5. REVERSE TAKEOVER AND ACQUISITIONS (Continued)

5.1 Reverse takeover (Continued)

The estimated fair value of the net liabilities assumed is:

	$
Cash	4,575
Receivables	2,096
Assets held for sale	49,331
Prepaid and refundable deposits	94,671
Trade and other payables	(424,979)
Other current liabilities	(195,647)
Convertible debentures	(517,596)
Net liabilities assumed	(987,549)
Listing costs expensed	1,439,587
	452,038

In connection with the reverse takeover, Delma Group changed its tax status. As a result, the deferred tax liability consequence of the change in tax status in the amount of $375,000 was recorded in earnings.

Prior to the reverse acquisition, taxable income or loss of Delma Group and its subsidiaries was included in the tax return of its partners. Prior to March 23, 2018, Delma Group was treated as a partnership for income tax purposes and, as such, its partners were taxed separately on their share of Delma Group's income whether or not that income was actually distributed. Therefore, no income tax information is provided for the year ended December 31, 2017.

5.2 Acquisition of the Bromont Group

Upon closing of the Transaction, the Company issued 3,083,334 class "A" common shares and 1,000,000 class B common shares for the shares and units related to the Bromont Group.

The fair value of the consideration for the net assets acquired by Delma was estimated at $23,990,424. The fair value was based on the estimated fair value of the net assets of Bromont.

The estimated fair value of the net assets acquired by the Company is:

	$
Cash	13,038
Receivables	88
Prepaids and refundable deposits	28,365
Investment properties	32,043,474
Land held for residential development	11,215,048
Trade and other payables	(766,589)
Other current liabilities	(18,543,000)
	23,990,424

(Expressed in Canadian dollars)

5. REVERSE TAKEOVER AND ACQUISITIONS (Continued)

5.3 Acquisition of Lupa Investments

Upon closing of the Lupa Acquisition, Delma Real Estate Corporation ("DREC"), a wholly-owned subsidiary of the Company, issued 3,803,339 Class "A" preferred shares to the shareholders of Lupa Investments. Immediately after the acquisition, the Company purchased from the Lupa Investments shareholders the DREC shares in exchange for 633,890 Class "A" common shares of the Company.

The fair value of the consideration for the net assets acquired by the Company was estimated at $2,206,666. The fair value was based on the estimated fair value of the net assets acquired.

The fair value of the consideration for the net assets acquired is as follows:

	$
633,890 Class "A" common shares issued	2,206,666

The estimated fair value of the net assets acquired by the Company is:

	$
Cash	59,999
Receivables	227,073
Prepaids and refundable deposits	137,835
Advance receivable from a subsidiary of The Delma Group Inc.	1,102,338
Other advances receivable	5,000
Investment properties	6,065,000
Trade and other payables	(195,332)
Other current liabilities	(1,637,050)
Long term debt	(3,558,197)
	2,206,666

5.4 GHP Acquisition

Upon closing of the GHP Acquisition, the Company issued 2,468,698 Class "A" common shares and $849,791 of other current liabilities held by the sellers was assumed by the Company.

The fair value of the consideration for the net assets acquired by the Company was estimated at $12,748,714. The fair value was based on the estimated fair value of the net assets acquired.

The fair value of the consideration for the net assets acquired is as follows:

	$
2,468,698 Class "A" common shares issued	11,898,923
Other current liabilities assumed	849,791
	12,748,714

(Expressed in Canadian dollars)

5. *REVERSE TAKEOVER AND ACQUISITIONS (Continued)*

5.4 GHP Acquisition (Continued)

The estimated fair value of the net assets acquired by the Company is:

	$
Cash	(149,196)
Receivables	132,096
Prepaids and refundable deposits	161,907
Investment properties and development projects	33,017,363
Property and equipment	82,131
Redeemable shares of DREC	4,885,000
Bank loan	(3,805,000)
Trade and other payables	(2,477,177)
Other current liabilities	(6,653,148)
Long term debt	(12,445,262)
	12,748,714

5.5 Lupa II Acquisition

Upon closing of the Lupa II Acquisition, the Company issued 266,299 Class "A" common shares.

The fair value of the consideration for the net assets acquired by the Company was estimated at $1,569,788. The fair value was based on the estimated fair value of the net assets acquired.

The fair value of the consideration for the net assets acquired is as follows:

	$
266,299 Class "A" common shares issued	1,569,788

The estimated fair value of the net assets acquired by the Company is:

	$
Cash	(48,485)
Receivables	8,955
Prepaids and refundable deposits	71,965
Other advances receivable	30,000
Investment properties	6,595,000
Trade and other payables	(254,509)
Other current liabilities	(677,982)
Long term debt	(4,155,156)
	1,569,788

(Expressed in Canadian dollars)

6. *ASSETS HELD FOR SALE*

Assets held for sale are composed of the following:

	2018	2017
	$	$
Blueberry Lake Resort, Quebec, Canada	**1,287,000**	
42 North Resort, New York, USA	**600,000**	
Lake Alphonse, La Minerve, Quebec, Canada (note 7c)	**128,000**	
Panagopoula Resort, Panagopoula, Greece (note 7b)	**1,500,000**	
Domaine Balmoral Development Project, Quebec, Canada	**500,000**	
Other	**49,331**	
	4,064,331	

At the end of 2018, management decided to sell the above assets to focus on other investment properties. Consequently these assets were classified as held for sale.

7. *INVESTMENT PROPERTIES*

A reconciliation of the investment properties is as follows:

	2018	2017
	$	$
Balance, beginning of period	**14,910,200**	14,910,200
Acquisition of the Bromont Group (Note 5.2)	**32,043,474**	
Lupa Acquisition (Note 5.3)	**6,065,000**	
GHP Acquisition (Note 5.4)	**33,017,363**	
Lupa II Acquisition (Note 5.5)	**6,595,000**	
Other acquisitions	**10,537,528**	
Decrease in fair value of investment properties	**(12,395,200)**	
Borrowing costs	**1,215,257**	
Development costs	**567,590**	
Reclassified as assets held for sale (a)	**(4,015,000)**	
Balance, end of period	**88,541,212**	14,910,200

The investment properties are composed of the following:

	2018	2017
	$	$
Investment properties at fair value		
Blueberry Lake Resort, Labelle, Quebec, Canada (a)		3,835,100
Lake Alphonse, La Minerve, Quebec, Canada (a)		3,075,000
42 North Resort, New York, USA, US (a)		3,000,100
Lands in Bromont, Bromont, Quebec, Canada (c)	**32,693,789**	
9700 St-Laurent Blvd, Montreal, Quebec, Canada (c)	**1,400,000**	
475-489 Le Breton and 505-531 Le Breton, Longueuil, QC, Canada (c)	**2,864,999**	

(Expressed in Canadian dollars)

7. INVESTMENT PROPERTIES (Continued)

	2018	2017
	$	$
Investment properties at fair value (continued)		
1221-1225 St-Jean-Baptiste Blvd., Montreal, Quebec, Canada (c)	**1,800,000**	
185 Dorval Avenue, Montreal, Quebec, Canada (c) (d)	**10,538,649**	
9920-9924 St-Laurent, Montreal, Quebec, Canada (c)	**767,668**	
610-640 Orly, Montreal, Quebec, Canada (c)	**5,260,000**	
1124 Place Verner, Laval, Quebec, Canada (c)	**600,000**	
860 Cite-des-Jeunes, St-Lazare, Quebec, Canada (c)	**1,167,491**	
2001 Chemin Oka, Deux-Montagnes, Quebec, Canada	**902,874**	
Land in Levis, Levis, Quebec, Canada (c)	**10,264,624**	
472-474 Knowlton, Lac Brome, Quebec, Canada	**2,898,577**	
117 Lépine, Gatineau, Quebec, Canada	**7,079,528**	
121 Lépine, Gatineau, Quebec, Canada (c)	**4,570,000**	
2055 Desjardins Av., Montreal, Quebec, Canada	**4,098,879**	
Land in Blainville, Blainville, Quebec, Canada (c)	**1,634,134**	
Investment properties at acquisition cost to be accounted as joint ventures upon formation of joint venture		
Panagopoula Resort, Panagopoula, Greece (a) (b)		4,500,000
Domaine Balmoral Development Project, Quebec, Canada (a) (c)		500,000
	88,541,212	14,910,200

(a) During the year, the Company changed its intent of usage of these investment properties and decided to dispose of them. Accordingly, the investment properties have been reclassified as assets held for sale (note 6).

(b) In December 2017, the Company signed a purchase agreement to acquire the remaining 70% ownership in the lands and buildings of the property. The Company has until December 2020 to conclude the due diligence and finalize the purchase of the remaining 70%.

(c) The fair value of these investment properties was estimated by independent valuators.

(d) During the year, DREC purchased from a company controlled by a director an accepted purchase offer for 185 Dorval Avenue in exchange for 4,885,000 redeemable preferred shares of DREC. A fair value of $4,885,000 was estimated for the purchase offer and for the redeemable shares. The Company recorded the acquisition as an increase in Investment properties and an increase of liabilities of $4,885,000. This liability was subsequently eliminated when the company controlled by a director was acquired (note 5.3)

(Expressed in Canadian dollars)

7. INVESTMENT PROPERTIES (Continued)

Minimum lease payments receivable

The lease contracts are all non-cancellable for 1 to 10 years from the commencement of the lease. Future minimum lease rentals are as follows :

	Minimum lease payment due			
	Within 1 year	**1 to 5 years**	**after 5 years**	**Total**
	$	**$**	**$**	**$**
December 31, 2018	2,763,578	7,494,874	4,017,113	14,275,565
December 31, 2017	-		-	-

Valuation Process

Fair value of the Company's investment properties 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 19). The appraisals for each of the investment properties at fair value were carried out using a market approach or an income approach, depending on the intended use of the property. The market approach 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. The income approach is based on the estimated net income derived from the property. Although this is a subjective judgment, 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. As at December 31, 2018 significant changes in the fair value of the investment properties was due to a lack of maintenance or advancement in the development of the properties during the year.

8. TRADEMARKS AND DOMAIN NAMES

	2018	2017
Cost	**$**	**$**
Balance as at January 1	2,240,010	2,240,010
Additions	500	
Balance as at December 31	2,240,510	2,240,010
Accumulated depreciation		
Balance as at January 1	448,001	
Amortization	450,000	448,001
Balance as at December 31	898,001	448,001
Net carrying amount	1,342,509	1,792,009

(Expressed in Canadian dollars)

9. BANK LOAN

The bank loan, for an authorized amount of $4,000,000, bears interest at prime rate plus 0.60% (4.55%; 3.80% as at December 31, 2017).

The bank loan is secured by a guarantee from a director and two third parties of $4,000,000 each. The Company paid an amount of $80,000 in exchange for such guarantee.

10. TRADE AND OTHER PAYABLES

	2018	2017
	$	$
Trade payables and accrued liabilities	**6,634,691**	
Interest payable on other current liabilities and long-term debt	**3,098,751**	
Other	**259,198**	
	9,992,640	

11. OTHER CURRENT LIABILITIES

	2018	2017
	$	$
Loan payable, 12% (note 25)	**411,011**	
Loan payable, 22% (note 25)	**145,724**	
Liabilities of assets held for sale, 8%	**28,600**	
Advances, without interest, 9% starting January, 2019	**7,138,975**	
Loan, 15%, secured by Lands in Bromont and Land held for residential development	**11,000,000**	
Advances from a company controlled by a director, without interest, secured by a define relationship	**980,164**	
Loans from a company controlled by a director, 12%-15%, secured by a define relationship	**408,000**	
Loan, 11.55%, secured by Land in Blainville and a guarantee from a director	**743,386**	
Loans, 12%, secured by Land in Levis	**250,000**	
Loans, 8% and 10%, secured by 2001 chemin Oka	**725,000**	
Loan, 13.8%, secured by 121 Lepine	**500,000**	
Loan, 12%, secured by a third party	**400,000**	
Loan, 25%	**200,000**	
Bank loan, 5.67%, $3,976 monthly, maturing in November 2019 (a)	**567,909**	
Loan, 11%, secured by 117 Lepine and a guarantee from a director	**3,800,000**	
Loan, 12%, payable in April 2019 (b)	**1,300,000**	
Other	**65,624**	
	28,664,393	–

The Delma Group Inc. (formerly Aydon Income Properties Inc.)
Notes to the Consolidated Financial Statements
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11. OTHER CURRENT LIABILITIES (Continued)

Except if noted, all loans, advances and bank loans are payable on demand.

(a) The bank loan is secured by 9920-9924 St-Laurent and a guarantee from a third party

(b) The loans are secured by 9700 St-Laurent Blvd, 475-489 Le Breton, 505-531 Le Breton, 1221-1225 St-Jean-Baptiste Blvd. and a guarantee from a company controlled by a director.

12. LONG-TERM DEBT

	2018	2017
	$	$
Convertible debentures and $134,457 interest payable, 8% to 10%, effective rate 15%, secured by all present and future residential property of the Company, expired in December 2018 (note 25)	**670,457**	
Term loan, 10%, matured, payable on demand and secured by Blueberry Lake Resort	**293,000**	293,000
Term loan, 13%, matured, payable on demand and secured by Blueberry Lake Club House, which is a part of Blueberry Lake Resort, with a carrying amount of nil.	**130,000**	130,000
Term loan, 8% and 9%, monthly late fees of $15,000, matured and payable on demand, secured by a guarantee from a director	**3,249,791**	
Term loan, 5%, secured by 860 Cité des jeunes, matured and payable on demand	**400,000**	
Term loan, 8%, payable in January 2019, secured by 860 Cité des jeunes	**350,000**	
Term loan, 12%, secured by Land in Levis, matured and payable on demand	**3,500,000**	
Term loans, 4.54% and 12.5%, secured by 600-650 Orly Avenue and a guarantee from a third party, matured and payable on demand	**3,837,784**	
Loan, without interest, maturing in April 2019, $100,000 increase in capital if unpaid at maturity, secured by land on the Blueberry Lake Resort	**490,000**	490,000
Loan, prime rate plus 1% (4.95%), payable on demand, secured by 185 Dorval. Under the credit agreement the Company must respect financial covenants which are not respected as at December 31, 2018.	**4,777,500**	
Term loan, 3.85%, capital and interest payable in monthly payments of $17,094, maturing in November 2022, secured by a hypothec on 121 Lépine avenue and a guarantee from a director	**3,212,728**	

The Delma Group Inc. (formerly Aydon Income Properties Inc.)

Notes to the Consolidated Financial Statements

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12. LONG-TERM DEBT (Continued)

	2018	2017
	$	$
Term loan, prime rate plus 1.1% (4.18%), capital and interest payable in monthly payments of $12,138, maturing in October 2023, secured by a hypothec on 2055 Desjardins avenue and a guarantee from a director	**2,492,962**	
Term loan, 3.02%, capital and interest payable in monthly payments of $5,928, maturing in September 2021, secured by a hypothec on 1221-1225 St-Jean-Baptiste and a guarantee from a third party	**1,171,829**	
Term loan, 46.9%, capital and interest payable weekly payments of $6,132, maturing October 2020, secured by a guarantee from a director	**387,606**	
Bank loan, 3.42%, capital and interest payable in monthly payments of $9,406, secured by a hypothec on 475-489 Le Breton and 505-531 Le Breton and a guarantee from two third parties, matured and payable on demand	**1,743,183**	
Term loan, 3.34%, secured by 1124 Place Verner, matured and payable on demand	**275,078**	
Term loan, 4.98%, capital and interest payable in monthly payments of $5,247, secured by a hypothec on 9700 St-Laurent Blvd, matured and payable on demand	**553,192**	
	27,535,110	913,000
Current portion	**20,544,063**	913,000
	6,991,047	–

(Expressed in Canadian dollars)

13. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

A changes in the Company's liabilities arising from financing activities can be classified as follows:

	2018			2017
			$	$
	Short-term borrowings	**Long-term borrowings**	**Total**	
Balance, beginning of year		**913,000**	**913,000**	423,000
Cash				
Repayment	**(570,605)**	**(84,247)**	**(654,852)**	(110,000)
New borrowings	**1,623,172**	**5,077,500**	**6,700,672**	
Non-Cash				
Reverse takeover and acquisitions	**31,506,826**	**21,526,002**	**53,032,828**	
Acquisition of a minority interest				600,000
Repayment of long term debt in class "A" shares		**(50,004)**	**(50,004)**	
Non-cash interest expense		**152,859**	**152,859**	
Balance, ending of year	**32,559,393**	**27,535,110**	**60,094,503**	913,000

14. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2018	2017
	$	$
Net loss	**(18,741,179)**	
Statutory tax rate	**26.7%**	
Expected income tax recovery at the statutory tax rate	**(5,003,895)**	
Change in fair value of investment properties	**3,169,064**	
Temporary differences not recognized	**1,610,747**	
Listing Fees	**384,370**	
Change in tax status	**375,000**	
Other	**(160,286)**	
Actual income tax expense	**375,000**	
The tax expense comprises :		
Deferred tax expense	**(5,162,099)**	
Change in tax status	**375,000**	
Change in fair value of investment properties	**3,169,064**	
Tax rate variation	**(2,082)**	
Listing Fees	**384,370**	
Temporary differences not recognized	**1,610,747**	
Actual income tax expense	**375,000**	

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14. INCOME TAXES (Continued)

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized :

	2018	2017
	$	$
Non-capital loss carry-forwards	**14,579,399**	
Accrued expenses	**700,000**	
Investment properties	**(11,823,640)**	
Share issue costs	**224,922**	
	3,680,681	

The ability to realize tax benefits is dependant upon a number of factors. Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. At December 31, 2018, deferred tax assets totalling $975,000 have not been recognized.

The tax pools relating to these deductible differences expire as follows:

	2018	2017
	$	$
2038	**12,188,577**	
2037	**1,115,327**	
2036	**584,473**	
2035	**285,467**	
2034	**132,131**	
2033	**265,089**	
2032	**5,944**	
2031	**300**	
2030	**300**	
2029	**621**	
2028	**1,169**	
	14,579,398	

Deferred taxes arising from temporary differences and unused tax losses are summarized as follows:

	January 1, 2018	**Recognized in profit or loss**	**Acquired through acquisitions**	**December 31, 2018**
Deferred tax liabilities				
Investment properties		**(2,037,366)**	**(1,095,899)**	**(3,133,265)**
Deferred tax assets				
Tax losses		**2,037,366**	**1,095,899**	**3,133,265**

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15. SHARE CAPITAL

During the year, the Company modified its authorized share capital as follows :

Unlimited number of shares

Class “A” common shares, conferring 1 vote per share

Class “B” common shares, conferring 100 votes per share, automatically converted into Class "A" Common shares on January 19, 2023 on a basis of 1 Class "A" common share for 1 Class "B" Common share.

As part of the modification, all outstanding common shares were converted into Class "A" common shares.

After the closing of the Transaction (Note 5), the Company implemented a share consolidation on the basis of 1 new class "A" or class "B" common share for every 200 outstanding class "A" or "B" common shares. All references to common shares, Class "A" common shares, Class "B" common shares, warrants, options, conversion prices in these consolidated financial statements have been adjusted to reflect the consolidation.

The variations in common shares for the year are as follows:

	Year ended December 31,			
	2018		2017	
	Number	$	Number	$
Balance, beginning of year	134,599	14,298,608	127,824	12,657,090
Conversion into class "A" common shares	(134,599)	(14,298,608)		
Units issued				2,000,000
Units issued for payment of expenses				24,600
Issuance of shares of the Company			6,775	
Net income and comprehensive loss				(383,082)
Balance, end of year	–	–	134,599	14,298,608

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15. SHARE CAPITAL (Continued)

The variations in class "A" common shares and class "B" common shares for the year are as follows :

	Class "A" shares		Class "B" shares	
	Number	$	Number	$
Conversion of common shares	134,599	14,298,608		
Reverse takeover	1,963,427	173,957	3,510,891	278,081
Purchase of Non-controlling interests	232,851	2,641,057		
Acquisition of the Bromont Group	3,083,334	18,115,219	1,000,000	5,875,205
Lupa Acquisition	633,890	2,206,666		
GHP Acquisition	2,468,698	11,898,923		
Lupa II Acquisition	266,299	1,569,788		
Debt settlement	8,334	50,004		
Consulting services paid in shares	33,669	202,014		
Balance, end of year	8,825,101	51,156,236	4,510,891	6,153,286

Of the shares issued and outstanding, 1,084,086 class "A" shares and 4,259,224 class "B" shares were put in escrow and are subject to release in agreement with the provisions provided in the escrow agreement. As at December 31, 2018, 975,677 class "A" shares and 3,194,418 class "B" shares are in escrow.

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company, may from time to time, at its discretion, and in accordance with the CSE requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common stock. No options are outstanding as at December 31, 2018.

16. RELATED PARTY TRANSACTIONS

Related parties include the Company's key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. The remuneration of key management personnel includes the following :

	2018	2017
	$	$
Management fees	**697,830**	

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17. ADDITIONAL INFORMATION - COMPREHENSIVE LOSS

	2018	2017
	$	$
Rental income from companies under common control		130,000
Operating expenses		
Operating expenses from income generating investment properties	**668,992**	
Operating expenses from other investment properties	**119,914**	
	788,906	

	2018	2017
Administrative expenses	**$**	$
Consulting fees	**1,641,979**	
Management fees	**283,321**	
Professional fees	**461,153**	64,194
Professional fees related to reverse takeover	**410,939**	
Project cancellation fee	**700,000**	
Foreign currency exchange loss	**93,729**	
Impairment of debenture receivable	**50,000**	
	3,641,121	64,194

	2018	2017
Financing Costs	**$**	$
Interest on other current liabilities and on long term debt	**1,102,511**	
Financing and other fees	**374,542**	
	1,477,053	

Borrowing costs of $1,215,257 were capitalized in Investment properties and of $915,662 In Land held for residential development.

18. ADDITIONAL INFORMATION - CASH FLOWS

The changes in working capital items are detailed as follows:

	2018	2017
	$	$
Receivables	**257,438**	
Prepaids and refundable deposits	**(367,285)**	
Trade and other payables	**3,782,481**	
	3,672,634	

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18. ADDITIONAL INFORMATION - CASH FLOWS (Continued)

	2018	2017
	$	$
Interest paid	**1,180,633**	
Additions to investment properties included in trade and other payables	**1,133,107**	
Additions to land held for residential development included in trade and other payables	**958,454**	
Additions to investment properties paid in shares of a subsidiary	**4,885,000**	

19. FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of financial assets and financial liabilities in each category are as follows:

	December 31, 2018		December 31, 2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Financial assets at amortized cost				
Cash	**131,159**	**131,159**	3,028	3,028
Receivables	**123,569**	**123,569**		
Debenture receivable			50,000	50,000
Advances to companies under common control	**788,240**	**788,240**	798,928	798,928
Other advances receivable	**280,762**	**280,762**		
	1,323,730	**1,323,730**	851,956	851,956
Financial assets at FVTPL				
Investment in a private company	**250,000**	**250,000**	250,000	250,000
Total financial assets	**1,573,730**	**1,573,730**	1,101,956	1,101,956
Financial liabilities				
Financial liabilities at amortized cost				
Bank loan	**3,895,000**	**3,895,000**		
Trade and other payables	**9,992,640**	**9,992,640**		
Other current liabilities	**28,664,393**	**28,664,393**		
Long term debt	**27,535,110**	**27,535,110**	913,000	913,000
Total financial liabilities	**70,087,143**	**70,087,143**	913,000	913,000

19. FINANCIAL ASSETS AND LIABILITIES (Continued)

Financial assets and financial liabilities measured at fair value in the statement of financial position 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: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The net carrying amounts of cash, receivables, debenture receivable, advances to companies under common control, other advances receivable, bank loan, trade and other current liabilities 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 Company 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.

20. FINANCIAL INSTRUMENT RISK

The Company is exposed to various risks in relation to financial instruments.

The main types of risks are market risk, credit risk and liquidity risk. The following analysis enables users to evaluate the nature and extent of the risks at the end of the reporting period.

Market risk

The Company is exposed to market risk though its use of financial instruments and specifically to interest rate risk and other price risk which result from its financing and investing activities.

- Interest rate risk:

  The Company is exposed to interest rate risk on its other current liabilities and its fixed rate and variable rate long-term debt financings. As at December 31, 2018 and 2017, the Company is exposed to changes in market interest rates through certain long-term debt at variable interest rates. Certain long-term debt and other current liabilities are at fixed interest rates and subject the Company to a fair value risk. Certain long-term debt are at variable interest rates and subject the Company to cash flow risks. Variations in the interest rate would not affect profit or loss significantly.

- Other price risk

  The Company is exposed to other price risk in respect to its investments in a private company. The exposure to this risk is not significant.

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20. FINANCIAL INSTRUMENT RISK (Continued)

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The company is exposed to credit risk from financial assets including cash, debenture receivable, advances to companies under common control and other advances receivable. The maximum exposure as at December 31, 2018 and 2017 is the carrying amount of these instruments, the credit risk is not significant.

Liquidity risk

Liquidity risk is that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for short and long-term liabilities as well as forecasting 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 Company's funding is provided in the form of short and long-term debt as well as the issuance of shares. The Company assesses the liquidity risk as high.

As at December 31, 2018 and 2017, the Company's financial liabilities have contractual maturities as summarized below :

				December 31, 2018
	Within 6 months	**6 to 12 months**	**1 to 5 years**	**later than 5 years**
Bank loan	**3,895,000**			
Trade and other payable	**9,992,640**			
Other current liabilities	**28,096,484**	**567,909**		
Long term debt	**20,640,413**	**370,427**	**7,770,232**	
Total	**58,729,537**	**938,336**	**7,770,232**	

				December 31, 2017
	Within 6 months	6 to 12 months	1 to 5 years	later than 5 years
Long-term debt	913,000			
Total	913,000			

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21. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

- ensure the Company's ability to continue as a going concern;
- 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 Company consists of the long-term debt and equity.

The Company'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 Company may refinance an existing debt, take out new borrowings or repurchase shares or issue new shares.

The Company's financial strategy and objectives have remained substantially unchanged for the past year fiscal year. The objectives and strategy are reviewed annually.

22. SEGMENTAL INFORMATION

Non-current assets are owned in the following countries:

	2018	2017
	$	$
Canada	**102,155,397**	9,250,609
United States		3,000,100
Greece		4,500,000
	102,155,397	16,750,709

The rental income is 100% in Canada.

23. COMMITMENTS

The Company has entered into long-term consulting agreements which call for payments of $4,985,000 for consulting services. Minimum payments for the next five years are $875,000 in 2019, $870,000 in 2020, $975,000 in 2021, $1,080,000 in 2022 and $1,185,000 in 2023.

(Expressed in Canadian dollars)

24. INTERESTS IN SUBSIDIARIES

No distributions were paid to the non-controlling interests during the year 2017.

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

	2017
	$
Current assets	351,956
Non-current assets	16,750,709
Total assets	**17,102,665**
Current liabilities	937,600
Non-current liabilities	
Total liabilities	**937,600**
Capital attributable to partners	16,165,065
Increase in fair value of investment properties	–
Net loss and comprehensive loss	(413,695)
Cash flows from operating activities	65,806
Cash flows from investing activities	(1,977,984)
Cash flows from financing activities	1,914,600
Net increase in cash	2,422

25. SUBSEQUENT EVENTS

On January 15, 2019, the Company refinanced loans payable of $556,735 and Convertible debentures of $670,457 and extended their maturity date to March 2019. Under the terms of the extension agreement, the holders of the loans and debentures can convert into shares of the Company at a price equal to the lesser of $3.49 or the Net Asset value based on the last quarterly financial statements. The Company has not yet determined the accounting impact of these new terms.

Subsequent to year end, the Company settled accounts payable by issuing 264,070 class "A" common shares for a total amount of $915,105. This transaction resulted in a gain on settlement of $143,987 and an increase in share capital of $771,118.