

CLARKE

Halifax, Canada

**MD&A and Financial Statements
2024**

Management's Discussion & Analysis

Clarke Inc.

December 31, 2024 and 2023

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, 2024, compared with the year ended December 31, 2023. 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, 2024, 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 10, 2025 (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 168 Hobsons Lake Drive, Beechville, Nova Scotia.

The Company is a real estate company with holdings across real estate sectors – primarily residential, furnished suites and hospitality. The Company operates primarily in Canada. The Company continually evaluates the acquisition, retention, and disposition of its holdings and changes in its asset mix and segment allocation should be expected. Our objective is to maximize shareholder value. While not the perfect metric, we believe that Clarke's book value per share¹, together with the cumulative dividends paid to shareholders, is an appropriate measure of our success in maximizing shareholder value over time.

Our objective is to actively manage our residential and hospitality assets to generate strong earnings and deliver attractive returns to our shareholders. We focus on optimizing operations, enhancing asset value, and executing strategic initiatives to drive long-term profitability. At the same time, we remain committed to providing high-quality accommodations and service to our tenants and guests, ensuring a positive living and hospitality experience that supports both customer satisfaction and sustained financial performance. In doing this, we also look for new real estate opportunities that are either undervalued or are underperforming and may be in need of positive change, or to evaluate any changing trends within our current portfolio of assets that would allow the Company to generate accretive returns through a combination of land development, new construction, renovations and conversions of existing assets.

FULL YEAR REVIEW AND OUTLOOK¹

During 2024, the Company's book value per common share increased by \$3.32, or 20.1%. The change can be attributed primarily to (i) fair value adjustments on investment properties of \$34.0 million, or \$2.44 per share, (ii) revaluation gains on certain hotels of \$15.6 million, or \$1.12 per share and (iii) hotel net operating income of \$22.9 million, or \$1.64 per share, offset by (iv) depreciation of \$10.6 million, or \$0.76 per share and (v) interest and accretion of \$7.5 million, or \$0.54 per share. The Company's book value per common share at the end of the year was \$19.85 while our common share price was \$23.60.

Real Estate and Financing

The first phase of our *Talisman* residential development on Carling Avenue in Ottawa, ON (the "Talisman"), which is two towers and 404 rental units, was substantially completed in August 2024. We welcomed our first residents in June 2024 and reached full occupancy in February 2025.

The Company's former Travelodge® Ottawa West hotel was closed in November 2023 and was demolished in the first quarter of 2024 to make way for the Talisman's second phase, which will be three towers and 612 rental units. Construction on this phase commenced in 2024 and we expect the first of three buildings to be operational by mid-2025, with the remaining two buildings completed and operational in 2026.

In March 2024, the Company sold 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 \$3.1 million (US\$2.3 million), net of agreed upon post-closing adjustments. The transaction was non-cash whereby the consideration before post-closing adjustments was the

¹ This MD&A refers to "book value per share" and "net operating income", or "NOI". 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.

partial settlement of an unsecured credit facility due to the acquiring entity from the parent company. HLUS included vacant investment property located in Houston, TX. As a result of certain post-closing adjustments made during the year, the Company recorded a loss of \$0.4 million on the disposition of HLUS. The Company may be required to record additional adjustments to this transaction in future periods due to the ultimate settlement of other post-closing adjustments.

The Company has \$184.6 million of debt and has access to two secured, revolving credit facilities. The Company’s maximum combined borrowing base under these revolving credit facilities is \$85.0 million. As of December 31, 2024, \$26.4 million was drawn and \$58.6 million was undrawn and available.

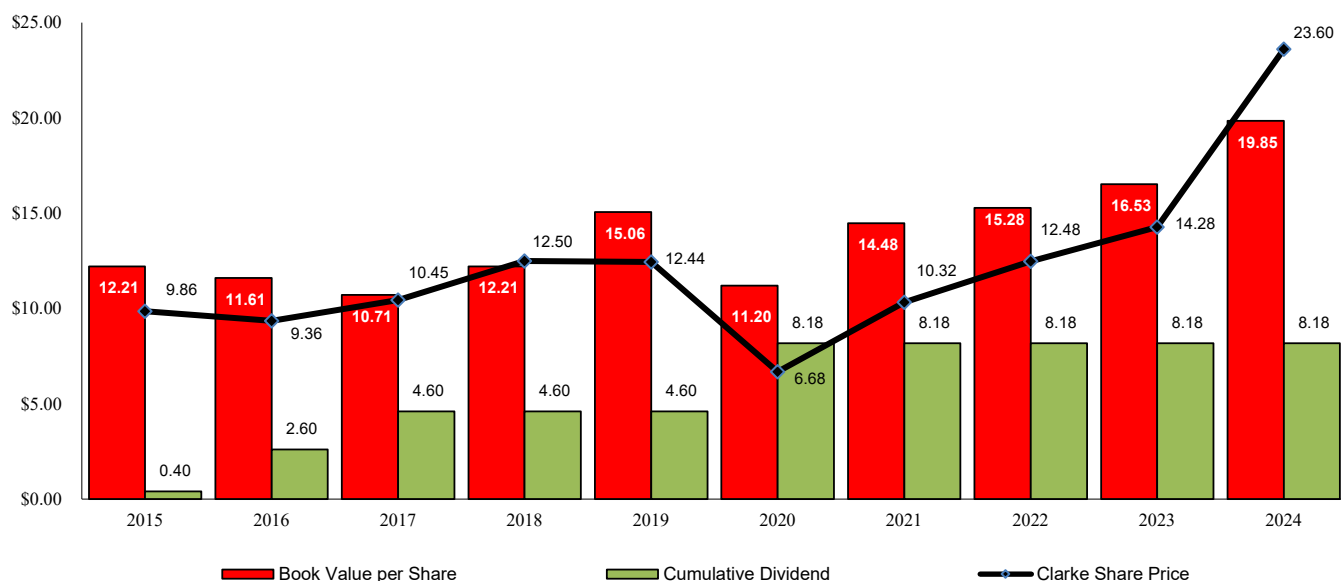
Hotel Operations

Hotel revenue declined due to the winding down and ultimate closure of our former Travelodge Ottawa West hotel as well as the conversion of one hotel to a residential asset. Despite having two fewer hotel assets in our portfolio, income before income taxes in our hospitality segment increased from \$10.9 million in 2023 to \$12.1 million in 2024.

We completed the partial conversion of one hotel into a mixed-use asset, which included the renovation and conversion of certain hotel rooms into 136 residential units. This was our second hospitality-to-residential conversion, following our successful conversion of an 82-room hotel to residential in 2023. We continue to explore more furnished unit offerings and potential residential conversions to assess if these opportunities will be accretive to the Company.

BOOK VALUE PER SHARE

The Company’s book value per share at December 31, 2024 was \$19.85, an increase of \$3.32 since December 31, 2023. The following graph illustrates Clarke’s book value per share, share price and cumulative dividends paid over the past ten years.



RESULTS OF OPERATIONS

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

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
	\$	\$	\$
Hotel and rental revenue	66.5	65.2	54.7
Provision of services revenue	8.9	8.2	9.7
Investment and other income *	39.7	4.0	2.8
Net income	37.8	3.4	3.2
Other comprehensive income	8.6	13.7	6.9
Comprehensive income	46.4	17.1	10.1
Basic and diluted earnings per share (“EPS”)	2.71	0.24	0.23
Total assets	516.4	395.1	416.1
Total liabilities	239.4	164.4	201.2
Long-term financial liabilities	74.5	120.6	62.7
Book value per share	19.85	16.53	15.28

*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 recovery and foreign exchange gains/losses.

The Company’s net income was \$37.8 million compared to \$3.4 million in 2023 and \$3.2 million in 2022. The increased earnings year-over-year were primarily a result of \$37.9 million of fair value adjustment gains recorded within earnings. The \$37.9 million was the aggregate of a \$34.0 million fair value gain on the Company’s investment properties, and \$3.9 million of revaluation gains on certain hotel properties. The Company also had \$11.7 million of additional revaluation gains on certain hotel properties, which were recorded within other comprehensive income (“OCI”). Additionally, the results of 2023 and 2022 included operating losses from the Company’s three vacant office buildings in Houston, TX, and a former joint venture located at 1111 Atwater Avenue in Montreal, QC (“1111 Atwater”). Each of those assets had been disposed of by March 2024.

Comprehensive income for the year ended December 2024 was \$46.4 million compared to \$17.1 million in 2023 and \$10.1 million in 2022. Comprehensive income in the year ended December 31, 2024, exceeded 2023 due primarily to increased earnings and larger revaluation gains recorded in earnings and OCI in 2024 compared to those recorded in 2023. Comprehensive income in 2022 was fueled by revaluation gains on the Company’s hotels, offset by losses on its defined benefit pension plans.

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, pension plans and unsecured revolving credit facility.

Segment	December 31, 2024		December 31, 2023	
	\$	%	\$	%
Investment	250.3	48.5	148.8	37.7
Hospitality	230.4	44.6	211.5	53.5
Other	35.7	6.9	34.8	8.8
Total	516.4	100.0	395.1	100.0

Investment segment

The investment segment is comprised of the Company’s ferry business and investment properties. Development of the Talisman continues to progress and is the largest driver of the segment’s \$80.0 million of capital expenditures in 2024. The improved results in the investment segment are due to several factors. One of the Company’s hotels was converted to a residential property at the end of 2023 and is now presented in this segment, whereas the results of 2023 are presented in the hospitality segment. During the prior year, the Company recorded a \$7.8 million fair value adjustment loss on three vacant office buildings in Houston, TX. This adjustment and these assets’ operating losses were not repeated after their respective dispositions. Also in 2023, 1111 Atwater was incurring losses for lease-up and marketing activities. Lastly, the first phase of the Talisman had been under construction and non-operating in 2023 but began operations in the second quarter of 2024.

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 2024 season ran from March 28, 2024, until January 2, 2025 and will commence its 2025 season on April 17, 2025.

Results for the year ended December 31, 2024, compared to the year ended December 31, 2023 are as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
	\$	\$
Rental revenue and provision of services	12.7	8.4
Investment and other income	34.5	0.3
Total revenue and other income	47.2	8.7
Less:		
Operating expenses, property taxes and insurance	8.0	9.8
Depreciation and amortization	—	0.1
Interest	1.8	—
Income (loss) before income taxes	37.4	(1.2)

Hospitality segment

The Hospitality segment consists of the Company's ownership and operation of hotels across Canada. Results for the year ended December 31, 2024, compared to the year ended December 31, 2023 are as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
	\$	\$
Hotel revenue	61.6	64.2
Investment and other income	3.9	4.3
Total revenue and other income	65.5	68.5
Less:		
Operating expenses, property taxes and insurance	39.7	42.5
Depreciation and amortization	10.5	10.0
Interest and accretion	3.2	5.0
Income before income taxes	12.1	10.9

Investment and other income for the hospitality segment includes revaluation gains of \$3.9 million and \$4.3 million, recorded on certain hotels in the years ended December 31, 2024 and 2023, respectively. The Company also recorded \$11.7 million of additional revaluation gains on certain hotel properties within OCI in 2024 (2023 – \$11.8 million).

Hotel revenue was \$61.6 million for the year ended December 31, 2024, compared to \$64.2 million in 2023. Hotel operations produced strong results and achieved net operating income of \$22.9 million during the year, compared to \$22.5 million in 2023. We are pleased to deliver increased NOI compared to the previous year despite the conversion of one hotel to a residential investment property and the closure and demolition of another property to make way for the second phase of the Talisman development.

OUTSTANDING SHARE DATA

At March 10, 2025, the Company had:

- An unlimited number of common shares authorized and 13,936,257 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 2024 and 2023 are as follows:

Bid Date	Expiry	Maximum #	Repurchased #
June 29, 2022	June 28, 2023	711,543	237,025
July 4, 2023	July 3, 2024	699,232	39,400
July 4, 2024	July 3, 2025	697,592	15,100*

*Including repurchases up to and including the date of this document.

LIQUIDITY AND CAPITAL RESOURCES

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 the Canadian Overnight Repo Rate Average (CORRA). At December 31, 2024, the Company had drawn \$9.4 million on this facility. This facility is secured by six hotel properties, 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, 2024, the Company had drawn \$17.0 million on this facility. This facility and a corresponding term loan are secured by five hotel properties. This facility matures in November 2027. The interest rate of both facilities was renegotiated subsequent to December 31, 2024, and both facilities now bear interest at prime plus 0.50%. 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.

The Company has an \$85.0 million construction loan for the first phase of the Talisman. As at December 31, 2024, this loan was fully drawn, bears interest at the lender's prime rate and has a three-year term. The Company is currently evaluating several refinancing options as this credit facility matures in October 2025.

In the year ended December 31, 2023, the Company redeemed its outstanding convertible debentures (the "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. As at December 31, 2024, the Company had drawn \$30.0 million on this facility.

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 \$18.0 million for the year ended December 31, 2024, compared to \$8.2 million in 2023. In both 2024 and 2023, this was primarily the result of cash generated from hotel, rental and ferry operations offset in 2023 by additions on the Company's real estate inventory under development of 1111 Atwater.

Cash flow from investing activities

Cash used in investing activities was \$81.0 million for the year ended December 31, 2024, compared to \$24.9 million in 2023. The primary use of cash during the year was the result of the continued capital expenditures for the Talisman construction and capital improvements at the Company's hotels in the amount of \$90.8 million. The use of cash in 2024 was offset by \$9.7 million of principal repayments received on a loan receivable. In 2023, the use of cash was primarily due to progress on the Talisman development and capital expenditures for the hotel portfolio of \$49.3 million, partially offset by the proceeds on disposition of 1111 Atwater and two investment properties in Houston, TX in the amount of \$23.3 million.

Cash flow from financing activities

Cash provided from financing activities was \$62.9 million for the year ended December 31, 2024, compared to \$16.6 million in 2023. Cash provided in 2024 was primarily due to net proceeds of long-term debt of \$43.5 million and net proceeds of short-term indebtedness of \$22.7 million, partially offset by the repayment of long-term debt of \$3.0 million. Cash provided in 2023 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, and the net repayment of short-term indebtedness of \$22.3 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
	\$	\$	\$	\$	\$
Short-term indebtedness	26.4	26.4	—	—	—
Long-term debt	158.5	90.7	37.2	30.6	—
Lease obligation	0.6	0.1	0.2	0.2	0.1
	185.5	117.2	37.4	30.8	0.1

Unrecorded commitments

At December 31, 2024, Clarke continued to be a party to the unrecorded commitments as discussed in note 14 to the consolidated financial statements for the year ended December 31, 2024.

FOURTH QUARTER

A comparison of results for the three months ended December 31, 2024, and 2023, is as follows:

	Three months ended December 31, 2024	Three months ended December 31, 2023
	\$	\$
Revenue and other income		
Hotel and rental revenue	16.7	14.7
Provision of services	1.6	1.5
Investment and other income	30.2	8.9
	48.5	25.1
Expenses		
Operating expenses	9.7	10.1
Cost of services provided	1.2	1.1
General and administrative expenses	1.7	1.4
Property taxes and insurance	1.2	1.0
Depreciation and amortization	2.8	2.6
Interest and accretion	2.8	1.5
Income before income taxes	29.1	7.5
Provision for income taxes	7.6	—
Net income	21.5	7.5
Other comprehensive income (loss)	(0.2)	8.7
Comprehensive income	21.3	16.1

Hotel and rental revenue increased by \$2.0 million, from \$14.7 million to \$16.7 million year over year due to increased rental revenue from the opening of the first phase of the Talisman.

The Company had net income of \$21.5 million in the fourth quarter of 2024 compared to \$7.5 million in 2023. The \$29.9 million fair value adjustment gain on investment properties is the largest factor in the increase year-over-year, offset by incremental deferred taxes in the fourth quarter of 2024 compared to the same period in 2023.

The Company had other comprehensive losses of \$0.2 million in the fourth quarter of 2024 compared to OCI of \$8.7 million in 2023. The primary reasons for the decrease year-over-year are the higher revaluation gains on certain hotel properties as well as higher remeasurement gains on the pension asset in the fourth quarter of 2023 compared to 2024.

For the three months ended December 31, 2024, Clarke's basic and diluted EPS was \$1.54, compared to \$0.54 for the same period in 2023.

Cash provided by operating activities was \$8.1 million for the fourth quarter of 2024, compared to \$5.2 million in the same period in 2023. Cash flows in the fourth quarter of both 2024 and 2023 were driven mainly by the hospitality and ferry operations and were supplemented in the fourth quarter of 2024 by cash flows from operations of the first phase of the Talisman, which was still under construction in 2023. In addition, cash flow from operations in 2023 was offset by capital expenditures of \$0.9 million for additions to the real estate inventory under development.

Cash used in investment activities was \$27.3 million in the fourth quarter of 2024, compared to \$2.9 million provided in the same period in 2023. The primary uses of cash in the fourth quarter of 2024 were additions to property and equipment and investment properties for a total of \$27.3 million. 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.

Cash provided by financing activities for the fourth quarter of 2024 was \$18.7 million compared to \$8.2 million used in the same period in 2023. The primary sources of cash in the fourth quarter of 2024 were proceeds of short-term indebtedness and long-term debt of \$19.7 million, partially offset by the repayment of debt of \$0.9 million. The primary use of cash in the fourth quarter of 2023 was related to repayment of short-term indebtedness of \$26.4 million, partially offset by \$18.8 million of proceeds from long-term debt.

SUMMARY OF QUARTERLY RESULTS

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

<i>Three months ended</i>	Dec. 2024	Sep. 2024	Jun. 2024	Mar. 2024	Dec. 2023	Sep. 2023	Jun. 2023	Mar. 2023
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue and other income	48.5	33.4	17.2	15.9	25.1	19.2	17.8	15.4
Net income (loss)	21.5	12.2	1.8	2.4	7.5	(1.9)	(0.5)	(1.7)
Other comprehensive income (loss)	(0.2)	11.5	(0.9)	(1.9)	8.7	2.7	(0.3)	2.8
Comprehensive income (loss)	21.3	23.6	0.9	0.5	16.1	0.8	(0.8)	1.0
Basic and diluted EPS	1.54	0.87	0.13	0.17	0.54	(0.13)	(0.03)	(0.12)

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 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 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. Given the Company's holdings at December 31, 2024, foreign exchange risk is considered insignificant. The Company does not currently have any futures or foreign exchange contracts in place.

The Company has several financial instruments. Notes 1, 3, 4, 9, 10, 11, 12, and 21 to the audited consolidated financial statements for the year ended December 31, 2024, and the Company's 2024 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, 2024:

- The Company holds a 6.00%, \$35.0 million credit facility from a company owned by Clarke's Chairman and his immediate family member. As at December 31, 2024, \$30.0 million was drawn on this facility (2023 – \$35.0 million), and interest of \$1.9 million was incurred in 2024 (2023 – \$0.9 million).
- 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 2024, the Company paid \$0.3 million (2023 – \$0.3 million) under these agreements.
- The Company provided administrative and asset management services to two pension plans it sponsors and charged \$1.1 million (2023 – \$0.9 million).
- The Company provided and received services with entities owned by the Company's Chairman and his immediate family member of \$0.6 million (2023 – \$0.3 million). The Company provided hotel management services in exchange for receiving legal, accounting, tax, construction, and pre-construction consulting services.

During the year, the Company sold the shares of a wholly owned subsidiary, HLU, to an entity owned by the Company's Chairman, Mr. George Armoyan and his immediate family member for \$3.1 million (US\$2.3 million), net of agreed upon post-closing adjustments. The primary asset of HLU was a vacant office building located at 222 Benmar Drive, in Houston, TX. The transaction constituted a "related party transaction" pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company was 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 did 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 was subject to certain post-closing adjustments and closed 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 adjustments in the statement of earnings in future periods due to the ultimate settlement of other post-closing adjustments.

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

Year ended December 31, 2024	Directors	Officers	Total
	\$	\$	\$
Salary and fees	0.1	0.4	0.5
Pension value	0.1	—	0.1
Total	0.2	0.4	0.6

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 designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to the President & Chief Executive Officer and the Chief Financial Officer, particularly during the period in which annual filings are being prepared. These two officers certified the effectiveness of the Company's disclosure controls and procedures as of December 31, 2024, concluding that these controls and procedures were adequate and effective.

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, 2024, 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, JUDGEMENTS AND ESTIMATES

Please refer to notes 1 and 2 of our consolidated financial statements for the year ended December 31, 2024, for a detailed discussion regarding our material accounting policies and application of significant accounting judgements, 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 of 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 external appraisals for four hotels during the year. The analysis resulted in seven hotels with revaluation increases, one hotel with a revaluation decrease and seven hotels with no change in value. The eight hotel properties that required a change were revalued using an income capitalization model prepared internally. Significant assumptions used in the internal income capitalization model included budgeted cash flow forecasts for 2025 and capitalization rates. The capitalization rates used ranged from 8.50% to 12.50%. If the capitalization rates were 0.25% higher/lower, the estimated fair value would result in a change of \$3,000 to property and equipment. Based on the Company's methodology, the remaining seven hotels did not require a revaluation.

In aggregate, a revaluation increase of \$17.9 million was recorded on seven hotels and a revaluation decrease of \$2.3 million was recorded on one hotel. Property and equipment increased by \$15.6 million, with an increase of \$11.7 million included in other comprehensive income and a net increase of \$3.9 million recorded in earnings.

During the year ended December 31, 2023, the Company recorded a revaluation increase of \$19.8 million on six hotels and a revaluation decrease of \$3.7 million on two hotels. Property and equipment increased by \$16.1 million, with a net increase of \$11.8 million included in other comprehensive income and a net increase of \$4.3 million recorded in earnings.

Fair value of investment properties

The Company's significant investment properties as at December 31, 2024, consisted of a multi-building residential rental complex, with a portion currently operational and the remainder under construction, and a standalone residential rental building. 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.

The Company performed an analysis of the fair value of its investment properties during the year using external appraisals, management’s knowledge of various markets and capitalization rates obtained from independent third parties. The Company obtained external appraisals for two investment properties during the year, which resulted in a fair value increase of \$34.0 million. The gain is included in earnings within investment and other income. Significant assumptions used in the internal income capitalization model included budgeted cash flow forecasts for 2025 and capitalization rates. The capitalization rates used ranged from 4.25% to 6.00%. If the capitalization rates were 0.25% higher/lower, the estimated fair value would result in a change of \$1.0 million to investment properties. There were no fair value adjustments to the remaining investment properties.

During the prior 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. During the prior year, the Company also evaluated the fair value of the 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 was \$7.8 million and is included in investment and other income in the consolidated statements of earnings for the year ended December 31, 2023. The company sold the remaining Houston, TX investment property during the current year.

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 a 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”. 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, 2024.

	Year ended December 31, 2024	Year ended December 31, 2023
	\$	\$
Income before income taxes	12.1	10.9
Deduct:		
Investment and other income	(3.9)	(4.3)
Add:		
Non-operating corporate expenses	1.0	0.9
Depreciation and amortization	10.5	10.0
Interest and accretion	3.2	5.0
Hotel net operating income	22.9	22.5

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 underlying assets, changes in the property holdings, 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 assets, 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 second phase of the Talisman residential redevelopment, reliance on key executives and other factors. The real estate industry is subject to various risks that could impact on our financial performance and asset values. These risks include fluctuations in property values, changes in market demand, interest rate volatility, and broader economic conditions such as inflation, employment levels, and consumer confidence. Tourism levels, economic activity and changing competition in our markets can have a significant impact on the underlying results of our assets. Competition from new developments and alternative accommodation options could affect occupancy rates and rental pricing. Regulatory and legislative changes, including zoning laws, rent control measures and environmental policies, may impose additional costs or restrictions on operations. Additionally, unforeseen capital expenditures, rising maintenance costs, and disruptions in supply chains may impact profitability. Our ability to successfully acquire, develop, and manage real estate assets depends on effective risk mitigation strategies, financial flexibility, and market adaptability. With respect to the 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 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, 2024 and 2023



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, 2024 and 2023, 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, 2024 and 2023;
- 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
Sun Life Centre, 99 Bank Street, Suite 710, Ottawa, Ontario, Canada K1P 1E4
T.: +1 613 237 3702, F.: +1 613 237 3963, Fax to mail: ca_ottawa_main_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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, 2024. 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
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Valuation of land and buildings and components	
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Refer to note 1 – Material accounting policies, note 2 – Significant accounting judgments, estimates and assumptions and note 6 – Property and equipment to the consolidated financial statements.

The Company measures its land and buildings and components (together, hotels) at fair value under the revaluation model, and as at December 31, 2024, these assets were valued at \$208.6 million. Hotels are carried at fair value as at the date of revaluation and subsequently depreciated until the next revaluation. A significant portion of the fair values of hotels, that were revalued, was determined using income capitalization models. The significant assumptions used in the income capitalization models include the budgeted cash flow forecasts for 2025 and capitalization rates.

We considered this a key audit matter due to the significant judgments by management when determining the fair values of the hotels using the income capitalization models and a high degree of complexity in assessing audit evidence related to the significant assumptions used by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of real estate valuations.

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the fair values of a sample of hotels that were revalued using the income capitalization models, which included the following:
 - Evaluated the reasonableness of the cash flow forecasts for 2025 by (i) comparing them to current and historical results of the hotels; (ii) comparing with external market and industry data; and (iii) considering whether these assumptions were aligned with evidence obtained in other areas of the audit.
 - Tested the underlying data used in the models.
 - Professionals with specialized skill and knowledge in the field of real estate valuations assisted us in evaluating the appropriateness of the income capitalization models and in evaluating the reasonableness of the capitalization rates.



Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

Refer to note 1 – Material accounting policies, note 2 – Significant accounting judgments, estimates and assumptions and note 7 – Investment properties to the consolidated financial statements.

The Company measures its investment properties at fair value and as at December 31, 2024, these assets were valued at \$249.1 million. The fair values of investment properties, in the amount of \$183.2 million, were determined using income capitalization models. The significant assumptions used in the income capitalization models include the budgeted cash flow forecasts for 2025 and capitalization rates.

We considered this a key audit matter due to the significant judgments by management when determining the fair values of the investment properties using the income capitalization models and a high degree of complexity in assessing audit evidence related to the significant assumptions used by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of real estate valuations.

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the fair value of a sample of investment properties using the income capitalization models, which included the following:
 - Evaluated the reasonableness of the cash flow forecasts for 2025 by (i) comparing to current and past leasing activity of the investment properties; (ii) comparing with external market and industry data; and (iii) considering whether these assumptions were aligned with evidence obtained in other areas of the audit.
 - Tested the underlying data used in the models.
 - Professionals with specialized skill and knowledge in the field of real estate valuations assisted us in evaluating the appropriateness of the income capitalization models and in evaluating the reasonableness of the capitalization rates.

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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



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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
March 10, 2025

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

As at December 31,

2024	2023
\$	\$

ASSETS**Current**

Cash	809	929
Receivables <i>(note 3)</i>	6,402	3,957
Other assets <i>(note 4)</i>	1,054	10,567
Income taxes receivable	—	183

Total current assets	8,265	15,636
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Accrued pension benefit asset <i>(note 5)</i>	34,325	33,752
Property and equipment <i>(notes 2 and 6)</i>	224,130	206,926
Investment properties <i>(notes 2 and 7)</i>	249,133	138,486
Deferred income tax assets <i>(note 8)</i>	113	130
Other assets <i>(note 4)</i>	412	200

Total assets	516,378	395,130
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LIABILITIES AND SHAREHOLDERS' EQUITY**Current**

Short-term indebtedness <i>(note 9)</i>	26,414	3,763
Accounts payable and other liabilities <i>(note 10)</i>	24,808	26,273
Income taxes payable	98	—
Current portion of long-term debt <i>(note 12)</i>	90,637	1,845

Total current liabilities	141,957	31,881
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Long-term debt <i>(note 12)</i>	67,590	120,176
Construction accounts payable <i>(note 10)</i>	6,268	—
Lease obligations	593	392
Deferred income tax liabilities <i>(note 8)</i>	23,028	11,992

Total liabilities	239,436	164,441
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Commitments *(note 14)***Shareholders' equity**

Share capital <i>(note 15)</i>	82,528	82,574
Contributed surplus	7,302	7,302
Retained earnings	81,965	44,221
Accumulated other comprehensive income	105,147	96,592

Total shareholders' equity	276,942	230,689
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Total liabilities and shareholders' equity	516,378	395,130
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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,	2024	2023
	\$	\$
Revenue and other income		
Hotel and rental revenue	66,486	65,242
Provision of services	8,883	8,249
Investment and other income <i>(note 16)</i>	39,699	3,989
	115,068	77,480
Expenses <i>(note 17)</i>		
Operating expenses	37,236	42,657
Cost of services provided	5,132	4,266
General and administrative expenses	4,062	3,827
Property taxes and insurance	4,218	4,251
Depreciation and amortization	10,563	10,179
Interest and accretion <i>(note 18)</i>	7,531	7,187
	68,742	72,367
Income before income taxes	46,326	5,113
Provision for income taxes <i>(note 8)</i>	8,503	1,689
Net income	37,823	3,424
Basic and diluted earnings per share <i>(note 15)</i>	2.71	0.24

See accompanying notes to the consolidated financial statements

Clarke Inc.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME***(in thousands of Canadian dollars)*

Years ended December 31,	2024	2023
	\$	\$
Net income	37,823	3,424
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 <i>(notes 5 and 8)</i>	(408)	4,628
Revaluation gains on property and equipment, net of income tax <i>(notes 2, 6 and 8)</i>	8,958	9,025
Items that have been reclassified subsequently to profit or loss		
Unrealized gains on translation of net investment in foreign operations, net of income tax <i>(notes 7 and 8)</i>	94	40
Reclassification of realized translation gains on disposal of net investment in foreign operations	(89)	—
Other comprehensive income	8,555	13,693
Comprehensive income	46,378	17,117

See accompanying notes to the consolidated financial statements

Clarke Inc.**CONSOLIDATED STATEMENTS OF CASH FLOWS***(in thousands of Canadian dollars)*

Years ended December 31,	2024	2023
	\$	\$
OPERATING ACTIVITIES		
Net income	37,823	3,424
Adjustments for items not involving cash <i>(note 19)</i>	(19,768)	9,659
	18,055	13,083
Net change in non-cash working capital balances <i>(note 19)</i>	(50)	(2)
Additions to real estate inventory under development <i>(note 22)</i>	—	(4,924)
Net cash provided by operating activities	18,005	8,157
INVESTING ACTIVITIES		
Additions to property and equipment <i>(note 6)</i>	(13,681)	(9,263)
Additions to investment properties <i>(note 7)</i>	(77,087)	(40,040)
Collection of loan receivable <i>(note 4)</i>	9,733	—
Net proceeds on disposition of investment properties <i>(note 7)</i>	—	7,457
Distribution of pension plan surplus, net of income tax <i>(note 5)</i>	—	1,049
Disposal of joint operation interest, net of cash <i>(note 22)</i>	—	15,863
Net cash used in investing activities	(81,035)	(24,934)
FINANCING ACTIVITIES		
Repurchase of shares for cancellation <i>(note 15)</i>	(125)	(1,482)
Net proceeds (repayment) of short-term indebtedness <i>(note 9)</i>	22,651	(22,323)
Proceeds of long-term debt, net of financing fees <i>(note 12)</i>	43,519	88,896
Repayment of long-term debt <i>(note 12)</i>	(3,013)	(13,404)
Principal payments of lease obligations	(122)	(155)
Redemption of convertible debentures <i>(note 11)</i>	—	(34,916)
Net cash provided by financing activities	62,910	16,616
Net change in cash during the year	(120)	(161)
Cash, beginning of year	929	1,090
Cash, end of year	809	929

See accompanying notes to the consolidated financial statements

Clarke Inc.**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY***(in thousands of Canadian dollars)*

Years ended December 31,	2024	2023
	\$	\$
Share capital		
Balance at beginning of year	82,574	83,190
Common shares repurchased for cancellation <i>(note 15)</i>	(46)	(700)
Common shares issued on debenture conversion <i>(note 15)</i>	—	84
Balance at end of year	82,528	82,574
Contributed surplus		
Balance at beginning and end of year	7,302	7,302
Retained earnings		
Balance at beginning of year	44,221	41,579
Net income	37,823	3,424
Purchase price in excess of the book value of common shares repurchased for cancellation <i>(note 15)</i>	(79)	(782)
Balance at end of year	81,965	44,221
Accumulated other comprehensive income		
Balance at beginning of year	96,592	82,899
Other comprehensive income	8,555	13,693
Balance at end of year	105,147	96,592
Total shareholders' equity	276,942	230,689

See accompanying notes to the consolidated financial statements

Clarke Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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 168 Hobsons Lake Drive, Beechville, Nova Scotia. The Company is a real estate company with holdings across real estate sectors – primarily residential, furnished suites and hospitality. The Company has operated exclusively in Canada since the disposal of its remaining operations located in the United States of America in March 2024 (note 7). The Company continually evaluates the acquisition, retention and disposition of its holdings and changes in its asset mix and segment allocation should be expected. These consolidated financial statements were approved by the Board of Directors on March 10, 2025.

Basis of presentation and statement of compliance

The Company prepares its consolidated financial statements in accordance with generally accepted accounting principles in Canada as set out in the CPA Canada Handbook – Accounting, which incorporates International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”). These consolidated financial statements were prepared under the historical cost convention, except for certain financial assets and liabilities, certain classes of property and equipment, and investment properties that are measured at fair value, and defined benefit pension plans where plan assets are measured at fair value.

Amendments to IAS 1 – *Presentation of Financial Statements*

In October 2022, the International Accounting Standards Board published amendments to the Classification of Liabilities as Current or Non-current in IAS 1 – *Presentation of Financial Statements*. The amendments aim to improve the information companies provide when the right to defer settlement of a liability for at least twelve months is subject to the entity complying with covenants after the reporting date. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require an entity to disclose information about these covenants in the notes to the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2024. The Company adopted this amendment with no impact to the Company’s consolidated statements of financial position.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned 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 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 22).

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.

Clarke Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

1. MATERIAL ACCOUNTING POLICIES (CONT'D)

Revenues from the Company's residential investment properties include rents, parking, storage, and other miscellaneous revenue paid by tenants under the terms of their leases. The Company recognizes residential rental revenue on a straight-line basis over the term of the lease in accordance with IFRS 16 – *Leases*.

The Company has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for its leases with tenants as operating leases, with rentals payable monthly. The Company commences revenue recognition on leases, for both residential and commercial tenants, when the tenant takes control over the leased property. Control is considered to be provided on either the lease commencement date, or upon substantial completion of any required tenant improvements completed by the Company. Rental income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term. All residential tenants are currently under short-term lease agreements.

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.

Investment and other income

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

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 or revalued amounts, net of residual values, 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 recognized at fair value using the revaluation model. 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.

Clarke Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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 are carried at fair value, to the extent that fair value can be determined reliably. In assessing whether fair value can be determined reliably, management considers factors such as the stage of completion of the construction, the level of reliability of cash flows after completion, the level of pre-leasing completed and other factors. To the extent that fair value cannot be determined reliably, the Company uses cost as the best estimate of fair value until the earlier of either construction completion or fair value becoming reliably measurable. 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 completed.

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.

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.

Clarke Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

1. MATERIAL ACCOUNTING POLICIES (CONT'D)

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 of profit or loss is recognized outside of 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.

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, 2024, in entities where the functional currency is Canadian dollars. All foreign exchange gains and losses are recorded in investment and 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. The Company had no remaining foreign operations as at December 31, 2024.

Financial instruments

Initial recognition

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Company becomes a party to a financial instrument contract.

Classification and measurement

All financial instruments are required to be initially measured at fair value, plus or minus, in the case of financial assets and liabilities not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Financial assets are classified and subsequently measured at amortized cost as they are held with the objective of collecting contractual cash flows and those cash flows represent solely payments of principal and interest and not designated as FVTPL. The Company does not hold any financial assets classified as FVTPL or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition. Subsequent to initial recognition, all financial assets are carried at amortized cost.

Clarke Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

1. MATERIAL ACCOUNTING POLICIES (CONT'D)

The Company's financial assets classified and subsequently measured at amortized cost include cash, receivables and loan receivable included in other assets.

The Company's financial liabilities classified and subsequently measured at amortized cost include short-term indebtedness, accounts payable and other liabilities, construction accounts payable and long-term debt.

Interest income and expense are recognized in the consolidated statements of earnings using the EIR method, except for borrowing costs related to qualifying assets, which are capitalized as part of the cost of that asset.

Impairment

At each reporting date, the Company assesses each financial asset measured at amortized cost for impairment using the expected credit loss ("ECL") model.

The impairment loss for amounts receivable is determined using the simplified ECL model which calculates an impairment loss based on lifetime ECLs. ECLs are based on the difference in cash flows the Company expects to receive and the contractual cash flows due in accordance with the contract, discounted using the asset's original EIR. In determining ECLs, the Company considers its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Derecognition and modification

Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if the Company transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. The difference between the assets carrying amount and the sum of the consideration received, and receivable is recognized in earnings.

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.

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 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 future contributions to the plan.

Clarke Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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, if applicable.

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.

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. 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 its sole joint operation based on its ownership interest. This joint operation was disposed of during the year ended December 31, 2023 (note 22).

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 in these consolidated financial statements and accompanying notes. These estimates and associated assumptions are based on historical experience, future operating plans and various other factors believed to be reasonable under the circumstances, and the results of such estimates form the basis of judgements about carrying values of assets and liabilities. These underlying assumptions are reviewed on an ongoing basis.

Actual results could differ materially from those estimates. Significant estimates and judgments made in the preparation of the consolidated financial statements include the following described below, with further information contained in the applicable accounting policy or note.

Clarke Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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

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 of 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 external appraisals for four hotels during the year. The analysis resulted in seven hotels with revaluation increases, one hotel with a revaluation decrease and seven hotels with no change in value. The eight hotel properties that required a change were revalued using an income capitalization model prepared internally. Significant assumptions used in the internal income capitalization model included budgeted cash flow forecasts for 2025 and capitalization rates. The capitalization rates used ranged from 8.50% to 12.50%. If the capitalization rates were 0.25% higher/lower, the estimated fair value would result in a change of \$3,000 to property and equipment. Based on the Company's methodology, the remaining seven hotels did not require a revaluation.

In aggregate, a revaluation increase of \$17,900 was recorded on seven hotels and a revaluation decrease of \$2,300 was recorded on one hotel. Property and equipment increased by \$15,600, with an increase of \$11,700 included in other comprehensive income and a net increase of \$3,900 recorded in earnings.

During the year ended December 31, 2023, the Company recorded a revaluation increase of \$19,800 on six hotels and a revaluation decrease of \$3,700 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.

Fair value of investment properties

The Company's significant investment properties as at December 31, 2024, consisted of a multi-building residential rental complex, with a portion currently operational and the remainder under construction, and a standalone residential rental building. Changes to the fair value of the Company's investment properties may occur periodically, based on operating performance, economic activity, regional development opportunities and changing competition in the markets in which they operate.

The Company performed an analysis of the fair value of its investment properties during the year using external appraisals, management's knowledge of various markets and capitalization rates obtained from independent third parties. The Company obtained external appraisals for two investment properties during the year, which resulted in a fair value increase of \$34,000. The gain is included in earnings within investment and other income. Significant assumptions used in the internal income capitalization model included budgeted cash flow forecasts for 2025 and capitalization rates. The capitalization rates used ranged from 4.25% to 6.00%. If the capitalization rates were 0.25% higher/lower, the estimated fair value would result in a change of \$1,000 to investment properties. There were no fair value adjustments to the remaining investment properties.

During the prior 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. During the prior year, the Company also evaluated the fair value of the 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 for the year ended December 31, 2023. The company sold the remaining Houston, TX investment property during the current year (note 7).

Clarke Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2024 and 2023

*(in thousands of Canadian dollars, except per share amounts)***2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)****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 a 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.

3. RECEIVABLES

	2024	2023
	\$	\$
Receivables from sales and services	3,008	2,708
Less: expected credit losses	(126)	(39)
Receivables from sales and services – net	2,882	2,669
Sales tax receivables	2,849	807
Other receivables	671	481
	6,402	3,957

4. OTHER ASSETS

	2024	2023
	\$	\$
Inventories	73	86
Prepaid expenses, deposits and other	981	748
Loan receivable <i>(note 22)</i>	—	9,733
Franchise fees and other intangible assets	412	200
Total other assets	1,466	10,767
Less: other assets – current	(1,054)	(10,567)
Other assets – long-term	412	200

The Company's loan receivable bore interest at 17.00% and was due from a co-investor in the 1111 Atwater development, secured by the borrower's 50% share of the development. The Company collected the loan in full during the year.

Clarke Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2024 and 2023

*(in thousands of Canadian dollars, except per share amounts)***5. 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, 2023 and December 31, 2022, respectively.

During the prior year, the Company received a distribution from one of its Plans in the amount of \$1,427 in accordance with the surplus withdrawal rules of the Quebec Supplemental Pension Plans Act.

During the prior year, 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 (note 13). 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

	2024	2023
	\$	\$
Fair value of plan assets		
Balance, beginning of year	109,092	114,183
Interest income	4,961	5,494
Employee contributions	2	3
Benefits paid	(2,154)	(1,958)
Non-investment management fees	(334)	(341)
Remeasurement gains (losses)	4,933	(2,380)
Surplus distribution	—	(1,427)
Purchase of group buy-out annuity	—	(4,482)
Balance, end of year	116,500	109,092

Defined benefit plan obligation

	2024	2023
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	37,032	38,778
Current service cost	76	365
Interest cost	1,658	1,797
Employee contributions	2	3
Benefits paid	(2,154)	(1,958)
Remeasurement (gains) losses	(44)	2,104
Settlements	—	425
Purchase of group buy-out annuity	—	(4,482)
Balance, end of year	36,570	37,032

Clarke Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2024 and 2023

*(in thousands of Canadian dollars, except per share amounts)***5. 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:

	2024	2023
	\$	\$
Fair value of plan assets	116,500	109,092
Accrued benefit obligations	(36,570)	(37,032)
Funded status	79,930	72,060
Impact of asset ceiling, excluding interest	(43,843)	(35,945)
Interest on asset ceiling	(1,762)	(2,363)
Accrued pension benefit asset	34,325	33,752

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

Years ended December 31,	2024	2023
	\$	\$
Current service cost	(76)	(365)
Net interest on surplus	1,542	1,335
Provision for non-investment management fees	(334)	(341)
Past service cost	—	(425)
Defined benefit recovery	1,132	204

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

Years ended December 31,	2024	2023
	\$	\$
Remeasurement gains (losses) and return on plan assets in excess of discount rate	4,977	(4,484)
Change in amount of asset ceiling	(5,536)	10,830
Deferred income tax recovery (expense)	151	(1,718)
Defined benefit recovery (expense)	(408)	4,628

Significant assumptions

	2024	2023
	%	%
Accrued benefit obligation:		
Discount rate	4.60	4.60
Rate of compensation increase	3.00 – 4.00	2.50 – 4.00
Benefit costs for the year:		
Discount rate	4.60	5.05
Rate of compensation increase	3.00 – 4.00	2.50 – 4.00

Clarke Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

6. PROPERTY AND EQUIPMENT

Year ended	Land	Buildings and components	Ferry and vessel dry dock costs	Furniture, fixtures and equipment	Right-of-use asset	Renovations in progress	Total
December 31, 2024	\$	\$	\$	\$	\$	\$	\$
Beginning balance	31,489	163,920	66	9,677	350	1,424	206,926
Additions	—	4,779	—	4,287	662	2,566	12,294
Disposals	—	(1)	—	—	(321)	—	(322)
Revaluations (note 2)	2,340	13,260	—	—	—	—	15,600
Transfers	—	623	—	568	—	(1,191)	—
Depreciation	—	(7,817)	(35)	(2,445)	(71)	—	(10,368)
Ending balance	33,829	174,764	31	12,087	620	2,799	224,130
Valuation	33,829	181,602	—	—	—	—	215,431
Cost, net	—	—	4,820	28,447	659	2,799	36,725
Accumulated depreciation	—	(6,838)	(4,789)	(16,360)	(39)	—	(28,026)
Net book value	33,829	174,764	31	12,087	620	2,799	224,130
Year ended	Land	Buildings and components	Ferry and vessel dry dock costs	Furniture, fixtures and equipment	Right-of-use asset	Renovations in progress	Total
December 31, 2023	\$	\$	\$	\$	\$	\$	\$
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 7)	(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

As at December 31, 2024, the net book value of the Company's land and buildings and components would have been \$24,079 and \$123,008 respectively, had the Company used the cost model, and the net book value of property and equipment would have been \$162,624.

Clarke Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2024 and 2023

*(in thousands of Canadian dollars, except per share amounts)***7. INVESTMENT PROPERTIES**

	Buildings	Vacant land	Under construction	Total
	\$	\$	\$	\$
Year ended December 31, 2024				
Beginning balance	13,828	45	124,613	138,486
Additions	1,613	—	78,341	79,954
Disposals	(3,373)	—	—	(3,373)
Fair value adjustments <i>(note 2)</i>	34,000	—	—	34,000
Transfers	137,072	—	(137,072)	—
Foreign exchange impact	66	—	—	66
Ending balance	183,206	45	65,882	249,133
Year ended December 31, 2023				
Beginning balance	18,431	45	62,409	80,885
Additions	195	—	40,875	41,070
Disposals	(7,508)	—	—	(7,508)
Fair value adjustments <i>(note 2)</i>	(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

The first phase of the Company's Talisman residential development on Carling Avenue in Ottawa, ON (the "Talisman") is included in 'Buildings' in the table above for the year ended December 31, 2024, and was transferred from 'Under construction' upon its substantial completion in 2024. The second phase of the Talisman is included in 'Under construction'. The second phase of the Talisman commenced construction during the year and is expected to be completed in 2026. Additions in the year ended December 31, 2024 are primarily for the Talisman and include capitalized borrowing costs of \$2,516 (2023 – \$1,313).

In March 2024, the Company sold 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 \$3,085 (US\$2,299), net of agreed upon post-closing adjustments. The transaction was non-cash whereby the consideration before post-closing adjustments was the partial settlement of an unsecured credit facility due to the acquiring entity from the parent company. HLUS included a vacant investment property located in Houston, TX. As a result of certain post-closing adjustments made during the year, the Company recorded a loss of \$376 on the disposition of HLUS. The Company may be required to record additional adjustments to this transaction in future periods due to the ultimate settlement of other post-closing adjustments.

During the year ended December 31, 2023, Holloway sold two 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 was a hotel that was converted to a residential investment property and one asset was the land value of a former hotel that was being demolished and is being developed as part of the Talisman development. The components of that former hotel other than land were fully amortized.

Clarke Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2024 and 2023

*(in thousands of Canadian dollars, except per share amounts)***8. INCOME TAXES**

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

	2024	2023
	\$	\$
Consolidated statements of earnings		
Current income tax		
Adjustments in respect of current income tax of previous year	—	(1,879)
Deferred income tax		
Relating to origination and reversal of temporary differences	14,189	2,617
Relating to the change in recoverable amount of a deferred income tax asset	(5,686)	951
Provision for income taxes	8,503	1,689

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

	2024	2023
	\$	\$
Net income before income taxes	46,326	5,113
Provision for income taxes at statutory rate of 26.98% (2023 – 27.07%)	12,499	1,384
Increase (decrease) from statutory rate:		
Effect of difference in statutory rates of subsidiaries	(506)	287
Non-taxable component of realized/unrealized investment gains (losses)	1,945	(124)
Non-taxable and non-deductible expenses	(71)	(51)
Benefit of previously unrecognized deferred income tax asset	(5,686)	458
Effect of prior year tax adjustments	326	(168)
Other	(4)	(97)
Provision for income taxes at effective rate	8,503	1,689

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, 2024, there was no deferred income tax liability recognized for taxable 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 taxable temporary differences will not reverse in the foreseeable future. The taxable temporary differences associated with investments in subsidiaries for which a deferred income tax liability has not been recognized aggregate to \$74,257 (2023 – \$24,519).

As at December 31, 2024, the Company had non-capital losses carried forward for tax purposes of \$8,638 (2023 – \$8,022) in Canada and US\$ nil (2023 – US\$18,455) in the United States.

Certain deferred income tax assets have not been recognized:

	2024	2023
	\$	\$
Property and equipment	—	613
Non-capital loss carry forwards	203	5,231
Total	203	5,844

Clarke Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2024 and 2023

*(in thousands of Canadian dollars, except per share amounts)***8. INCOME TAXES (CONT'D)**

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

Year ended	Deferred income tax asset (liability) beginning of year	Recognized directly in equity	Recognized directly in earnings	Deferred income tax asset (liability) end of year
December 31, 2024	\$	\$	\$	\$
Property and equipment and investment properties	(4,978)	(2,742)	(10,785)	(18,505)
Employee future benefits	(9,135)	151	(275)	(9,259)
Losses carried forward	2,077	—	2,708	4,785
Other	174	41	(151)	64
	(11,862)	(2,550)	(8,503)	(22,915)
Deferred income tax assets	130	174	(191)	113
Deferred income tax liabilities	(11,992)	(2,724)	(8,312)	(23,028)
	(11,862)	(2,550)	(8,503)	(22,915)

Year ended	Deferred income tax asset (liability) beginning of year	Recognized directly in equity	Recognized directly in earnings	Deferred income tax asset (liability) end of year
December 31, 2023	\$	\$	\$	\$
Intangible assets	(579)	—	574	(5)
Property and equipment and investment properties	(605)	(2,775)	(1,598)	(4,978)
Employee future benefits	(7,771)	(1,718)	354	(9,135)
Deferred financing fees	(45)	—	107	62
Losses carried forward	5,081	—	(3,004)	2,077
Other	50	68	(1)	117
	(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)

9. 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. This credit facility bears interest at prime plus 1.50% or based on a spread to the Canadian Overnight Repo Rate Average (CORRA). As of December 31, 2024, the Company had drawn \$9,414 on this facility (2023 – \$3,763), and the borrowing base yielded a maximum draw of \$55,000 (2023 – \$47,761). The aggregate carrying value of the six hotel properties and ferry operations securing this facility is \$86,490 (2023 – \$80,790).

The Company has a second credit facility with a maximum borrowing capacity of \$30,000. This credit facility bears interest at prime plus 1.00%. As of December 31, 2024, the Company had drawn \$17,000 on this facility (2023 – \$nil). This facility, and a corresponding term loan (note 12), are secured by five hotel properties with a carrying value of \$96,449 (2023 – \$88,062).

The interest rate of both facilities was renegotiated subsequent to December 31, 2024, and both facilities now bear interest at prime plus 0.50%. Both 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.

Clarke Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2024 and 2023

*(in thousands of Canadian dollars, except per share amounts)***10. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

	2024	2023
	\$	\$
Accounts payables	7,674	11,427
Accrued liabilities	17,134	14,846
	24,808	26,273

At December 31, 2024, the Company had \$6,268 (2023 – \$nil) of construction accounts payable due under terms lasting more than one year, which were presented as long-term on the statements of financial position.

11. CONVERTIBLE DEBENTURES

	2023
	\$
Beginning balance	34,146
Accretion	61
Conversion to common shares	(84)
Face value of debentures redeemed	(34,916)
Loss on modification and redemption	793
Ending balance	—

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.

12. 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 9), (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 (note 11). 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.

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

	2024	2023
	\$	\$
Total long-term debt – beginning balance	122,021	98,352
Proceeds of long-term debt, net of financing fees	43,519	88,896
Repayment of long-term debt	(3,013)	(13,404)
Settlement of credit facility in lieu of cash on sale of subsidiary (note 7)	(4,302)	—
Derecognition of long-term debt on disposition of joint operation (note 22)	—	(52,965)
Capitalized interest on construction mortgage	—	1,091
Accretion	2	51
Total long-term debt – ending balance	158,227	122,021

Clarke Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2024 and 2023

*(in thousands of Canadian dollars, except per share amounts)***12. LONG-TERM DEBT (CONT'D)**

	2024	2023
	\$	\$
Mortgages payable, with a face value of \$43,407, bearing interest at a weighted average rate of 5.87% 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 \$153,234 have been pledged as security for individual mortgages.	43,227	45,708
Unsecured credit facility due to a related party, with a maximum borrowing limit of \$35,000, bearing interest at 6.00% (note 13).	30,000	35,000
Construction mortgage, with a maximum borrowing limit of \$85,000, bearing interest at the lender's prime rate, secured by the Talisman development.	85,000	41,313
Total long-term debt	158,227	122,021
Less: current portion of long-term debt	(90,637)	(1,845)
Long-term portion	67,590	120,176

13. 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, representing the amount of consideration established and agreed to by the related parties:

- (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 2024, the Company incurred \$331 (2023 – \$287) under these agreements.
- (ii) The Company provided administrative and asset management services to the Plans and charged \$1,053 for services during the year ended December 31, 2024 (2023 – \$910).
- (iii) The Company provided and received services with entities owned by the Company's Chairman and his immediate family member of \$617 (2023 – \$277). 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 \$1,905 (2023 – \$909).

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

Year ended December 31, 2024	Directors	Officers	Total
	\$	\$	\$
Salary and fees	124	396	520
Pension value	64	10	74
Total	188	406	594

Clarke Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

14. 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 a former joint operation for an aggregate amount of \$27,700 (note 22). The Company expects the guarantee to be released in 2025 and has an indemnity agreement with its former partners for this guarantee until it is released.

Capital commitments consist of the future commitments related to the construction of the second phase of the Talisman, which began in 2024 and is expected to be completed in 2026. Remaining contracted capital expenditures for this project not yet incurred are approximately \$118,000.

15. SHARE CAPITAL AND EARNINGS PER SHARE

As at and for the year ended December 31,	2024		2023	
	# 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	13,959,157	82,574	14,069,144	83,190
Common shares repurchased for cancellation	(7,800)	(46)	(116,100)	(700)
Common shares issued upon conversion of debentures	—	—	6,113	84
Outstanding common shares, end of year	13,951,357	82,528	13,959,157	82,574

Earnings per share

	2024			2023		
	Earnings	Weighted average shares (in thousands)	Per share amount	Earnings	Weighted average shares (in thousands)	Per share amount
	\$	#	\$	\$	#	\$
Basic and diluted earnings per share	37,823	13,956	2.71	3,424	14,004	0.24

As of December 31, 2024 and 2023, the Company did not have any potentially dilutive instruments.

Common share activity

During the year ended December 31, 2024, the Company purchased for cancellation 7,800 (2023 – 116,100) common shares at a cost of \$125 (2023 – \$1,482). The purchase price in excess of the historical book value of the shares in the amount of \$79 (2023 – \$782) has been charged to retained earnings, and \$46 (2023 – \$700) has been charged to share capital. The common share repurchases in the years ended December 31, 2024, and 2023 were completed under the Company's normal course issuer bids.

Clarke Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2024 and 2023

*(in thousands of Canadian dollars, except per share amounts)***16. INVESTMENT AND OTHER INCOME**

Investment and other income is comprised of the following:

	2024	2023
	\$	\$
Fair value adjustments and realized gains (losses) on investment properties <i>(note 2)</i>	34,000	(7,837)
Revaluation gains on hotel properties <i>(note 2)</i>	3,900	4,300
Interest income	876	4
Pension recovery <i>(note 5)</i>	1,132	204
Gain (loss) on disposal of property and equipment	78	(5)
Loss on redemption of debentures <i>(note 11)</i>	—	(793)
Foreign exchange gains	89	—
Realized gain on disposal of joint operation <i>(note 22)</i>	—	8,116
Loss on disposal of subsidiary <i>(note 7)</i>	(376)	—
	39,699	3,989

17. EXPENSES BY NATURE

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

	2024	2023
	\$	\$
Salaries, wages and employee benefits	23,554	25,036
Materials, supplies, repairs and utilities	13,976	15,414
Food, beverage and service costs	2,320	2,746
Royalty and franchise fees	2,784	2,900
Property taxes	3,259	3,341
Other general and administrative	2,365	2,844
Professional fees	702	1,111
Information technology and support	657	693
Insurance	1,031	916
	50,648	55,001

18. INTEREST AND ACCRETION

Interest and accretion expense is comprised of the following:

	2024	2023
	\$	\$
Interest on short-term indebtedness	2,982	2,590
Interest on long-term debt and debentures	4,547	4,487
Accretion	2	110
	7,531	7,187

Clarke Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2024 and 2023

*(in thousands of Canadian dollars, except per share amounts)***19. SUPPLEMENTAL CASH FLOW INFORMATION**

	2024	2023
	\$	\$
Adjustments for items not involving cash		
Depreciation and amortization	10,563	10,179
Revaluation gains on hotel properties <i>(note 2)</i>	(3,900)	(4,300)
Fair value adjustments and realized losses (gains) on investment properties <i>(note 2)</i>	(34,000)	7,837
Realized gain on disposal of joint operation <i>(note 22)</i>	—	(8,116)
Deferred income tax expense <i>(note 8)</i>	8,503	3,568
Non-cash long-term incentive recovery	—	(213)
Accretion	2	110
Unrealized foreign exchange gains	(102)	—
Pension recovery <i>(note 5)</i>	(1,132)	(204)
Loss on disposal of subsidiary <i>(note 7)</i>	376	—
Loss (gain) on disposal of property and equipment	(78)	5
Loss on redemption of debentures <i>(note 11)</i>	—	793
	(19,768)	9,659
	2024	2023
	\$	\$
Net change in non-cash working capital balances		
Receivables	(2,445)	885
Other assets	(589)	458
Accounts payable and other liabilities	2,703	523
Income taxes payable	281	(1,868)
	(50)	(2)
	2024	2023
	\$	\$
Income taxes paid	70	356
Interest received	1,015	4
Interest paid	10,072	8,489

20. 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, secure new debt, repurchase existing debt or shares and/or adjust the amount of dividends paid to shareholders. The Company was in compliance with all debt covenants as at December 31, 2024 and 2023.

Clarke Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

21. 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, 2024 was \$158,227 and \$160,237 (2023 – \$122,021 and \$118,630), 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 Company's assets recognized and measured at fair value include certain classes of property and equipment totalling \$208,593 (note 6) and investment properties of \$249,133 (note 7). Both are classified as level 3 in the fair value hierarchy.

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.

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, 2024, equity price risk and foreign exchange risk are considered insignificant.

Interest rate risk

The Company's interest rate risk arises from long-term debt with variable rates, which expose it to cash flow interest rate risk. It manages its exposure to interest rate risk by using a combination of fixed rate debt and variable debt, so changes to cash flows are mitigated by changes in interest rates. The weighted average interest rate on its long-term debt is 5.67% with a weighted average maturity of approximately 1.7 years.

The Company has one construction loan, two hotel-secured mortgages and two revolving credit facilities that use variable rates. At December 31, 2024, the after-tax, annualized net income effect of a 1% change in interest rates would have been \$831 on variable rate debt of \$113,775.

Clarke Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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

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 receivables, and loan receivable, which was repaid in full during 2024.

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, 2024, the Company had cash on-hand of \$809 and available undrawn revolving facilities of \$58,586.

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	24,808	3,877	1,561	830
Short-term indebtedness	26,414	—	—	—
Lease obligations	95	190	190	97
Long-term debt	90,652	37,167	30,595	—
Interest on long-term debt	7,800	7,503	1,825	—
	149,769	48,737	34,171	927

22. 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 during the year ended December 31, 2023.

During the year ended December 31, 2023, revenue of \$954 and operating expenses of \$2,394 related to the joint operation are included in the consolidated statements of earnings.

Clarke Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2024 and 2023

*(in thousands of Canadian dollars, except per share amounts)***23. SEGMENTED INFORMATION**

The Company operates in two reportable business segments. The Investment segment represents the Company's investment properties, loan receivable and ferry business. 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, pension plans and its unsecured credit facility. 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 no longer has material assets or operations located outside of Canada.

Year ended December 31, 2024	Investment	Hospitality	Other	Eliminations	Total
	\$	\$	\$	\$	\$
Revenue and other income:					
Hotel and rental revenue and provision of services	12,696	61,620	1,083	(30)	75,369
Investment and other income	34,541	3,912	1,246	—	39,699
	47,237	65,532	2,329	(30)	115,068
Operating expenses before the undernoted	8,013	39,716	2,949	(30)	50,648
Depreciation and amortization	37	10,447	79	—	10,563
Interest and accretion	1,791	3,230	2,510	—	7,531
Income (loss) before income taxes	37,396	12,139	(3,209)	—	46,326
Assets	250,268	230,409	35,701	—	516,378
Liabilities	110,946	85,862	42,628	—	239,436
Capital expenditures	79,954	12,294	—	—	92,248
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

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