CLARKE

Halifax, Canada

MD&A and Financial Statements 2023

Management's Discussion & Analysis

Clarke Inc.

December 31, 2023 and 2022

MANAGEMENT'S DISCUSSION & ANALYSIS

Management's Discussion & Analysis ("MD&A") presents management's view of the financial position and performance of Clarke Inc. ("Clarke" or the "Company") for the year ended December 31, 2023 compared with the year ended December 31, 2022. The following information is derived from the Company's consolidated financial statements which are prepared with accounting standards in accordance with International Financial Reporting Standards ("IFRS" or "IFRS Accounting Standards") as issued by the International Accounting Standards Board. This MD&A should be read in conjunction with the information disclosed in the consolidated financial statements and notes thereto for the year ended December 31, 2023 and the Company's Annual Information Form ("AIF"), including the risk factors described therein, available on SEDAR+ at www.sedarplus.ca. This MD&A provides an overall discussion and analysis of the Company's performance. The MD&A is prepared as at March 6, 2024 (unless otherwise stated). All dollar amounts are shown in millions of Canadian dollars except for per common share amounts or unless otherwise indicated.

OVERVIEW & STRATEGY

Clarke was incorporated on December 9, 1997 pursuant to the Canada Business Corporations Act and its head office is located at 145 Hobsons Lake Drive, Halifax, Nova Scotia.

The Company is an investment and real estate company with holdings in a diversified group of businesses and across real estate sectors. The Company operates primarily in Canada. The Company continually evaluates the acquisition, retention, and disposition of its holdings and changes in its asset mix should be expected. Our objective is to maximize shareholder value. While not the perfect metric, we believe that Clarke's book value per share[1], together with the dividends paid to shareholders, is an appropriate measure of our success in maximizing shareholder value over time.

We attempt to maximize shareholder value by allocating capital to investments that we believe will generate high returns and reallocating capital over time as needed. In doing this, Clarke's goal is to identify investments that are either undervalued or are underperforming and may be in need of positive change. These investments may be real estate, companies, securities or other assets. Clarke has a diverse and significant portfolio of direct real estate holdings across the hospitality, commercial, industrial, and residential sectors. We do not believe in limiting ourselves to specific types of investments. Clarke generally invests in industries that have hard assets, in particular, hospitality and real estate businesses.

REVIEW AND OUTLOOK[1]

During 2023, the Company's book value per common share increased by $1.25, or 8%. The change can be attributed to (i) hotel net operating income of $22.5 million or $1.60 per share, (ii) revaluation gains on certain hotel properties of $16.1 million or $1.14 per share and (iii) a gain on the disposition of the Company's share in a joint operation of $8.1 million or $0.58 per share, offset by (iv) combined fair value adjustments and realized losses on investment properties of $7.8 million or $0.56 per share, (v) interest and accretion of $7.2 million or $0.51 per share and (vi) depreciation and amortization of $10.2 million or $0.72 per share. The Company's book value per common share at the end of the year was $16.53 while our common share price was $14.28.

RESULTS OF OPERATIONS

The Company's net income was $3.4 million compared to $3.2 million in 2022 and $16.4 million in 2021. The Company's operating businesses were significantly more profitable in both 2023 and 2022 compared to 2021, in particular the Company's hotels. Hotel revenue for the year ended December 31, 2023 was $64.2 million compared to $54.7 million and $32.0 million in 2022 and 2021, respectively. The hospitality segment's net income before taxes was $10.9 million for the year ended December 31, 2023 compared to $9.2 million in 2022 and $1.4 million in 2021. Net income in 2023 and 2022 was fueled primarily by the Company's operating businesses, whereby in 2021, net income was primarily driven by gains on the Company's marketable securities.

Comprehensive income for the year ended December 2023 was $17.1 million compared to $10.1 million in 2022 and $45.5 million in 2021. Comprehensive income in the year ended December 31, 2023 exceeded 2022 due primarily to remeasurement losses on the Company's defined benefit pension plans recorded in other comprehensive income ("OCI") in the prior year, partially offset by revaluations on certain hotels that were more significant in 2022 than in 2023. Comprehensive income in 2021 was fueled by gains on marketable securities and its defined benefit pension plans as well as revaluation gains on the Company's hotels.

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[1] This MD&A refers to "book value per share" and "net operating income". These are non-IFRS measures and ratios. Refer to the "Cautionary Statement Regarding Use of Non-IFRS Accounting Measures and Ratios" section of this MD&A for more information.

Highlights of the consolidated financial statements for the last three completed fiscal years are as follows:

	Year ended December 31, 2023 $	Year ended December 31, 2022 $	Year ended December 31, 2021 $
Hotel and rental revenue	**65.2**	54.7	32.0
Provision of services revenue	**8.2**	9.7	9.4
Investment and other income *	**4.0**	2.8	24.6
Net income	**3.4**	3.2	16.4
Other comprehensive income	**13.7**	6.9	29.1
Comprehensive income	**17.1**	10.1	45.5
Basic earnings per share (“EPS”)	**0.24**	0.23	1.12
Diluted EPS	**0.24**	0.23	0.96
Total assets	**395.1**	416.1	384.6
Total liabilities	**164.4**	201.2	176.0
Long-term financial liabilities	**120.6**	62.7	107.2
Book value per share	**16.53**	15.28	14.48

**Investment and other income includes unrealized and realized gains and losses on assets and liabilities, fair value changes of property and equipment and investment properties presented in the statement of earnings, interest income, pension expense/recovery and foreign exchange gains/losses.*

Real Estate and Corporate

Construction continues on the first phase of the development on Carling Avenue in Ottawa, ON. The development, which is branded as the *“Talisman”*, will consist of a five-building residential rental complex including extensive tenant amenities, parkland and ground-floor commercial space. The *Talisman’s* first phase, which is two towers and 404 rental units, is nearing completion, and we expect to welcome our first residents in the second quarter of 2024. The Company’s former Travelodge® Ottawa West hotel was closed in November 2023 and is currently being demolished on the future site of the *Talisman’s* second phase. The second phase will consist of three towers and 612 rental units.

During the fourth quarter of 2023, The Company finalized the exit of its one-third ownership in the 1111 Atwater Avenue development in Montreal, QC (“1111 Atwater”). The Company received net proceeds of $26.2 million, including cash of $16.5 million and a $9.7 million loan receivable from one of its former partners in the development. The loan is secured by the borrower’s 50% stake in 1111 Atwater. The Company recognized a gain on disposition of $8.1 million. The Company remains a guarantor on the construction loan of the 1111 Atwater development for an aggregate amount of $27.7 million. The Company has an indemnity agreement with its former partners for this guarantee until it is released. The Company expects the guarantee to be released in 2024.

During the fourth quarter of 2023, the Company sold two of its office buildings located in Houston, TX, for net proceeds of $7.5 million. The Company recognized a combined $4.3 million fair value adjustment and loss on disposition on these assets. In addition, the Company recorded a fair value adjustment on an additional investment property in Houston for $3.5 million.

During the third quarter of 2023, the Company redeemed its $34.9 million, 5.50% Series B Convertible Unsecured Subordinated Debentures, which were to mature on January 1, 2028 (the “Debentures”) for a cash outlay of $35.4 million which included $0.5 million of accrued interest. The redemption of the Debentures was financed using funds drawn on a credit facility obtained from a related party. Refer to the “Liquidity and Capital Resources” section of this MD&A for more information on this credit facility. The Company recorded a loss of $0.8 million on the redemption, representing the difference between the carrying value and principal amount of the Debentures.

During the second quarter of 2023, one of the Company’s pension plans purchased a group buy-out annuity for its members for a cash outlay of $4.5 million.

The Company has $125.8 million of debt and has access to two secured, revolving credit facilities. The Company’s maximum combined borrowing base under these revolving credit facilities was $85.0 million. As of December 31, 2023, the maximum availability on these facilities was $77.8 million, of which $3.8 million was drawn and $74.0 million was undrawn and available.

Hotel Operations

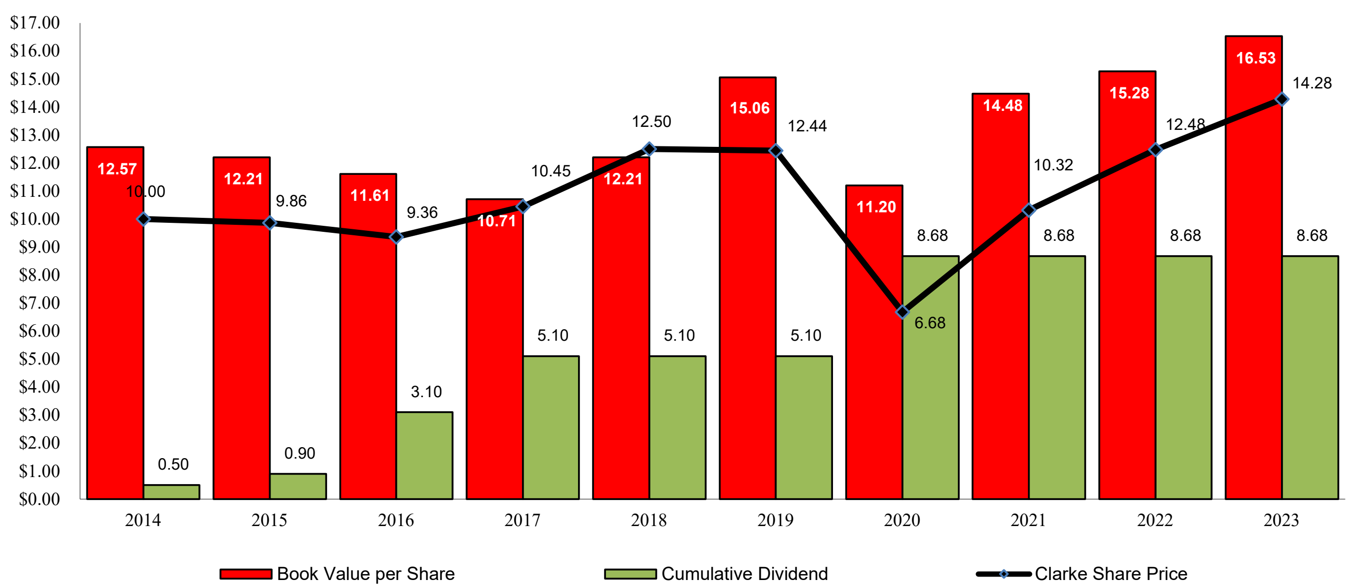
In the first half of 2022, the Canadian hotel industry had generally rebounded from the COVID-19 pandemic. As such, 2023 was our first full year of results that were not materially impacted by the pandemic since 2019, which is why 2023 and 2022 are generally more comparable than recent year-over-year annual results.

We are pleased with the increase in hotel revenue as it was achieved despite the temporary closure of three hotels due to wildfires and the winding down and ultimate closure of our former Travelodge Ottawa West hotel. Additional reasons for the increase year-over-year include a full year of operations at the Stanford Inn & Suites, acquired in 2022 and generally stronger results across the majority of the hotel portfolio.

We continue to proactively evaluate potential renovations and conversions of our hospitality assets in an effort to maximize the respective asset's value. During 2023, we converted one hotel to a residential investment property. This 82-unit asset was renovated in phases over the past two years, de-branded and completed at the end of 2023. This was a major milestone for the Company that we will use as an example if similar opportunities present themselves. In addition, we commenced the partial conversion of one hotel into a mixed-use asset, which includes the renovation and conversion of approximately 100 hotel rooms into 80 residential units. We will continue to explore more long-term stay offerings and potential residential conversions if these are deemed accretive to the Company.

BOOK VALUE PER SHARE

The Company's book value per share at December 31, 2023 was $16.53, an increase of $1.25 since December 31, 2022. The following graph illustrates Clarke's book value per share, share price and cumulative dividends paid over the past ten years.



SEGMENT REPORTING

The table below summarizes the Company's assets by segment. The Other category is not a segment and is disclosed for reconciliation purposes. It consists of the Company's treasury and executive functions, unsecured revolving credit facilities, pension plans and the Debentures until their redemption in 2023.

	December 31, 2023		December 31, 2022	
Segment	**$**	**%**	$	%
Investment	**139.1**	**35.2**	157.6	37.8
Hospitality	**221.2**	**56.0**	227.4	54.7
Other	**34.8**	**8.8**	31.1	7.5
Total	**395.1**	**100.0**	416.1	100.0

Investment segment

The Investment segment represents the Company's ferry business, investment properties and until its disposition, the 1111 Atwater development. The Hospitality segment consists of the Company's ownership, management and operation of hotels.

During the fourth quarter, the Company sold two of its investment properties located in Houston, TX. The Company also evaluated whether these purchase prices were indicative of the fair value of the Company's remaining Houston, TX investment property. Using management's professional judgement and expertise, the Company estimated the value of this remaining investment property and recorded a fair value decrease. The aggregate fair value decrease and eventual loss on disposition of the Company's investment properties of $7.8 million is presented in investment and other income within the statement of earnings for the year ended December 31, 2023.

The Company owns a passenger/car ferry that has been operating on the St. Lawrence River under contract with the Government of Québec since 1973. The ferry does not operate during the first quarter of the year and completes its annual maintenance and repairs during this off-season period. The ferry's 2023 season ran from April 6, 2023 until January 2, 2024 and will commence its 2024 season on March 28, 2024.

Hospitality segment

Results for the year ended December 31, 2023 compared to the year ended December 31, 2022 are as follows:

	Year ended December 31, 2023 $	Year ended December 31, 2022 $
Hotel revenue	**64.2**	54.7
Investment and other income	**4.3**	1.8
Total revenue and other income	**68.5**	56.4
Less:		
Hotel operating expenses, property taxes and insurance	**42.5**	34.7
Depreciation and amortization	**10.0**	9.4
Interest and accretion	**5.0**	3.0
Income before income taxes	**10.9**	9.2

Investment and other income for the Hospitality segment is comprised primarily of fair value adjustments of $4.3 million and $1.3 million, recorded on certain hotels in the years ended December 31, 2023 and 2022, respectively.

Hotel revenue was $64.2 million for the year ended December 31, 2023 compared to $54.7 million in 2022. Income before taxes was $10.9 million for the year ended December 31, 2023 compared to $9.2 million in 2022.

In 2022, the Company recognized non-recurring government grants in this segment totaling $4.0 million as a direct reduction of hotel operating expenses, property taxes and insurance. In addition to the increased business levels in the year, this is a key driver of the increased hospitality expenses compared to 2022.

OUTSTANDING SHARE DATA

At March 6, 2024, the Company had:

- An unlimited number of common shares authorized and 13,958,157 common shares outstanding; and
- An unlimited number of First and Second Preferred Shares authorized and none outstanding.

REPURCHASE OF COMMON SHARES

The Company periodically files normal course issuer bids to purchase its securities. The Board of Directors and senior management are of the opinion that, from time to time, the purchase of common shares at the prevailing market price may be a worthwhile use of funds and in the best interest of the Company and its shareholders. A summary of the repurchases under these normal course issuer bids outstanding within fiscal 2023 and 2022 are as follows:

Bid Date	Expiry	Maximum #	Repurchased #
June 29, 2021	June 28, 2022	733,608	451,500
June 29, 2022	June 28, 2023	711,543	237,025
July 4, 2023	July 3, 2024	699,232	31,600

LIQUIDITY AND CAPITAL RESOURCES

On October 30, 2023, the Company renewed a maturing credit facility. The $55.0 million credit facility is comprised of a $25.0 million term loan and a $30.0 million revolving line of credit. The revolving line of credit bears interest at prime plus 1.00% and the term loan bears interest at a fixed rate of 6.95% with a 25-year amortization period. The credit facility has a four-year term and is secured by a registered charge on five hotel properties.

On October 13, 2023, the Company amended one of its revolving lines of credit to increase the maximum borrowing capacity from $40.0 million to $55.0 million. The Company pledged an additional hotel property and its ferry operations, both previously unencumbered as part of this amendment. In addition to this incremental security, the facility is secured by a registered charge on five hotel properties and one office building.

On July 28, 2023, the Company redeemed its outstanding Debentures. The redemption was financed using a $35.0 million credit facility with an entity owned by the Company's Chairman and his immediate family member. This facility has a maximum borrowing capacity of $35.0 million, bears interest at 6.00% and has interest-only payments until January 1, 2028. After January 1, 2028, the facility will continue as a revolving line of credit due on demand.

On February 9, 2023, using available funds from its revolving credit facilities, the Company repaid a term loan of $11.0 million, which was secured by a second lien on five hotels and three investment properties.

In the year ended December 31, 2022, the Company entered into a $85.0 million construction credit facility for the construction of the first phase of the Talisman. The facility is available to the Company as construction costs are incurred, bears interest at the lender's prime rate and has a three-year term. The Company made draws totalling $41.3 million on this credit facility during the year ended December 31, 2023.

The Company monitors and forecasts its cash balances and cash flows to meet its required obligations. The Company believes it has access to sufficient capital through cash on hand, operating cash flows and existing borrowing facilities to meet its obligations as they come due.

Cash flow from operating activities

Cash provided by operating activities was $8.2 million for the year ended December 31, 2023, compared to $3.4 million in 2022. In both 2023 and 2022, this was primarily the result of cash generated from hotel and ferry operations offset by capital expenditures on the Company's real estate inventory under development.

Cash flow from investing activities

Cash used in investing activities was $24.9 million for the year ended December 31, 2023, compared to $36.8 million in 2022. The cash used was primarily attributable to progress on the Talisman development and capital expenditures for the hotel portfolio. These cash outflows were partially offset by the proceeds on disposition of 1111 Atwater and two investment properties in Houston, TX. In 2022, the use of cash was primarily due to the acquisition of the Stanford Inn & Suites hotel in Grande Prairie, AB for $11.6 million and capital expenditures for both the Carling Avenue Development and the hotel portfolio of $31.8 million.

Cash flow from financing activities

Cash provided from financing activities was $16.6 million for the year ended December 31, 2023, compared to $16.1 million in 2022. This was primarily the result of net proceeds of long-term debt of $88.9 million, offset by the repayment of long-term debt of $13.4 million, the redemption of the Debentures of $34.9 million, repayment of short-term indebtedness of $22.3 million and the repurchase of common shares of $1.5 million. Cash provided in 2022 was primarily related to an increase of $26.1 million in short-term indebtedness and the proceeds of long-term debt of $13.7 million offset by the partial redemption of Debentures of $15.8 million, the repayment of long-term debt of $4.0 million and the repurchase of common shares of $3.8 million.

Contractual obligations and capital resource requirements

The table below summarizes the Company's maximum contractual obligations by due date:

Contractual obligations	Total $	Less than 1 year $	1 – 3 years $	3 - 5 years $	After 5 years $
Long-term debt	122.0	1.8	45.0	74.7	0.5
Lease obligation	0.5	0.1	0.2	0.2	—
Short-term indebtedness	3.8	3.8	—	—	—
	126.3	5.7	45.2	74.9	0.5

The Company maintains two secured credit facilities with Canadian chartered banks. The borrowing capacity of the first credit facility is determined by a borrowing base calculation, subject to a maximum of $55.0 million. This credit facility bears interest at the lender's prime rate plus 1.50%, or based on a spread to banker's acceptance. At December 31, 2023, the Company had drawn $3.8 million on this facility. This facility is secured by six hotel properties, one investment property and the Company's ferry business. The Company's second credit facility has a maximum borrowing capacity of $30.0 million and bears interest at the lender's prime rate plus 1.00%. At December 31, 2023, the Company had not drawn on this facility. This facility and a corresponding term loan are secured by five hotel properties. This facility matures in November 2027. Both facilities are subject to an annual review. Any decline in the fair value or profitability of the pledged assets may limit the Company's access to the full amount of these credit facilities.

FOURTH QUARTER

A comparison of results for the three months ended December 31, 2023, and 2022, is as follows:

	Three months ended December 31, 2023 $	Three months ended December 31, 2022 $
Revenue		
Hotel and rental revenue	**14.7**	15.2
Provision of services	**1.5**	2.9
Investment and other income	**8.9**	1.5
	25.1	19.6
Expenses		
Operating expenses	**10.1**	10.1
Cost of services provided	**1.1**	1.3
General and administrative expenses	**1.4**	0.8
Property taxes and insurance	**1.0**	0.8
Depreciation and amortization	**2.6**	2.4
Interest and accretion	**1.5**	1.8
Income before income taxes	**7.5**	2.5
Provision for income taxes	**—**	1.1
Net income	**7.5**	1.3
Other comprehensive income	**8.7**	19.1
Comprehensive income	**16.1**	20.4

Hotel and rental revenue decreased by $0.5 million, from $15.2 million to $14.7 million year over year due to the winding down and closure of one hotel as part of the *Talisman* development.

The Company had net income of $7.5 million in the fourth quarter of 2023 compared to $1.3 million in the same period in 2022. The $8.1 million gain recorded on exiting the 1111 Atwater development is the largest factor in the increase year-over-year.

The Company had OCI of $8.7 million in the fourth quarter of 2023 compared to $19.1 million in 2022. The primary reason for the decrease year-over-year is the reduced revaluation gains on certain hotel properties in 2023 compared to 2022.

The provision for income taxes for the quarter was reduced due to changes in unrecognized deferred tax timing differences and recognition of a previously unrecognized benefit.

For the three months ended December 31, 2023, Clarke's basic and diluted EPS was $0.54, compared to $0.10 for the same period in 2022.

Cash provided by operating activities was $5.2 million for the fourth quarter of 2023, compared to using $0.2 million in the same period in 2022. Cash flows in the fourth quarter of both 2023 and 2022 were driven mainly by the hospitality and ferry operations. In 2022, the cash flow was offset by capital expenditures of $0.9 million for additions to the real estate inventory under development.

Cash provided by investment activities was $2.9 million in the fourth quarter of 2023, compared to using $5.1 million in the same period in 2022. The primary sources of cash in the fourth quarter of 2023 were the proceeds on the Company's disposition of 1111 Atwater and its two investment properties in Houston, TX, offset by additions to investment properties of $13.3 million and capital expenditures on the hotels of $3.2 million. Additions to investment properties of $8.9 million and capital expenditures of $1.4 million offset by $5.3 million of proceeds from the disposition of loans receivable and marketable securities were the drivers of the cash used in the fourth quarter of 2022.

Cash used in financing activities for the fourth quarter of 2023 was $8.2 million compared to providing $4.9 million in the same period in 2022. The primary use of cash was related to repayment of short-term indebtedness of $26.4 million, partially offset by $18.8 million of proceeds from long-term debt. Cash provided by financing activities in the fourth quarter of 2022 was related primarily to a draw of $17.9 million in short-term indebtedness and $4.1 million in proceeds from long-term debt, which were offset by the partial redemption of Debentures of $15.8 million.

SUMMARY OF QUARTERLY RESULTS

Key financial information for the current and preceding seven quarters is as follows:

Three months ended	Dec. 2023 $	Sept. 2023 $	Jun. 2023 $	Mar. 2023 $	Dec. 2022 $	Sept. 2022 $	Jun. 2022 $	Mar. 2022 $
Revenue and other income	25.1	19.2	17.8	15.4	19.6	22.2	15.1	10.2
Net income (loss)	7.5	(1.9)	(0.5)	(1.7)	1.3	3.9	(0.5)	(1.4)
Other comprehensive income (loss)	8.7	2.7	(0.3)	2.8	19.1	0.6	(20.0)	7.2
Comprehensive income (loss)	16.1	0.8	(0.8)	1.0	20.4	4.5	(20.5)	5.7
Basic EPS	0.54	(0.13)	(0.03)	(0.12)	0.10	0.27	(0.04)	(0.10)
Diluted EPS	0.54	(0.13)	(0.03)	(0.12)	0.10	0.25	(0.04)	(0.10)

As demonstrated above, our results can fluctuate significantly from quarter to quarter. The Company's hotel and ferry businesses are seasonal in nature and their results tend to fluctuate throughout the year. Revenue is generally highest in the third quarter due to increased leisure travel during the summer months. While certain expenses fluctuate according to revenue and operating levels, other expenses such as property taxes, insurance and interest are generally fixed and are incurred evenly throughout the year. In addition, the accounting for the accrued pension benefit asset can cause significant volatility to OCI and comprehensive income (loss) due to changes in assumptions and the impact of the accounting requirements of the asset ceiling under IFRS. Further volatility in net income, OCI and comprehensive income (loss) can be caused by the timing of various fair value adjustments to the Company's property and equipment and investment properties.

FINANCIAL INSTRUMENTS

In the normal course of operations, the Company uses the following financial and other instruments:

- To generate investment returns, the Company may invest in equity, debt and other securities. These instruments may have interest rate, market, credit and foreign exchange risk associated with them.

- To manage foreign exchange, interest rate and general market risk, the Company may enter into futures and forward exchange contracts. These instruments may have interest, market, credit and foreign exchange risk associated with them. Clarke may hedge its foreign currency exposure on U.S. dollar denominated investments. The Company does not currently have any futures or foreign exchange contracts in place.

The Company has a significant number of financial instruments. Notes 1, 3, 4, 10, 11, 12, 13, and 23 to the audited consolidated financial statements for the year ended December 31, 2023 and the Company's 2023 Annual Information Form, provide further information on classifications in the financial statements, and risks, pertaining to the use of financial instruments by the Company.

RELATED PARTY TRANSACTIONS

The Company was party to the following related party transactions during the year ended December 31, 2023:

- The Company entered into and fully drew upon a 6.00%, $35.0 million credit facility from a company owned by Clarke's Chairman and his immediate family member. Interest of $0.9 million was incurred on this credit facility in 2023.
- The Company was a party to rental and information technology agreements with companies owned by the Company's Chairman and his immediate family member. During 2023, the Company paid $0.3 million (2022 – $0.3 million) under these agreements.
- The Company provided administrative and asset management services to two pension plans it sponsors and charged $0.9 million (2022 – $2.2 million).
- The Company provided and received services with entities owned by the Company's Chairman and his immediate family member with a fair value of $0.3 million (2022 – $0.2 million). The Company provided hotel management services in exchange for receiving legal, accounting, tax, construction, and pre-construction consulting services.

Subsequent to the end of the year, the Company agreed to sell the shares of a wholly owned subsidiary, Holloway Lodging US Inc. (“HLUS”) to an entity owned by the Company’s Chairman, Mr. George Armoyan and his immediate family member for US$3.2 million. The primary asset of HLUS is a vacant office building located at 222 Benmar Drive, in Houston, TX. The transaction constitutes a "related party transaction" pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company is exempt from the requirements to obtain a formal valuation and minority shareholder approval in connection with the sale in reliance on the exemptions contained in sections 5.5(a) and 5.7(1)(a) of MI 61-101, respectively, as the fair market value of the transaction does not exceed 25% of the Company’s market capitalization. The transaction was reviewed and approved by the Board of Directors of the Company, excluding Mr. George Armoyan, who abstained from voting on the matter. The transaction is subject to certain post-closing adjustments and is expected to close in March 2024. The Company recorded a fair value adjustment loss on this investment property in the year ended December 31, 2023. The Company may need to record additional fair value changes in the statement of earnings in future periods due to the ultimate settlement of the post-closing adjustments.

Key management consists of the directors and officers of the Company. The compensation incurred is as follows:

Year ended December 31, 2023	Board of directors	Officers	Total
	$	$	$
Salary and fees	0.1	0.4	0.5
Pension value	0.3	—	0.3
Total	0.4	0.4	0.8

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with Canadian Securities Administrators National Instrument 52-109 - Certification of Disclosure in Issuers’ Annual and Interim Filings, the Company has filed certificates signed by the President & Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Management has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The President & Chief Executive Officer and the Chief Financial Officer have supervised the Company’s management in the evaluation of the design and effectiveness of the Company’s internal controls over financial reporting as of the end of the period covered by the annual filings and believe the design and effectiveness to be adequate to provide such reasonable assurance using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013).

There have been no changes in the Company’s disclosure controls and procedures or internal controls over financial reporting during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the effectiveness of the internal controls over financial reporting.

ENVIRONMENTAL MATTERS

The Company’s businesses are exposed to the following environmental risks in conducting regular operations: (i) contamination of owned or leased property; and (ii) contamination of the environment relating to spills or leaks originating from the Company’s ferry.

The Company’s businesses regularly review their operations and facilities to identify any potential environmental contamination or liability. Limited internal reviews, which may include third party environmental assessments, have been conducted at all the Company’s wholly owned real estate. These limited reviews identified no material remediation issues or potential risks and there have been no material events arising subsequently that would indicate additional obligations.

The Company believes it and its businesses comply in all material respects with all relevant environmental laws and regulations. The Company is not aware of any material uninsured pending or proceeding actions against it or any of its businesses relating to environmental issues.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Please refer to notes 1 and 2 of our consolidated financial statements for the year ended December 31, 2023 for a detailed discussion regarding our material accounting policies and application of significant accounting judgments, estimates and assumptions.

Valuation of property and equipment

Land and buildings and components are revalued on a sufficiently regular basis using third party offers, internal models or external appraisals, when available, so that the carrying amount of an asset does not differ materially from its fair value at each reporting date. The Company has established a methodology to evaluate when circumstances indicate that the carrying amount may differ materially from its fair value, which include: significant changes in operating performance, economic activity, regional development opportunities and changing competition in the markets in which each property operates.

The Company performed a revaluation analysis on its hotels during the year using external appraisals, management's knowledge of various markets and capitalization rates obtained from independent third parties. The Company obtained nine external appraisals which resulted in four hotels with revaluation increases, two hotels with revaluation decreases and three hotels with no change in value. Two hotel properties were valued using an income capitalization model prepared internally. Significant assumptions used in the internal income capitalization model included budgeted cash flow forecasts for 2024 and capitalization rates. The capitalization rates used ranged from 6.25% to 11.50%. If the capitalization rates were 0.25% higher/lower, the estimated fair value would result in a change of $1.0 million to property and equipment. Based on the Company's methodology, the remaining five hotels did not require a revaluation.

As a result, a revaluation increase of $19.8 million was recorded among six hotels and a revaluation decrease of $3.7 million among two hotels. Property and equipment increased by $16.1 million as a result, with a net increase of $11.8 million included in other comprehensive income and a net increase of $4.3 million recorded in earnings.

During the year ended December 31, 2022, the Company used a combination of external appraisals, comparable hotel sales prices and professional judgement to revalue its hotel portfolio. Property and equipment was increased by $32.9 million as a result of these revaluations. An increase of $1.3 million was recorded in earnings and an increase of $31.6 million was recorded in other comprehensive income.

Fair value of investment properties

The Company's significant investment properties as at December 31, 2023, consisted of one office building, a multi-building residential rental complex under construction and a residential rental building.

During the year, the Company sold two of its three investment properties located in Houston, TX. These investment properties were remeasured at their fair value less costs to sell, resulting in a fair value decrease of $4.3 million being recorded. The Company also evaluated whether these purchase prices were indicative of the fair value of the Company's remaining Houston, TX investment property. Using management's professional judgement and expertise, the Company estimated the value of this remaining investment property and recorded a fair value decrease of $3.5 million. The aggregate of these fair value decreases and the eventual realized loss on the Company's investment properties of $7.8 million is included in investment and other income in the consolidated statements of earnings.

Changes to the fair value of the Company's investment properties may occur periodically, based on operating performance, economic activity, regional development opportunities and new competition in the markets in which they operate.

Pension benefits and asset ceiling

The costs of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Management is also required to make certain assumptions regarding the quantification of the asset ceiling, which impacts the accrued pension benefit asset recorded on the consolidated statements of financial position.

CAUTIONARY STATEMENT REGARDING USE OF NON-IFRS ACCOUNTING MEASURES AND RATIOS

This MD&A makes reference to "book value per share" and "net operating income" (or "hotel net operating income"). Book value per share and net operating income are not financial measures or ratios calculated and presented in accordance with IFRS and should not be considered in isolation or as a substitute for any financial measures or ratios of performance calculated and presented in accordance with IFRS. These non-IFRS financial measures and ratios are presented in this MD&A because management of Clarke believes that such measures and ratios enhance the user's understanding of our historical and current financial performance.

Book value per share is measured by dividing shareholders' equity of the Company at the date of the statement of financial position by the number of common shares outstanding at that date. Net operating income is defined as revenue less expenses. Net operating income measures operating results before interest, depreciation, amortization and income taxes.

The following table reconciles hotel net operating income to income before income taxes of the Company's hospitality segment as disclosed in the consolidated financial statements for the year ended December 31, 2023.

	Year ended December 31, 2023 $	Year ended December 31, 2022 $
Income before income taxes	**10.9**	9.2
Deduct:		
Investment and other income	**(4.3)**	(1.8)
Add:		
Non-operating corporate expenses	**0.9**	1.0
Depreciation and amortization	**10.0**	9.4
Interest and accretion	**5.0**	3.0
Hotel net operating income	**22.5**	20.8

Clarke's method of determining these amounts may differ from other companies' methods and, accordingly, these amounts may not be comparable to measures used by other companies.

Due to rounding, numbers presented throughout this document may not sum precisely to the totals provided.

FORWARD-LOOKING STATEMENTS

This MD&A may contain or refer to certain forward-looking statements relating, but not limited, to the Company's expectations, intentions, plans and beliefs with respect to the Company. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "does not expect", "is expected", "budgets", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", or equivalents or variations of such words and phrases, or state that certain actions, events or results, "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements include, without limitation, those with respect to the future or expected performance of the Company's investee companies, changes in these securities holdings, the future price of oil, changes to the Company's hedging practices, currency fluctuations and requirements for additional capital. Forward-looking statements rely on certain underlying assumptions that, if not realized, can result in such forward-looking statements not being achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, the Company's investment strategy, legal and regulatory risks, general market risk, potential lack of diversification in the Company's investments, interest rates, foreign currency fluctuations, the sale of Company investments, the expected timing for completion of the sale of HLUS, the expectation that the Company's redeployment of capital from its asset dispositions, renovations and repurposes will be accretive to the Company's shareholders, the anticipated timing for completion of the first phase of the *Talisman* residential redevelopment, reliance on key executives and other factors. With respect to the Company's investment in hotel and ferry operations, such risks and uncertainties include, among others, weather conditions, safety, claims and insurance, uninsured losses, changes in levels of business and commercial travel and tourism, increases in the supply of accommodations in local markets, the recurring need for renovation and improvement of hotel properties, labour relations, and other factors. Although the Company has attempted to identify important factors that could cause actions, events or results not to be as estimated or intended, there can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Other than as required by applicable Canadian securities laws, the Company does not update or revise any such forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements.

Consolidated Financial Statements

Clarke Inc.

December 31, 2023 and 2022

Independent auditor's report

To the Shareholders of Clarke Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Clarke Inc. and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of shareholders' equity for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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

Independence
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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
Cogswell Tower, 2000 Barrington Street, Suite 1101, Halifax, Nova Scotia, Canada B3J 3K1
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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of land and buildings and components *Refer to note 1 – Material accounting policies, note 2 – Significant accounting judgments, estimates and assumptions and note 7 – Property and equipment to the consolidated financial statements.* The total carrying amount of land and buildings and components was $195.4 million as at December 31, 2023. The Company has recorded a revaluation gain of $4.3 million in the consolidated statement of earnings and a pre-tax revaluation gain of $11.8 million in the consolidated statement of comprehensive income for the year ended December 31, 2023. The Company accounts for land and buildings and components (hotels) under the revaluation model. Hotels are carried at fair value as at the date of revaluation and subsequently depreciated until the next revaluation. These assets are revalued on a sufficiently regular basis using third party offers, internal models or external appraisals, when available, so that the carrying amount of an asset does not differ materially from its fair value at each reporting date. Increases in fair value are recorded in other comprehensive income and accumulated in revaluation surplus within accumulated other comprehensive income, except to the extent that they reverse a revaluation decrease previously recorded in the consolidated statement of earnings, in which case the reversal is recorded in the consolidated statement of earnings. Decreases in fair value are charged against other comprehensive income and the revaluation surplus to the extent of	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the fair value of the hotels, which included the following: – Tested the methodology used to determine the fair value of the hotels, which includes the appropriateness of the models used. – Tested the underlying data used in the models. – Evaluated the reasonableness of significant assumptions, including the budgeted cash flow forecasts for 2024, by comparing them to historical results and assessing market conditions in the market in which each hotel operates. – Professionals with specialized skill and knowledge in the field of real estate valuations assisted us in evaluating the appropriateness of the models and the overall capitalization rates used within the models. – Professionals with specialized skills and knowledge in the field of real estate valuations assisted us in assessing the reasonableness of external appraisals.

Key audit matter	How our audit addressed the key audit matter
any credit balance existing in the revaluation surplus in respect of that asset and thereafter are recorded in the consolidated statement of earnings. For internal models, the Company used an income capitalization model. Management used third party appraisers for assistance in determining appropriate overall capitalization rates specific to the markets in which the Company operates its hotels. The income capitalization models include the budgeted cash flow forecasts for 2024. As disclosed in note 2, significant assumptions used in the internal models included the budgeted cash flow forecasts for 2024 and capitalization rates. We considered this a key audit matter due to the significant judgments made by management in determining the fair value of the hotels and significant assumptions used. This resulted in complexity and increased audit effort to evaluate the approach and the appropriateness of estimates made and rates selected by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of real estate valuations.	

Other information

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 IFRS Accounting Standards, 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 Company 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Maxime Lessard.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia
March 6, 2024

Clarke Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of Canadian dollars)

As at December 31,	**2023** **$**	2022 $
ASSETS		
Current		
Cash	**929**	1,090
Receivables *(note 3)*	**3,957**	8,041
Other assets *(note 4)*	**10,567**	1,303
Income taxes receivable	**183**	—
Real estate inventory under development *(note 25)*	—	70,418
Total current assets	**15,636**	80,852
Accrued pension benefit asset *(note 6)*	**33,752**	28,630
Property and equipment *(note 7)*	**206,926**	221,704
Investment properties *(note 8)*	**138,486**	80,885
Deferred income tax assets *(note 9)*	**130**	3,730
Other assets *(note 4)*	**200**	320
Total assets	**395,130**	416,121
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term indebtedness *(note 10)*	**3,763**	26,086
Accounts payable and other liabilities *(note 11)*	**26,273**	25,310
Income taxes payable	—	2,063
Current portion of long-term debt *(note 13)*	**1,845**	77,423
Total current liabilities	**31,881**	130,882
Convertible debentures *(note 12)*	—	34,146
Long-term debt *(note 13)*	**120,176**	20,929
Construction accounts payable *(note 11)*	—	7,035
Lease obligations	**392**	560
Deferred income tax liabilities *(note 9)*	**11,992**	7,599
Total liabilities	**164,441**	201,151
Commitments *(note 16)*		
Shareholders' equity		
Share capital *(note 17)*	**82,574**	83,190
Contributed surplus	**7,302**	7,302
Retained earnings	**44,221**	41,579
Accumulated other comprehensive income	**96,592**	82,899
Total shareholders' equity	**230,689**	214,970
Total liabilities and shareholders' equity	**395,130**	416,121

See accompanying notes to the consolidated financial statements

On behalf of the Board:

/s/ George Armoyan
Director

/s/ Blair Cook
Director

Clarke Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands of Canadian dollars, except per share amounts)

Years ended December 31,	**2023**	2022
	$	$
Revenue and other income		
Hotel and rental revenue	**65,242**	54,676
Provision of services	**8,249**	9,656
Investment and other income *(note 18)*	**3,989**	2,838
	77,480	67,170
Expenses *(note 19)*		
Operating expenses	**42,657**	35,356
Cost of services provided	**4,266**	4,558
General and administrative expenses	**3,827**	2,975
Property taxes and insurance	**4,251**	2,886
Depreciation and amortization	**10,179**	9,570
Interest and accretion *(note 20)*	**7,187**	6,495
	72,367	61,840
Income before income taxes	**5,113**	5,330
Provision for income taxes *(note 9)*	**1,689**	2,104
Net income	**3,424**	3,226
Basic and diluted earnings per share: *(note 17)*	**0.24**	0.23

See accompanying notes to the consolidated financial statements

Clarke Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars)

Years ended December 31,	**2023** **$**	2022 $
Net income	**3,424**	3,226
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement gains (losses) and effect of changes to asset ceiling on defined benefit pension plans, net of income tax *(notes 6 and 9)*	**4,628**	(18,115)
Revaluation gain on property and equipment, net of income tax *(notes 2, 7 and 9)*	**9,025**	24,163
Items that may be reclassified subsequently to profit or loss		
Unrealized gains on translation of net investment in foreign operations, net of income tax *(notes 8 and 9)*	**40**	852
Other comprehensive income	**13,693**	6,900
Comprehensive income	**17,117**	10,126

See accompanying notes to the consolidated financial statements

Clarke Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

Years ended December 31,	**2023**	2022
	$	$
OPERATING ACTIVITIES		
Net income	**3,424**	3,226
Adjustments for items not involving cash *(note 21)*	**9,659**	9,485
	13,083	12,711
Net change in non-cash working capital balances *(note 21)*	**(2)**	2,689
Additions to real estate inventory under development *(note 25)*	**(4,924)**	(11,998)
Net cash provided by operating activities	**8,157**	3,402
INVESTING ACTIVITIES		
Additions to property and equipment *(note 7)*	**(9,263)**	(7,453)
Additions to investment properties *(note 8)*	**(40,040)**	(24,388)
Disposal of joint operation interest, net of cash *(note 25)*	**15,863**	—
Distribution of pension plan surplus, net of income tax *(note 6)*	**1,049**	1,064
Net proceeds on disposition of investment properties *(note 8)*	**7,457**	376
Proceeds on disposition of marketable securities	**—**	3,025
Collection of loans receivable	**—**	2,491
Acquisition of hotel property *(note 5)*	**—**	(11,600)
Contribution to joint operation	**—**	(345)
Net cash used in investing activities	**(24,934)**	(36,830)
FINANCING ACTIVITIES		
Repurchase of shares for cancellation *(note 17)*	**(1,482)**	(3,775)
Redemption of convertible debentures *(note 12)*	**(34,916)**	(15,754)
Net proceeds (repayment) of short-term indebtedness *(note 10)*	**(22,323)**	26,086
Proceeds of long-term debt, net of financing fees *(note 13)*	**88,896**	13,727
Repayment of long-term debt *(note 13)*	**(13,404)**	(3,960)
Principal payments of lease obligations	**(155)**	(157)
Settlement of share-based liability	**—**	(72)
Net cash provided by financing activities	**16,616**	16,095
Net change in cash during the year	**(161)**	(17,333)
Cash, beginning of year	**1,090**	18,423
Cash, end of year	**929**	1,090

See accompanying notes to the consolidated financial statements

Clarke Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars)

Years ended December 31,	**2023**	2022
	$	$
Share capital		
Balance at beginning of year	**83,190**	85,218
Common shares issued on debenture conversion *(note 17)*	**84**	—
Common shares repurchased for cancellation *(note 17)*	**(700)**	(2,028)
Balance at end of year	**82,574**	83,190
Contributed surplus		
Balance at beginning and end of year	**7,302**	7,302
Retained earnings		
Balance at beginning of year	**41,579**	40,100
Net income	**3,424**	3,226
Purchase price in excess of the book value of common shares repurchased for cancellation *(note 17)*	**(782)**	(1,747)
Balance at end of year	**44,221**	41,579
Accumulated other comprehensive income		
Balance at beginning of year	**82,899**	75,999
Other comprehensive income	**13,693**	6,900
Balance at end of year	**96,592**	82,899
Total shareholders' equity	**230,689**	214,970

See accompanying notes to the consolidated financial statements

1. MATERIAL ACCOUNTING POLICIES

Nature of operations

Clarke Inc. ("the Company") was incorporated on December 9, 1997 pursuant to the Canada Business Corporations Act. The head office of the Company is located at 145 Hobsons Lake Drive, Halifax, Nova Scotia. The Company is an investment holding and real estate company with holdings in a diversified group of businesses and across real estate sectors. The Company operates primarily in Canada. The Company continually evaluates the acquisition, retention and disposition of its holdings and changes in its asset mix should be expected. These consolidated financial statements were approved by the Board of Directors on March 6, 2024.

Basis of presentation and statement of compliance

These consolidated financial statements of the Company and its subsidiaries were prepared with accounting standards in accordance with International Financial Reporting Standards ("IFRS" or "IFRS Accounting Standards") as issued by the International Accounting Standards Board. These consolidated financial statements were prepared on a going concern basis under the historical cost convention, as modified by the revaluation of any financial instruments, property and equipment and investment properties recorded at fair value.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The Company's significant subsidiary is Holloway Lodging Corporation ("Holloway"). All intercompany transactions have been eliminated on consolidation. All subsidiaries have the same reporting year-end as the Company, and all follow the same accounting policies.

The consolidated financial statements also included the Company's share of the assets, liabilities, revenues and expenses of its 1111 Atwater Avenue development joint operation in Montreal, QC ("1111 Atwater") for the period of ownership until its disposition during the year ended December 31, 2023 *(note 25)*.

Revenue recognition

Hotel and rental revenue

Hotel revenue is generated from room occupancy, food and beverage services, rental and ancillary services, and is presented net of the cost of hotel brand loyalty programs. Rental revenue is generated from leasing space for both residential and commercial purposes. The Company recognizes revenue when the services are provided to the customer and payment of the transaction price is due, as there are no further performance obligations to be satisfied at that point.

Provision of services

The Company generates revenue from investment management services to pension plans sponsored by the Company. Revenue is recognized as the services are rendered to the pension plans and payment of the transaction price is due. The total transaction price includes variable consideration based on returns achieved on the assets of the pension plans on an annual basis.

Revenue from the Company's ferry business is recognized upon provision of those services and customer acceptance of those services, as there are no further performance obligations to be satisfied at that point.

1. MATERIAL ACCOUNTING POLICIES (CONT'D)

Investment and other income

Interest income is recorded using the effective interest rate ("EIR") for all financial instruments measured at amortized cost.

Foreign currency translation

The Company's consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company. Each of the Company's subsidiaries determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. There were no non-monetary assets or liabilities denominated in foreign currencies as at December 31, 2023, in entities where the functional currency is Canadian dollars. All foreign exchange gains and losses are recorded in other income as incurred.

The assets and liabilities of subsidiaries for which the functional currency is not Canadian dollars, are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of earnings are translated at yearly average exchange rates. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of accumulated other comprehensive income relating to that particular foreign operation is recognized in the consolidated statements of earnings.

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute these amounts are those that are enacted or substantively enacted, at the reporting date in the jurisdictions where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in shareholders' equity is recognized in shareholders' equity and not within earnings. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

1. MATERIAL ACCOUNTING POLICIES (CONT'D)

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward amounts of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be generated against the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in shareholders' equity.

Property and equipment

Depreciation of property and equipment is provided on a straight-line basis from the date assets are ready to be put into service at rates which will amortize the carrying cost less residual value of the property and equipment over their estimated useful lives. Estimated useful lives and residual values are reviewed at least annually. The estimated useful lives of property and equipment are as follows:

Property and equipment class	Useful life
Buildings and components	15 – 60 years
Furniture, fixtures, and equipment	2 – 10 years
Ferry and vessel dry dock costs	3 – 5 years
Right-of-use assets	Term of the lease

Land is not amortized. Renovations in progress are amortized once they are put into use.

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, with the exception of land and buildings and components, which are accounted for using the revaluation model. Such costs include the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are expensed as incurred.

Under the revaluation model, increases in fair value are recorded in other comprehensive income except to the extent that they reverse a revaluation decrease previously recorded in the consolidated statement of earnings, in which case the reversal is recorded in the consolidated statement of earnings. Decreases in fair value are charged against other comprehensive income and the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset, and thereafter are recorded in the consolidated statement of earnings.

1. MATERIAL ACCOUNTING POLICIES (CONT'D)

Land and buildings and components are carried at fair value at the date of revaluation and subsequently depreciated until the next revaluation. The Company applies the net method for adjustment upon revaluation. The net method eliminates accumulated depreciation against the carrying amount of the asset and then revalues the net carrying amount.

Investment properties

Investment properties are held either to earn rental income, for capital appreciation (including future redevelopment) or both, but not for sale in the ordinary course of business. Investment properties are initially measured at cost, including transaction costs, and subsequently measured at fair value at each reporting date. The difference between the fair value at the reporting date and the carrying value is recognized in earnings. Under the fair value model, investment properties are not depreciated.

Investment properties under construction include costs that are directly attributable to the asset, including borrowing costs. These costs are capitalized when the activities necessary to prepare an asset for development begin and continue until the date that construction is substantially complete.

Financial instruments — initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IFRS 9 – *Financial Instruments* ("IFRS 9") are classified as financial assets at amortized cost; fair value through profit or loss ("FVTPL"); or fair value through other comprehensive income, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of investments not at FVTPL, directly attributable transaction costs. The Company's financial assets include cash, receivables and its loan receivable. Subsequent to initial recognition, all financial assets are carried at amortized cost.

Subsequent measurement

Financial assets at FVTPL

Financial assets at FVTPL are carried at fair value with changes in fair value recognized in earnings.

Impairment of financial assets at amortized cost

The Company has elected to use the simplified approach to measure expected credit losses for its receivables which uses a lifetime expected impairment approach. Impairment provisions on receivables are based on credit risk characteristics and days past due, while an impairment provision on the loan receivable is based on the credit risk characteristics, collateral and speculative and non-speculative historical default rates. These assets are written off if there is no reasonable expectation of recovery.

1. MATERIAL ACCOUNTING POLICIES (CONT'D)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at FVTPL, or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of financial liabilities recognized at amortized cost, plus directly attributable transaction costs. The Company's financial liabilities at December 31, 2023 include short-term indebtedness, accounts payable and other liabilities and long-term debt, all of which are measured at amortized cost.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of earnings when the liabilities are derecognized as well as through the EIR method amortization process.

Derecognition and modification

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, such an exchange is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in earnings. If the change of terms is not substantial and is considered a debt modification of the financial liability, the carrying amount of the existing debt liability is adjusted to reflect the revised estimated cash flow payments discounted using the original EIR. The adjustment is recognized as a modification gain or loss in earnings.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if there is an unconditional and currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market last bid price, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

1. MATERIAL ACCOUNTING POLICIES (CONT'D)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in earnings.

Per share information

Basic earnings per share is calculated based on net income using the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated based on the weighted average number of common shares that would have been outstanding during the year, including adjustments for dilutive instruments.

Pensions and other post-employment benefits

The Company has two defined benefit pension plans covering full-time employees who commenced employment before September 2003. One plan is federally regulated by the Office of the Superintendent of Financial Institutions and one plan is provincially regulated by Retraite Québec. For certain other employees, the Company has an RRSP plan and a defined contribution pension plan. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Remeasurement gains and losses and the effect of the limit on the asset ceiling of the defined benefit plans are included in other comprehensive income. The past service costs, current service costs, net interest on surplus and non-investment management fees are recognized as an expense in earnings. The defined benefit asset comprises the fair value of plan assets less the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds). Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. The value of any defined benefit asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Investment entity

IFRS 10 – *Consolidated Financial Statements* defines investment entities, and it allows entities to measure their subsidiaries at FVTPL instead of consolidating the results. Management has assessed the standard and determined that the Company does not meet all criteria outlined in IFRS 10 in order for a parent to be considered an investment entity. The Company consolidates all of its controlled investments.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be met. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recorded as a reduction to the cost of the asset. When the Company receives non-monetary grants, no amounts are recorded in the consolidated statements of earnings as the grants are for consumables in the Company's operations.

1. MATERIAL ACCOUNTING POLICIES (CONT'D)

Joint arrangements

A joint arrangement is defined as an arrangement over which two or more parties have joint control, which is the contractually agreed sharing of control over said arrangement. This exists only when the decisions about the arrangement require the unanimous consent of the parties sharing control. There are two types of joint arrangements: joint ventures and joint operations.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Investments in joint ventures are accounted for using the equity method as described in IAS 28 – *Investments in Associates and Joint Ventures.* A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Company recognized its share of any assets, liabilities, revenues and expenses of the joint operation based on its ownership interest.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at each reporting period. However, uncertainty about these judgements, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Valuation of property and equipment

Land and buildings and components are revalued on a sufficiently regular basis using third party offers, internal models or external appraisals, when available, so that the carrying amount of an asset does not differ materially from its fair value at each reporting date. The Company has established a methodology to evaluate when circumstances indicate that the carrying amount may differ materially from its fair value, which include: significant changes in operating performance, economic activity, regional development opportunities and changing competition in the markets in which each property operates.

The Company performed a revaluation analysis on its hotels during the year using external appraisals, management's knowledge of various markets and capitalization rates obtained from independent third parties. The Company obtained nine external appraisals which resulted in four hotels with revaluation increases, two hotels with revaluation decreases and three hotels with no change in value. Two additional hotel properties were revalued using an income capitalization model prepared internally. Significant assumptions used in the internal income capitalization model included budgeted cash flow forecasts for 2024 and capitalization rates. The capitalization rates used ranged from 6.25% to 11.50%. If the capitalization rates were 0.25% higher/lower, the estimated fair value would result in a change of $1,000 to property and equipment. Based on the Company's methodology, the remaining five hotels did not require a revaluation.

In aggregate, a revaluation increase of $19,800 was recorded on six hotels and a revaluation decrease of $3,700 was recorded on two hotels. Property and equipment increased by $16,100, with a net increase of $11,800 included in other comprehensive income and a net increase of $4,300 recorded in earnings.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

During the year ended December 31, 2022, the Company used a combination of external appraisals, comparable hotel sales prices and professional judgement to revalue its hotel portfolio. Property and equipment was increased by $32,900 as a result of these revaluations. An increase of $1,300 was recorded in earnings and an increase of $31,600 was recorded in other comprehensive income.

Fair value of investment properties

The Company's significant investment properties as at December 31, 2023, consisted of one office building, a multi-building residential rental complex under construction and a residential rental building.

During the year, the Company sold two of its three investment properties located in Houston, TX. These investment properties were remeasured at their fair value less costs to sell, resulting in a fair value decrease of $4,289 being recorded. The Company also evaluated whether these purchase prices were indicative of the fair value of the Company's remaining Houston, TX investment property. Using management's professional judgement and expertise, the Company estimated the value of this remaining investment property and recorded a fair value decrease of $3,480. The aggregate of these fair value decreases and the eventual realized loss on the Company's investment properties was $7,837 and is included in investment and other income in the consolidated statements of earnings.

Changes to the fair value of the Company's investment properties may occur periodically, based on operating performance, economic activity, regional development opportunities and new competition in the markets in which they operate.

Pension benefits and asset ceiling

The costs of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Management is also required to make certain assumptions regarding the quantification of the asset ceiling, which impacts the accrued pension benefit asset recorded on the consolidated statements of financial position.

(in thousands of Canadian dollars, except per share amounts)

3. RECEIVABLES

	2023 **$**	2022 $
Receivables from sales and services	**2,708**	5,881
Less: expected credit losses	**(39)**	(54)
Receivables from sales and services – net	**2,669**	5,827
Sales tax receivables	**807**	1,082
Other receivables	**481**	1,132
	3,957	8,041

4. OTHER ASSETS

	2023 **$**	2022 $
Inventories	**86**	119
Prepaid expenses, deposits and other	**791**	1,318
Loan receivable *(note 25)*	**9,733**	—
Franchise fees and other intangible assets	**157**	186
Total other assets	**10,767**	1,623
Less: other assets – current	**(10,567)**	(1,303)
Other assets – long-term	**200**	320

The Company's loan receivable bears interest at 17.00% and is due from a co-investor in the 1111 Atwater development. Interest is paid monthly and principal payments of $500 are due in certain months until the loan's maturity on September 30, 2024. The loan is secured by the borrower's 50% share of the 1111 Atwater development.

5. HOTEL ACQUISITION

On June 13, 2022, the Company acquired the Stanford Inn & Suites in Grande Prairie, AB, for a gross purchase price of $11,600, which was paid in cash and by drawing on the Company's revolving credit facilities. The following table summarizes the fair value of the assets acquired:

	$
Land	3,700
Buildings and components	6,400
Furniture, fixtures and equipment	1,462
Inventory	38
Assets acquired, at fair value	**11,600**

(in thousands of Canadian dollars, except per share amounts)

6. EMPLOYEE FUTURE BENEFITS

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes annually. The Company has two registered defined benefit plans ("the Plans"). The most recent actuarial valuations for funding purposes were completed for the Plans as at December 31, 2022 and December 31, 2020, respectively.

During the year ended December 31, 2023, the Company received a distribution from one of its Plans in the amount of $1,427 (2022 – $1,447) in accordance with the surplus withdrawal rules of the Quebec Supplemental Pension Plans Act.

During the year ended December 31, 2023, one of the Plans purchased a group buy-out annuity for its members for a cash outlay of $4,482.

The Company manages a portion of the Plans' investment portfolio. The Company earns administration and management fees that include an annual performance fee if returns on plan assets exceed certain thresholds.

Defined benefit plan assets

Fair value of plan assets	**2023** **$**	2022 $
Balance, beginning of year	**114,183**	104,362
Interest income	**5,494**	2,961
Employee contributions	**3**	2
Benefits paid	**(1,958)**	(2,037)
Non-investment management fees	**(341)**	(345)
Remeasurement gains (losses)	**(2,380)**	10,687
Surplus distribution	**(1,427)**	(1,447)
Purchase of group buy-out annuity	**(4,482)**	—
Balance, end of year	**109,092**	114,183

Defined benefit plan obligation

Accrued benefit obligation	**2023** **$**	2022 $
Balance, beginning of year	**38,778**	50,056
Current service cost	**365**	471
Interest cost	**1,797**	1,436
Employee contributions	**3**	2
Benefits paid	**(1,958)**	(2,037)
Remeasurement (gains) losses	**2,104**	(11,150)
Settlements	**425**	—
Purchase of group buy-out annuity	**(4,482)**	—
Balance, end of year	**37,032**	38,778

(in thousands of Canadian dollars, except per share amounts)

6. EMPLOYEE FUTURE BENEFITS (CONT'D)

Reconciliations of the funded status of the benefit plans to the amounts recorded on the consolidated statements of financial position are:

	2023	2022
	$	$
Fair value of plan assets	**109,092**	114,183
Accrued benefit obligation	**(37,032)**	(38,778)
Funded status	**72,060**	75,405
Impact of asset ceiling, excluding interest	**(35,945)**	(46,775)
Interest on asset ceiling	**(2,363)**	—
Accrued pension benefit asset	**33,752**	28,630

Elements of the defined benefit recovery recognized in earnings are as follows:

Years ended December 31,	**2023**	2022
	$	$
Current service cost	**(365)**	(471)
Net interest on surplus	**1,335**	1,525
Provision for non-investment management fees	**(341)**	(345)
Past service cost	**(425)**	—
Defined benefit recovery	**204**	709

Elements of the defined benefit recovery (expense) recognized in other comprehensive income are as follows:

Years ended December 31,	**2023**	2022
	$	$
Remeasurement gains (losses) and return on plan assets in excess of discount rate	**(4,484)**	21,837
Impact of asset ceiling recognized in other comprehensive income	**10,830**	(46,775)
Deferred income tax recovery (expense)	**(1,718)**	6,823
Defined benefit recovery (expense)	**4,628**	(18,115)

Significant assumptions

	2023	2022
	%	%
Accrued benefit obligation:		
Discount rate	**4.60**	5.05
Rate of compensation increase	**2.50 – 4.00**	2.50 – 4.00
Benefit costs for the year:		
Discount rate	**5.05**	2.90
Rate of compensation increase	**2.50 – 4.00**	2.50 – 4.00

(in thousands of Canadian dollars, except per share amounts)

7. PROPERTY AND EQUIPMENT

Year ended December 31, 2023	**Land $**	**Buildings and components $**	**Ferry and vessel dry dock costs $**	**Furniture, fixtures and equipment $**	**Right-of-use assets $**	**Renovations in progress $**	**Total $**
Beginning balance	**49,207**	**160,491**	**101**	**9,097**	**430**	**2,378**	**221,704**
Additions	**—**	**2,676**	**—**	**2,525**	**—**	**6,003**	**11,204**
Disposals	**—**	**—**	**—**	**(5)**	**—**	**—**	**(5)**
Revaluations *(note 2)*	**2,415**	**13,685**	**—**	**—**	**—**	**—**	**16,100**
Transfers to investment properties *(note 8)*	**(20,133)**	**(7,650)**	**—**	**(1,574)**	**—**	**(2,547)**	**(31,904)**
Transfers	**—**	**2,130**	**—**	**2,280**	**—**	**(4,410)**	**—**
Depreciation	**—**	**(7,412)**	**(35)**	**(2,646)**	**(80)**	**—**	**(10,173)**
Ending balance	**31,489**	**163,920**	**66**	**9,677**	**350**	**1,424**	**206,926**
Valuation	**31,489**	**168,869**	**—**	**—**	**—**	**—**	**200,358**
Cost, net	**—**	**—**	**4,795**	**24,301**	**738**	**1,424**	**31,258**
Accumulated depreciation	**—**	**(4,949)**	**(4,729)**	**(14,624)**	**(388)**	**—**	**(24,690)**
Net book value	**31,489**	**163,920**	**66**	**9,677**	**350**	**1,424**	**206,926**

Year ended December 31, 2022	Land $	Buildings and components $	Ferry and vessel dry dock costs $	Furniture, fixtures and equipment $	Right-of-use assets $	Renovations in progress $	Total $
Beginning balance	40,572	126,123	—	7,000	507	4,595	178,797
Additions, net	3,700	7,713	138	3,509	—	4,488	19,548
Disposals	—	—	—	(3)	—	—	(3)
Revaluations *(note 2)*	4,935	27,965	—	—	—	—	32,900
Transfers	—	5,089	—	1,616	—	(6,705)	—
Depreciation	—	(6,399)	(37)	(3,025)	(77)	—	(9,538)
Ending balance	49,207	160,491	101	9,097	430	2,378	221,704
Valuation	49,207	160,491	—	—	—	—	209,698
Cost, net	—	—	4,795	21,937	738	2,378	29,848
Accumulated depreciation	—	—	(4,694)	(12,840)	(308)	—	(17,842)
Net book value	49,207	160,491	101	9,097	430	2,378	221,704

As at December 31, 2023, the net book value of the Company's land and buildings and components would have been $24,079 and $122,158 respectively, had the Company used the cost model, and the net book value of property and equipment would have been $159,254.

Additions for the year ended December 31, 2022 are net of $1,700 in government grants.

(in thousands of Canadian dollars, except per share amounts)

8. INVESTMENT PROPERTIES

Year ended December 31, 2023	**Buildings $**	**Vacant land $**	**Under construction $**	**Total $**
Beginning balance	**18,431**	**45**	**62,409**	**80,885**
Additions	**195**	**—**	**40,875**	**41,070**
Disposals	**(7,508)**	**—**	**—**	**(7,508)**
Fair value adjustments *(note 2)*	**(7,834)**	**—**	**—**	**(7,834)**
Transfers from property and equipment	**10,575**	**—**	**21,329**	**31,904**
Foreign exchange impact	**(31)**	**—**	**—**	**(31)**
Ending balance	**13,828**	**45**	**124,613**	**138,486**

Year ended December 31, 2022	Buildings $	Vacant land $	Under construction $	Total $
Beginning balance	17,010	167	31,672	48,849
Additions	345	—	30,737	31,082
Disposals	—	(122)	—	(122)
Foreign exchange impact	1,076	—	—	1,076
Ending balance	18,431	45	62,409	80,885

Additions in the year ended December 31, 2023 are primarily for the Carling Avenue Development in Ottawa, ON (the "Carling Avenue Development"). These additions include capitalized borrowing costs of $1,313 (2022 – $387).

During the year ended December 31, 2023, Holloway sold two of its three investment properties located in Houston, TX to unrelated third parties for total net proceeds of $7,457.

During the year ended December 31, 2023, the Company transferred two assets from property and equipment to investment properties upon changes in their use. One asset is a hotel that was converted to a residential investment property and one asset is the land value of a former hotel in the process of being demolished, which will be developed as part of the Carling Avenue Development. The components of this former hotel other than land have been fully amortized.

9. INCOME TAXES

The provision for income taxes for the years ended December 31 consists of:

Consolidated statements of earnings	**2023 $**	2022 $
Current income tax		
Current income tax charge	**—**	333
Adjustments in respect of current income tax of previous year	**(1,879)**	81
Deferred income tax		
Relating to origination and reversal of temporary differences	**2,617**	2,071
Relating to the change in recoverable amount of a deferred income tax asset	**951**	(381)
Provision for income taxes	**1,689**	2,104

(in thousands of Canadian dollars, except per share amounts)

9. INCOME TAXES (CONT'D)

The provision for income taxes varies from the expected provision at statutory rates for the following reasons:

	2023 $	2022 $
Provision of income taxes at statutory rate of 27.07% (2022 – 27.14%)	**1,384**	1,447
Increase (decrease) from statutory rate:		
Effect of difference in statutory rates of subsidiaries	**287**	57
Non-taxable component of realized/unrealized investment gains	**(124)**	90
Non-taxable and non-deductible expenses	**(51)**	(43)
Benefit of previously unrecognized deferred income tax asset	**458**	435
Effect of prior year tax adjustments	**(168)**	74
Other	**(97)**	44
Provision for income taxes at effective rate	**1,689**	2,104

The significant components of the Company's deferred income tax assets and liabilities are as follows:

Year ended December 31, 2023	**Deferred income tax asset (liability) beginning of year $**	**Recognized directly in equity $**	**Recognized directly in earnings $**	**Deferred income tax asset (liability) end of year $**
Intangible assets	**(579)**	—	**574**	**(5)**
Marketable securities	**8**	—	—	**8**
Property and equipment and investment properties	**(605)**	**(2,775)**	**(1,598)**	**(4,978)**
Employee future benefits	**(7,771)**	**(1,718)**	**354**	**(9,135)**
Long-term debt	**(45)**	—	**107**	**62**
Losses carried forward	**5,081**	—	**(3,004)**	**2,077**
Other	**42**	**68**	**(1)**	**109**
	(3,869)	**(4,425)**	**(3,568)**	**(11,862)**
Deferred income tax assets	**3,730**	**(1,741)**	**(1,859)**	**130**
Deferred income tax liabilities	**(7,599)**	**(2,684)**	**(1,709)**	**(11,992)**
	(3,869)	**(4,425)**	**(3,568)**	**(11,862)**

Year ended December 31, 2022	Deferred income tax asset (liability) beginning of year $	Recognized directly in equity $	Recognized directly in earnings $	Deferred income tax asset (liability) end of year $
Intangible assets	136	—	(715)	(579)
Marketable securities	(33)	—	41	8
Property and equipment and investment properties	7,767	(7,682)	(690)	(605)
Employee future benefits	(14,795)	6,823	201	(7,771)
Long-term debt and debentures	(103)	—	58	(45)
Losses carried forward	5,638	—	(557)	5,081
Other	50	20	(28)	42
	(1,340)	(839)	(1,690)	(3,869)
Deferred income tax assets	13,452	6,706	(16,428)	3,730
Deferred income tax liabilities	(14,792)	(7,545)	14,738	(7,599)
	(1,340)	(839)	(1,690)	(3,869)

(in thousands of Canadian dollars, except per share amounts)

9. INCOME TAXES (CONT'D)

The ultimate realization of deferred income tax assets is dependent upon taxable income during the periods in which those temporary differences become deductible. In concluding that it is probable that the recorded deferred income tax assets will be realized, management has relied upon existing taxable temporary differences, expected generation of taxable income and tax planning opportunities as support for the recorded amounts.

As at December 31, 2023, there was no deferred income tax asset recognized for deductible temporary differences related to undistributed profits of certain of the Company's subsidiaries as the Company is able to control and determine whether to, and the method for distributing, those profits and has determined that those deductible temporary differences will not reverse in the foreseeable future. The deductible temporary differences associated with investments in subsidiaries for which a deferred income tax asset has not been recognized aggregate to $24,519 (2022 – $7,805).

As at December 31, 2023, the Company had non-capital losses carried forward for tax purposes of $8,022 (2022 – $17,018) in Canada and US$18,455 (2022 – US$14,985) in the United States.

Certain deferred income tax assets have not been recognized:

	2023	2022
	$	$
Property and equipment	**613**	1,401
Non-capital loss carry forwards	**5,231**	3,543
Total	**5,844**	4,944

10. SHORT-TERM INDEBTEDNESS

The Company has two secured credit facilities with Canadian chartered banks. The borrowing capacity of the first credit facility is determined by a borrowing base calculation, subject to a maximum of $55,000, which was increased from $40,000 during 2023. This credit facility bears interest at prime plus 1.50% or based on a spread to banker's acceptance. As of December 31, 2023, the Company had drawn $3,763 on this facility (2022 – $18,086), and the borrowing base yielded a maximum draw of $47,761 (2022 – $40,000). The aggregate carrying value of the six hotel properties, one investment property, and ferry operations securing this facility is $80,790.

The Company has a second credit facility with a maximum borrowing capacity of $30,000, which was increased from $15,000 during 2023. This credit facility bears interest at prime plus 1.00%. As of December 31, 2023, the Company had not drawn on this facility (2022 – $8,000). This facility, and a corresponding term loan *(note 13)*, are secured by five hotel properties with a carrying value of $88,062.

Both secured credit facilities are subject to an annual review and are due on demand. Any decline in the fair value or the profitability of the pledged assets may limit the Company's access to the full amount of these credit facilities.

(in thousands of Canadian dollars, except per share amounts)

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2023	2022
	$	$
Accounts payables	**11,427**	10,802
Accrued liabilities	**14,846**	12,169
Deposits	**—**	2,339
	26,273	25,310

At December 31, 2022, the Company had $7,035 of construction accounts payable due under terms lasting more than one year, which were presented as long-term on the statement of financial position. At December 31, 2023, the Company did not have construction accounts payable with terms lasting more than one year.

12. CONVERTIBLE DEBENTURES

	2023	2022
	$	$
Beginning balance	**34,146**	49,268
Accretion	**61**	235
Conversion to common shares	**(84)**	—
Face value of debentures redeemed	**(34,916)**	(15,754)
Loss on modification and redemption	**793**	397
Ending balance	**—**	34,146

On July 28, 2023, the Company redeemed all of the remaining debentures from the debenture holders. The cash outlay was $35,384 including $468 of accrued interest and the Company recorded a net loss of $793 on the redemption. The debentures bore interest at 6.25%, were traded under the symbol CKI.DB and were convertible at a conversion price of $13.74 per Clarke Inc. common share.

On October 31, 2022, the Company redeemed $15,754 of its debentures from the debenture holders on a pro rata basis. The cash outlay was $16,247 including $493 of accrued interest. The Company recorded a net loss of $397 on the redemption.

13. LONG-TERM DEBT

On October 30, 2023, the Company extended a loan facility comprised of a $25,000 term loan and a $30,000 revolving line of credit *(note 10),* (the "Combined Facility"). The term loan was extended for four years and matures in November 2027, has a fixed interest rate of 6.95% and a 25-year amortization period. The Combined Facility is secured by five hotels.

On June 28, 2023, the Company entered into a $35,000 unsecured credit facility with a related party, which was used to finance the redemption of the Company's debentures. This facility bears interest at 6.00% and has interest-only payments until January 1, 2028, whereby afterwards the facility will continue as a revolving line of credit, due on demand.

On February 9, 2023, using its revolving credit facilities, the Company repaid a term loan of $11,042, which was secured at the time by a second lien on five hotels and three investment properties.

On October 4, 2022, the Company entered into a $85,000 construction credit facility for the Carling Avenue Development. The facility is available to the Company as construction costs are incurred, bears interest at the lender's prime rate and has a three-year term.

(in thousands of Canadian dollars, except per share amounts)

13. LONG-TERM DEBT (CONT'D)

On April 8, 2022, the Company renewed a mortgage payable of $14,649 with a fixed interest rate of 4.55%. The renewed mortgage has a fixed interest rate of 3.91%, a fifteen-year amortization period, a five-year term and matures in April 2027. The mortgage is secured by two hotels.

	2023 **$**	2022 $
Mortgages payable, with a face value of $45,722, bearing interest at a weighted average rate of 5.47% and maturing on various dates from February 2025 to February 2030. Individual first charges on nine hotel properties and one investment property with a carrying value of $139,591 have been pledged as security for individual mortgages.	**45,708**	42,039
Unsecured credit facility due to a related party, with a maximum borrowing limit of $35,000, bearing interest at 6.00% *(note 14)*.	**35,000**	—
Construction mortgage, with a maximum borrowing limit of $85,000, bearing interest at the lender's prime rate, secured by the Carling Avenue Development.	**41,313**	—
Term loan, bearing interest at prime plus 1.50%, secured at the time by a second lien on five hotels and three investment properties.	—	11,135
Construction mortgage payable in joint operation, derecognized upon disposition (*notes 16 and 25*).	—	45,178
Total long-term debt	**122,021**	98,352
Less: current portion of long-term debt	**(1,845)**	(77,423)
Long-term portion	**120,176**	20,929

The following table summarizes the significant changes in long-term debt:

	2023 **$**	2022 $
Total long-term debt – beginning balance	**98,352**	86,516
Proceeds of long-term debt, net of financing fees	**88,896**	13,727
Repayment of long-term debt	**(13,404)**	(3,960)
Derecognition of long-term debt on disposition (*notes 16 and 25*)	**(52,965)**	—
Capitalized interest on construction mortgage	**1,091**	2,034
Accretion	**51**	35
Total long-term debt – ending balance	**122,021**	98,352

(in thousands of Canadian dollars, except per share amounts)

14. RELATED PARTY DISCLOSURES

The Company had, other than those disclosed elsewhere in these consolidated financial statements, the following related party transactions in the normal course of operations and measured at fair value:

(i) The Company was a party to rental and information technology agreements with companies owned by the Company's Chairman and his immediate family member. During 2023, the Company incurred $287 (2022 – $310) under these agreements.

(ii) The Company provided administrative and asset management services to the Plans and charged $910 for services during the year ended December 31, 2023 (2022 – $2,170).

(iii) The Company provided and received services with entities owned by the Company's Chairman and his immediate family member with a fair value of $277 (2022 – $197). The Company provided hotel management services in exchange for receiving legal, accounting, tax, construction, and pre-construction consulting services.

(iv) During the year ended December 31, 2023, the Company entered into a 6.00%, $35,000 unsecured credit facility with an entity owned by the Company's Chairman and his immediate family member. Interest incurred in the year on this credit facility was $909.

(v) During the year ended December 31, 2022, the Company sold marketable securities and loans receivable totalling $5,266 to the Plans.

Key management consists of the directors and officers of the Company. The compensation expensed is as follows:

Year ended December 31, 2023	**Directors** **$**	**Officers** **$**	**Total** **$**
Salary and fees	**126**	**400**	**526**
Pension value	**300**	**7**	**307**
Total	**426**	**407**	**833**

15. LONG-TERM INCENTIVES

Effective January 1, 2022, long-term incentive compensation consisted of units of the Company (the "Units"). The Units were intended to incentivize certain employees in a similar manner as a cash-settled stock option. These units were cancelled in the year ended December 31, 2023.

16. COMMITMENTS

Under the terms of the Company's hotel franchise agreements, which expire at various dates through to 2042, franchise fees are due to franchise companies on all but two of the Company's hotels. The franchise fees paid to franchisors are a function of hotel revenue.

The Company remains a guarantor on the construction loan of the 1111 Atwater development for an aggregate amount of $27,700 *(notes 13, 23 and 25)*. The Company has an indemnity agreement with its former partners for this guarantee until it is released. The Company expects the guarantee to be released in 2024.

17. SHARE CAPITAL AND EARNINGS PER SHARE

As at and for the year ended December 31,	**2023**		2022	
	# of shares	**$**	# of shares	$
Authorized				
Unlimited number of common shares – no par value				
Unlimited number of first preferred shares				
Unlimited number of second preferred shares				
Issued				
Outstanding common shares, beginning of year	**14,069,144**	**83,190**	14,411,969	85,218
Common shares issued upon conversion of debentures	**6,113**	**84**	—	—
Common shares repurchased for cancellation	**(116,100)**	**(700)**	(342,825)	(2,028)
Outstanding common shares, end of year	**13,959,157**	**82,574**	14,069,144	83,190

Earnings per share

	2023			2022		
	Earnings $	**Weighted average shares (in thousands) #**	**Per share amount $**	Earnings $	Weighted average shares (in thousands) #	Per share amount $
Basic and diluted earnings per share	**3,424**	**14,004**	**0.24**	3,226	14,238	0.23

As of December 31, 2023, the Company did not have any potentially dilutive instruments issued. The debentures, which were redeemed in the year ended December 31, 2023, were anti-dilutive for the year ended December 31, 2022.

Common share activity

During the year ended December 31, 2023, the Company purchased for cancellation 116,100 (2022 – 342,825) common shares at a cost of $1,482 (2022 – $3,775). The purchase price in excess of the historical book value of the shares in the amount of $782 (2022 – $1,747) has been charged to retained earnings, and $700 (2022 – $2,028) has been charged to share capital. The common share repurchases in the years ended December 31, 2023, and 2022 were completed under the Company's normal course issuer bids.

(in thousands of Canadian dollars, except per share amounts)

18. INVESTMENT AND OTHER INCOME

Investment and other income is comprised of the following:

	2023 **$**	2022 $
Fair value adjustments and realized gains (losses) on investment properties *(note 2)*	**(7,837)**	254
Revaluation gain on hotel properties *(note 2)*	**4,300**	1,300
Realized gain on disposal of joint operation *(note 25)*	**8,116**	—
Interest income	**4**	670
Pension recovery *(note 6)*	**204**	709
Loss on disposal of property and equipment	**(5)**	(3)
Loss on redemption of debentures *(note 12)*	**(793)**	(397)
Foreign exchange gains	**—**	240
Unrealized losses on marketable securities	**—**	(322)
Realized gains on marketable securities	**—**	387
	3,989	2,838

19. EXPENSES BY NATURE

A summary of operating expenses, costs of services provided, general and administrative expenses, and property taxes and insurance is presented below:

	2023 **$**	2022 $
Salaries, wages and employee benefits *	**25,036**	18,610
Materials, supplies, repairs and utilities *	**15,414**	15,207
Food, beverage and service costs	**2,746**	2,745
Royalty and franchise fees	**2,900**	2,558
Property taxes *	**3,341**	2,227
Other general and administrative *	**2,844**	1,792
Professional fees	**1,111**	1,347
Information technology and support	**693**	617
Insurance *	**916**	672
	55,001	45,775

* During the year ended December 31, 2022, the Company recognized $4,147 of government grants which were recognized as reductions to the above expenses.

20. INTEREST AND ACCRETION

Interest and accretion expense is comprised of the following:

	2023 **$**	2022 $
Interest on short-term indebtedness	**2,590**	525
Interest on long-term debt and debentures	**4,487**	5,596
Accretion	**110**	374
	7,187	6,495

(in thousands of Canadian dollars, except per share amounts)

21. SUPPLEMENTAL CASH FLOW INFORMATION

Adjustments for items not involving cash	2023 $	2022 $
Depreciation and amortization	**10,179**	9,570
Revaluation gain on hotel properties *(note 2)*	**(4,300)**	(1,300)
Fair value adjustments and realized losses (gains) on investment properties *(note 2)*	**7,837**	(254)
Gain on disposition of joint operation *(note 25)*	**(8,116)**	—
Deferred income tax expense *(note 9)*	**3,568**	1,690
Non-cash long-term incentive expense (recovery)	**(213)**	123
Accretion	**110**	270
Realized/unrealized foreign exchange gains	**—**	(240)
Pension recovery *(note 6)*	**(204)**	(709)
Loss on disposal of property and equipment	**5**	3
Loss on modification and redemption of debentures *(note 12)*	**793**	397
Realized/unrealized gains on marketable securities *(note 18)*	**—**	(65)
	9,659	9,485

Net change in non-cash working capital balances	2023 $	2022 $
Receivables	**885**	1,492
Other assets	**458**	686
Accounts payable and other liabilities	**523**	1,856
Income taxes payable	**(1,868)**	(1,345)
	(2)	2,689

	2023 $	2022 $
Income taxes paid	**356**	1,770
Interest received	**4**	859
Interest paid	**8,489**	6,600

22. CAPITAL DISCLOSURES

The Company's capital consists of shareholders' equity and interest-bearing debt. The objectives of the Company's capital management program are to maintain a level of capital that complies with existing debt covenants, optimizes the cost of capital, funds its business strategies, provides returns to shareholders and builds long-term shareholder value. To maintain or adjust its capital structure, the Company may, from time to time, issue new shares, issue new debt, repurchase existing debt or shares and/or adjust the amount of dividends paid to shareholders. At December 31, 2023 and 2022, all covenants were in compliance.

(in thousands of Canadian dollars, except per share amounts)

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying value of the Company's cash, receivables, loan receivable, short-term indebtedness and accounts payable and other liabilities approximates their fair value due to the short-term maturity of these instruments.

The fair value of long-term debt is determined using internal valuation techniques which incorporate the discounted future cash flows using discount rates that reflect current market conditions for debt instruments with similar interest rates, terms and risk. The fair values do not necessarily represent the amounts the Company might pay in actual market transactions. The carrying value and fair value of the Company's outstanding long-term debt at December 31, 2023 was $122,021 and $118,630 (2022 – $98,352 and $96,377), respectively.

The Company uses the following hierarchy in attempting to maximize the use of observable inputs and minimize the use of unobservable inputs, primarily using market prices in active markets:

Level 1 – Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing on an ongoing basis.

Level 2 – Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable that can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following details the fair value hierarchy classification for the Company's assets carried at fair value on the consolidated statements of financial position:

	Fair value at December 31, 2023			
	Total	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
Property and equipment	**195,409**	—	—	**195,409**
Investment properties	**138,486**	—	—	**138,486**
Total assets	**333,895**	—	—	**333,895**

	Fair value at December 31, 2022			
	Total	Level 1	Level 2	Level 3
	$	$	$	$
Property and equipment	209,698	—	—	209,698
Investment properties	80,885	—	—	80,885
	290,583	—	—	290,583

Risks associated with financial assets and liabilities

The Company is exposed to various financial risks arising from its financial assets and liabilities. These include market risk, liquidity risk and credit risk. To manage these risks, the Company performs detailed risk assessment procedures at the individual investment level, under the framework of a global risk management philosophy.

(in thousands of Canadian dollars, except per share amounts)

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is typically comprised of equity price risk, interest rate risk and foreign exchange risk. Given the Company's holdings at December 31, 2023, equity price risk and foreign exchange risk are considered insignificant.

Interest rate risk

The Company is exposed to interest rate risk on its lending and borrowing activities. It manages its exposure to interest rate risk by primarily using fixed rate debt or debt with a fixed-rate option, so cash flows are not impacted significantly by a change in interest rates. The weighted average interest rate on its long-term debt is 6.28% with a weighted average maturity of approximately 3.1 years.

The Company has one construction loan and two revolving credit facilities that use floating rates. At December 31, 2023, the after-tax, annualized net income effect of a 1% change in interest rates would have been $328 on floating rate debt of $45,076.

Credit risk

Credit risk refers to the risk that a counterparty will fail to fulfill its obligations under a contract and, as a result, will cause the Company to suffer a loss. This risk is mitigated through credit policies that limit transactions according to counterparties' credit quality. The Company assesses the credit quality of all counterparties, considering their financial position, past experience and other factors. The maximum exposure to credit risk associated with financial assets is the total carrying value of the Company's loan receivable and receivables.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company believes it has access to sufficient capital through cash on hand, operating cash flows and existing or other borrowing facilities to meet these obligations. The Company monitors and forecasts its cash balances and cash flows generated from operations to meet its required obligations. As at December 31, 2023, the Company had cash on-hand of $929 and available undrawn revolving facilities of $73,998.

The Company remains a guarantor on a construction loan of a former joint operation *(notes 13 and 16).*

The following table shows the current timing of contractual payments of the Company's liabilities:

	Due within 1 year $	1 to 3 years $	3 to 5 years $	After 5 years $
Accounts payable and other liabilities	**26,273**	—	—	—
Short-term indebtedness	**3,763**	—	—	—
Lease obligations	**149**	**209**	**183**	—
Long-term debt	**1,845**	**44,993**	**74,707**	**489**
Interest on long-term debt	**4,632**	**8,658**	**3,675**	**12**
	36,662	**53,860**	**78,565**	**501**

(in thousands of Canadian dollars, except per share amounts)

24. SEGMENTED INFORMATION

The Company operates in two reportable business segments. The Investment segment represents the Company's ferry business, investment properties and until its disposition, the 1111 Atwater development. The Hospitality segment consists of the Company's ownership, management and operation of hotels. The Other category is not a segment and is disclosed for reconciliation purposes. The Other category consists of the Company's treasury and executive functions, its unsecured credit facility, pension plans and the debentures until their redemption. Revenue in the Other category is primarily investment management fees.

Transactions between the segments are recorded at fair value, which is the amount of consideration established and agreed to by management. Reconciling items represent eliminations for services provided between the segments.

The Company operates predominantly in Canada, with the exception of its remaining investment property located in the United States. All material hotel and rental revenue and provision of services was generated by continuing operations in Canada for the years ended December 31, 2023 and 2022.

Year ended December 31, 2023	**Investment $**	**Hospitality $**	**Other $**	**Eliminations $**	**Total $**
Revenue and other income:					
Hotel and rental revenue and provision of services	**8,398**	**64,207**	**910**	**(24)**	**73,491**
Investment and other income (loss)	**279**	**4,295**	**(585)**	**—**	**3,989**
	8,677	**68,502**	**325**	**(24)**	**77,480**
Operating expenses before the undernoted	**9,820**	**42,507**	**2,698**	**(24)**	**55,001**
Depreciation and amortization	**59**	**10,049**	**71**	**—**	**10,179**
Interest and accretion	**—**	**5,014**	**2,173**	**—**	**7,187**
Income (loss) before income taxes	**(1,202)**	**10,932**	**(4,617)**	**—**	**5,113**
Assets	**139,104**	**221,197**	**34,829**	**—**	**395,130**
Liabilities	**62,141**	**56,041**	**46,259**	**—**	**164,441**
Capital expenditures	**44,964**	**9,263**	**—**	**—**	**54,227**
Assets located outside of Canada	**3,342**	**—**	**—**	**—**	**3,342**

(in thousands of Canadian dollars, except per share amounts)

24. SEGMENTED INFORMATION (CONT'D)

Year ended December 31, 2022	Investment $	Hospitality $	Other $	Eliminations $	Total $
Revenue and other income:					
Hotel and rental revenue and provision of services	7,367	54,676	2,307	(18)	64,332
Investment and other income (loss)	419	1,751	668	—	2,838
	7,786	56,427	2,975	(18)	67,170
Operating expenses before the undernoted	8,916	34,714	2,163	(18)	45,775
Depreciation and amortization	144	9,426	—	—	9,570
Interest and accretion	—	3,043	3,452	—	6,495
Income (loss) before income taxes	(1,274)	9,244	(2,640)	—	5,330
Assets	157,632	227,409	31,080	—	416,121
Liabilities	68,968	70,637	61,546	—	201,151
Capital expenditures	43,264	19,410	—	—	62,674
Assets located outside of Canada	18,636	—	—	—	18,636

25. JOINT OPERATION

The Company exercised its put right in the 1111 Atwater co-ownership agreement and subsequently exited this investment on December 21, 2023 for net proceeds of $26,209, comprised of $16,476 of cash and a $9,733 loan receivable *(note 4)*. As a result, the Company derecognized its share of the development's assets and liabilities and recognized a gain of $8,116 in the year ended December 31, 2023.

In the year ended December 31, 2023, revenue of $954 (2022 – $21) and operating expenses of $2,394 (2022 – $1,115) related to the joint operation are included in the consolidated statements of earnings.

26. SUBSEQUENT EVENT

Subsequent to December 31, 2023, the Company entered into an agreement to sell the shares of a wholly owned subsidiary, Holloway Lodging US Inc. ("HLUS") to an entity owned by the Company's Chairman and his immediate family member for US$3,189. The primary asset of HLUS is a vacant office building located at 222 Benmar Drive, in Houston, TX. The transaction is subject to certain post-closing adjustments. The Company recorded a fair value adjustment loss on this investment property in the year ended December 31, 2023. The Company may need to record additional fair value changes in the statement of earnings in future periods due to the ultimate settlement of the post-closing adjustments.

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