

**SKYLINE INTERNATIONAL DEVELOPMENT INC.  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 2014  
AND 2013  
(Unaudited)**

**SKYLINE INTERNATIONAL DEVELOPMENT INC.  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 & 2013**

*(Unaudited)*

**CONTENTS**

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION .....	3
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS .....	4
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) .....	5
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY .....	6 - 8
INTERIM CONSOLIDATED CASH FLOW STATEMENTS .....	9 - 10
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS .....	11 - 18

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(in thousands of Canadian Dollars)

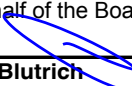
	<b>As at</b>		
	<b>June 30, 2014</b>	<b>June 30, 2013</b>	<b>December 31, 2013</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	14,424	11,318	5,578
Trade receivables	5,011	6,985	3,732
Other receivables	4,290	28,692	4,623
Prepayments	1,158	1,774	1,175
Inventories	1,286	1,200	1,246 *
Real Estate Inventory	47,211	50,627	48,485 *
Total current assets	<u>73,380</u>	<u>100,596</u>	<u>64,839</u>
<b>Non-current</b>			
Restricted bank deposits	3,040	4,694	6,094
Investment properties	96,763	87,776	92,282
Property, plant and equipment, at cost	94,448	99,966	91,833
Property, plant and equipment, at fair value	28,254	26,956	28,301
Other assets	335	427	147
Deferred tax	10,965	9,618	9,429
Available for Sale Investments, at fair market value	3,669	-	3,457
Total non-current assets	<u>237,474</u>	<u>229,437</u>	<u>231,543</u>
<b>Total Assets</b>	<b><u>310,854</u></b>	<b><u>330,033</u></b>	<b><u>296,382</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Loans payable	11,317	7,976	8,831
Loans payable to related parties	11,701	21,925	5,525
Trade payables	6,092	6,817	7,678
Other payables and credit balances	8,930	10,209	7,739
Deferred revenue	6,612	7,278	6,811
Income taxes payable	-	470	822
Investors deposits	150	612	335
Total current liabilities	<u>44,802</u>	<u>55,287</u>	<u>37,741</u>
<b>Non-current</b>			
Loans payable	79,592	99,282	83,992
Loans payable to related parties	6,359	12,385	12,497
Tenants deposits	285	755	166
Deferred tax	29,104	29,465	28,143
Total non-current liabilities	<u>115,340</u>	<u>141,887</u>	<u>124,798</u>
Total liabilities	<u>160,142</u>	<u>197,174</u>	<u>162,539</u>
<b>Shareholders' Equity</b>			
Share capital	76,988	57,988	57,988
Warrant Certificates	519	581	581
Revaluation surplus	4,173	5,030	4,192
Related Party Surplus	125	125	125
Equity settled service reserve	1,452	1,405	1,703
Foreign exchange translation	766	572	853
Retained earnings	61,586	62,004	63,320
	<u>145,609</u>	<u>127,705</u>	<u>128,762</u>
Equity attributable to Shareholders of the Company	<u>145,609</u>	<u>127,705</u>	<u>128,762</u>
Non-controlling interest	5,103	5,154	5,081
<b>Total Liabilities and Equity</b>	<b><u>310,854</u></b>	<b><u>330,033</u></b>	<b><u>296,382</u></b>


Subsequent Events


\* Reclassified

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

On Behalf of the Board of Directors:

  
**Gil Blutrigh**  
 Chairman

  
**Michael Sneyd**  
 CEO

  
**Vadim Shub**  
 CFO

August 11, 2014

Date

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED		YEAR ENDED
	June 30,		June 30,		Dec 31,
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)
<b>REVENUE</b>					
Sale of condominiums	--	3,315	119	9,143	9,269
Sale of residential condos and lots	2,873	1,100	3,048	2,466	6,657
Income from investment properties	785	572	1,545	804	2,362
Hospitality income	14,708	15,650	31,896	34,034	72,176
Property management fees	26	8	43	386	1,032
Timeshare income	537	--	785	--	45
Other revenue	1	14	1	14	41
	<u>18,930</u>	<u>20,659</u>	<u>37,437</u>	<u>46,847</u>	<u>91,582</u>
<b>EXPENSES AND COSTS</b>					
Cost of sale of condominiums	--	2,598	158	7,084	7,221
Operating expenses of investment properties	348	(6)	658	179	1,005
Hospitality operating expenses	14,325	16,165	29,899	32,533	67,304
Property management costs	--	(93)	--	--	--
Timeshare expenses	532	--	624	--	33
Cost of sale of residential condos and lots	2,877	1,141	3,011	2,528	7,472
Development periodic costs	694	524	827	928	1,706
Depreciation	1,460	1,290	2,949	2,618	5,303
	<u>20,236</u>	<u>21,619</u>	<u>38,126</u>	<u>45,870</u>	<u>90,044</u>
<b>GROSS PROFIT</b>	<b>(1,306)</b>	<b>(960)</b>	<b>(689)</b>	<b>977</b>	<b>1,538</b>
Gain (loss) from fair value adjustments	(3)	17,228	5,087	17,095	21,567
Selling and marketing expenses	412	101	1,618	395	1,459
Administrative and general expenses	815	1,737	1,840	2,901	6,053
<b>PROFIT FROM OPERATIONS</b>	<b>(2,536)</b>	<b>14,430</b>	<b>940</b>	<b>14,776</b>	<b>15,593</b>
Financial expense	1,545	1,610	3,376	3,276	7,178
Financial income	(35)	(286)	(38)	(308)	(566)
Other expense	--	--	--	--	95
Loss (gain) on sale of investment	--	--	--	--	(1,155)
<b>PROFIT BEFORE INCOME TAXES</b>	<b>(4,046)</b>	<b>13,106</b>	<b>(2,398)</b>	<b>11,808</b>	<b>10,041</b>
Income tax expense (recovery)	(1,004)	3,693	(686)	3,390	2,102
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(3,042)</b>	<b>9,413</b>	<b>(1,712)</b>	<b>8,418</b>	<b>7,939</b>
<b>Attributable to:</b>					
Shareholders of the Company	(3,059)	4,259	(1,734)	3,264	2,858
Non-controlling interest	17	5,154	22	5,154	5,081
	<u>(3,042)</u>	<u>9,413</u>	<u>(1,712)</u>	<u>8,418</u>	<u>7,939</u>
<b>BASIC EARNINGS PER SHARE</b>	<b>(0.19)</b>	<b>0.29</b>	<b>(0.11)</b>	<b>0.23</b>	<b>0.20</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>(0.19)</b>	<b>0.29</b>	<b>(0.11)</b>	<b>0.23</b>	<b>0.20</b>

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

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(in thousands of Canadian Dollars)

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED		YEAR ENDED
	June 30,		June 30,		Dec 31,
	2014	2013	2014	2013	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
<b>PROFIT (LOSS) FOR THE PERIOD</b>	(3,042)	9,413	(1,712)	8,418	7,939
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items that will not be reclassified subsequently to profit or loss:</b>					
Revaluation surplus of property, plant and equipment, before income taxes	(13)	(166)	(25)	(475)	387
Income taxes	3	26	6	18	40
Exchange differences on translation of foreign operations	(252)	572	(87)	572	853
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD net of taxes</b>	(262)	432	(106)	115	1,280
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, net of taxes</b>	<b>(3,304)</b>	<b>9,845</b>	<b>(1,818)</b>	<b>8,533</b>	<b>9,219</b>
<b>Attributable to:</b>					
Non-controlling interest	17	5,154	22	5,154	5,081
Shareholders of the Company	(3,321)	4,691	(1,840)	3,379	4,138
	<b>(3,304)</b>	<b>9,845</b>	<b>(1,818)</b>	<b>8,533</b>	<b>9,219</b>

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

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
*(in thousands of Canadian Dollars)*

	Share Capital	Warrant Certificates	Re-valuation Surplus	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total
<b>FOR THE THREE MONTHS ENDED June 30, 2014</b>										
<i>(Unaudited)</i>										
<b>Balance at the beginning of the period</b>	77,260	527	4,183	1,779	125	1,018	64,645	149,537	5,086	154,623
Cancellation of warrants										
Issuance of new shares	(272)	(8)	--	--	--	--	--	(280)	--	(280)
Loss for the period	--	--	--	--	--	--	(3,059)	(3,059)	17	(3,042)
Other comprehensive income (loss) for the period	--	--	(10)	--	--	(252)	--	(262)	--	(262)
<b>Total comprehensive Income (loss) for the period</b>	<b>--</b>	<b>--</b>	<b>(10)</b>	<b>--</b>	<b>--</b>	<b>(252)</b>	<b>(3,059)</b>	<b>(3,321)</b>	<b>17</b>	<b>(3,304)</b>
Recognition of Share-based payment	--	--	--	(327)	--	--	--	(327)	--	(327)
<b>Balance at the end of the period</b>	<b><u>76,988</u></b>	<b><u>519</u></b>	<b><u>4,173</u></b>	<b><u>1,452</u></b>	<b><u>125</u></b>	<b><u>766</u></b>	<b><u>61,586</u></b>	<b><u>145,609</u></b>	<b><u>5,103</u></b>	<b><u>150,712</u></b>
<b>FOR THE THREE MONTHS ENDED June 30, 2013</b>										
<i>(Unaudited)</i>										
<b>Balance at the beginning of the period</b>	49,569	--	5,170	1,275	125	--	57,745	113,884	--	113,884
Issuance of new shares	8,419	581	--	--	--	--	--	9,000	--	9,000
Profit for the period	--	--	--	--	--	--	4,259	4,259	5,154	9,413
Other comprehensive (loss) for the period	--	--	(140)	--	--	572	--	432	--	432
<b>Total comprehensive Income (loss) for the period</b>	<b>--</b>	<b>--</b>	<b>(140)</b>	<b>--</b>	<b>--</b>	<b>572</b>	<b>4,259</b>	<b>4,691</b>	<b>5,154</b>	<b>9,845</b>
Recognition of Share-based payment	--	--	--	130	--	--	--	130	--	130
<b>Balance at the end of the period</b>	<b><u>57,988</u></b>	<b><u>581</u></b>	<b><u>5,030</u></b>	<b><u>1,405</u></b>	<b><u>125</u></b>	<b><u>572</u></b>	<b><u>62,004</u></b>	<b><u>127,705</u></b>	<b><u>5,154</u></b>	<b><u>132,859</u></b>

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(in thousands of Canadian Dollars)

	Share Capital	Warrant Certificates	Re-valuation Surplus	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total
<b>FOR THE SIX MONTHS ENDED June 30, 2014</b>										
<i>(Unaudited)</i>										
<b>Balance at the beginning of the period</b>	57,988	581	4,192	1,703	125	853	63,320	128,762	5,081	133,843
Cancellation of warrants	581	(581)						--		--
Issuance of new shares	18,419	519	--	--	--	--	--	18,938	--	18,938
Loss for the year	--	--	--	--	--	--	(1,734)	(1,734)	22	(1,712)
Other comprehensive income for the period	--	--	(19)	--	--	(87)		(106)		(106)
<b>Total comprehensive Income for the year</b>	--	--	(19)	--	--	(87)	(1,734)	(1,840)	22	(1,818)
Recognition of Share-based payment	--	--	--	(251)	--	--	--	(251)	--	(251)
<b>Balance at the end of the period</b>	<u>76,988</u>	<u>519</u>	<u>4,173</u>	<u>1,452</u>	<u>125</u>	<u>766</u>	<u>61,586</u>	<u>145,609</u>	<u>5,103</u>	<u>150,712</u>
<b>FOR THE SIX MONTHS ENDED June 30, 2013</b>										
<i>(Unaudited)</i>										
<b>Balance at the beginning of the period</b>	49,569	--	5,487	1,072	125	--	58,740	114,993	--	114,993
Issuance of new shares	8,419	581	--	--	--	--	--	9,000	--	9,000
Profit for the period	--	--	--	--	--	--	3,264	3,264	5,154	8,418
Other comprehensive income for the year	--	--	(457)	--	--	572	--	115	--	115
<b>Total comprehensive income for the period</b>	--	--	(457)	--	--	572	3,264	3,379	5,154	8,533
Recognition of Share-based payment	--	--	--	333	--	--	--	333	--	333
<b>Balance at the end of the period</b>	<u>57,988</u>	<u>581</u>	<u>5,030</u>	<u>1,405</u>	<u>125</u>	<u>572</u>	<u>62,004</u>	<u>127,705</u>	<u>5,154</u>	<u>132,859</u>

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
*(in thousands of Canadian Dollars)*

	Share Capital	Warrant Certificates	Re-valuation Surplus	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total
<b>FOR THE YEAR ENDED December 31, 2013</b>										
<i>(Audited)</i>										
<b>Balance at the beginning of the period</b>	49,569	--	5,487	1,072	125	--	58,740	114,993	--	114,993
Issuance of new shares	8,419	581	--	--	--	--	--	9,000	--	9,000
Profit for the period	--	--	--	--	--	--	2,858	2,858	5,081	7,939
Other comprehensive income for the year	--	--	427	--	--	853	--	1,280	--	1,280
Total comprehensive income for the year	--	--	427	--	--	853	2,858	4,138	5,081	9,219
Revaluation surplus, recognized net of taxes	--	--	(1,722)	--	--	--	1,722	--	--	--
Recognition of Share-based payment	--	--	--	631	--	--	--	631	--	631
<b>Balance at the end of the period</b>	<u>57,988</u>	<u>581</u>	<u>4,192</u>	<u>1,703</u>	<u>125</u>	<u>853</u>	<u>63,320</u>	<u>128,762</u>	<u>5,081</u>	<u>133,843</u>

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



**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**INTERIM CONSOLIDATED CASH FLOW STATEMENTS**

(in thousands of Canadian Dollars)

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED		YEAR ENDED
	June 30,		June 30,		Dec 31,
	2014	2013	2014	2013	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>					
<b>Operating</b>					
Profit (loss) for the year	(3,042)	9,413	(1,712)	8,418	7,939
Add (deduct) items not involving cash:					
Depreciation and amortization	1,471	1,624	3,242	3,263	6,369
Loss (gain) from fair value adjustments	3	(17,228)	(5,087)	(17,095)	(21,567)
Gain on sale of investment	--	--	--	--	(1,155)
Deferred tax	(936)	3,975	(575)	3,577	2,444
Equity settled service reserve	(327)	130	(251)	333	631
<b>Changes in non-cash working capital</b>					
Trade receivables	(1,223)	2,225	(1,279)	(2,965)	206
Other receivables and prepayments	251	343	417	(1,926)	1,055
Restricted bank deposits	1,600	(153)	3,054	(275)	(1,675)
Inventories	443	5,071	635	5,172	(226) *
Real Estate Inventory	1,290	(3,848)	1,274	--	7,494 *
Deposits on properties	--	1,271	--	1,151	1,151
Trade and other payables and credit balances	(95)	2,950	(512)	2,309	(694)
Income taxes payable	(555)	(96)	(889)	(133)	219
Investors deposits	(298)	(1,850)	(185)	612	335
	<u>(1,418)</u>	<u>3,826</u>	<u>(1,868)</u>	<u>2,440</u>	<u>2,526</u>
<b>Investing</b>					
Investment in available for sale assets	(212)	--	(212)	--	(501)
Additions to investment properties	18	(21,139)	(58)	(21,290)	(21,410)
Proceeds from sale of investment properties	--	--	--	--	19
Net proceeds from sale of assets (Schedule A)	--	--	--	--	3,173
Additions to property, plant and equipment	(3,202)	(990)	(5,451)	(1,642)	(5,316)
Proceeds of loans given to purchasers	--	--	--	--	21,500
	<u>(3,396)</u>	<u>(22,129)</u>	<u>(5,721)</u>	<u>(22,932)</u>	<u>(2,535)</u>
<b>Financing</b>					
Bank credit and other short-term loans	464	(3,608)	573	(3,216)	(3,463)
Proceeds on loans payable	90	28,912	495	31,412	31,984
Repayments of loans payable	(2,275)	(3,247)	(3,037)	(3,497)	(13,660)
Repayments of loans payable to related parties	--	(5,064)	(203)	(5,336)	(21,828)
Change in tenants' deposits	113	131	119	131	(458)
Deferred financing costs paid	(188)	(391)	(450)	(391)	(267) *
Foreign Exchange translation gain (loss)	--	(572)	--	(572)	--
Common shares issued	(280)	9,000	18,938	9,000	9,000
	<u>(2,076)</u>	<u>25,161</u>	<u>16,435</u>	<u>27,531</u>	<u>1,308</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>					
	<u>(6,890)</u>	<u>6,858</u>	<u>8,846</u>	<u>7,039</u>	<u>1,299</u>
Cash and cash equivalents, beginning of the year	21,314	4,460	5,578	4,279	4,279
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>14,424</u>	<u>11,318</u>	<u>14,424</u>	<u>11,318</u>	<u>5,578</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>					
Interest paid	1,424	1,294	3,136	2,647	6,346
Interest received	35	286	38	308	566
Income taxes paid	555	31	889	139	227

\* Reclassified

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

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**INTERIM CONSOLIDATED CASH FLOW STATEMENTS**  
*(in thousands of Canadian Dollars)*

**Schedule A - Derecognition of proportionate share in King Edward Hotel subsequent to partial disposition in 2013**

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED		YEAR ENDED
	June 30,		June 30,		Dec 31,
	2014	2013	2014	2013	2013
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Consideration received	--	--	--	--	3,154
Working Capital, net of cash and cash equivalents	--	--	--	--	(128)
Property, Plant and Equipment	--	--	--	--	9,469
Loans payable	--	--	--	--	(4,267)
Deferred revenue	--	--	--	--	(100)
Investment in Shares	--	--	--	--	(2,956)
Cash and cash equivalent balances disposed of	--	--	--	--	(19)
<b>Total assets disposed of</b>	--	--	--	--	1,999
Gain on sale of investment	--	--	--	--	1,155
	--	--	--	--	3,154
Less:					
Cash and cash equivalent balances disposed of	--	--	--	--	19
<b>Net cash from sale of assets</b>	--	--	--	--	3,173

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED June 30, 2014**

(Unaudited) (in thousands of Canadian Dollars)

**1 NATURE OF OPERATIONS**

Skyline International Development Inc. ("Skyline" or the "Company") was incorporated on December 4, 1998 under the *Business Corporations Act (Ontario)*.

The Company and its subsidiaries are involved in the acquisition, ownership and development of hospitality and destination communities in Ontario and the United States. The Company's normal operating cycle is twelve months except for the development activities, which are in excess of twelve months and typically range between three to four years.

The Company is 66.18% owned by Skyline Canada-Israel Ltd, a majority of shares of which are owned by Mishorim Development Corporation Ltd., a public company whose shares are traded on the Tel-Aviv Stock Exchange.

On March 13, 2014 the Company listed its shares on the Tel Aviv Stock Exchange. See note 5.

On May 14, 2014, following the filing of the prospectus, the Company obtained a Receipt from the Ontario Securities Commission, and it became a reporting issuer in Canada.

**2 SIGNIFICANT ACCOUNTING POLICIES**

(a) Basis of preparation of the interim condensed consolidated financial statements:

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

(b) New standards, interpretations and amendments initially adopted by the Company:

The significant accounting policies and methods of computation adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements, except for the noted below:

Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

Disclosure of new IFRS standards in the period prior to their adoption:

IFRS 15, "Revenue from Contracts with Customers":

The standard replaces the existing guidelines regarding the revenue recognition and presents a new single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Standard provides two approaches to revenue recognition: one point in time or over time. The model framework consists of five steps for analyzing transactions to determine timing and amount of revenue recognition. In addition, the standard provides new, more extensive disclosure requirements to those that exist today.

Application of the standard is mandatory for annual reporting periods starting from January 1, 2017. Earlier application is permitted. The standard includes various options for transitional provisions, so that companies will be able to choose one of the following options during the initial implementation: full retrospective application, full retrospective application with certain limited practical expedients being available; or retain prior period figures as reported under the previous standards, recognizing the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (beginning of current reporting period) regarding the transactions that were not yet completed.

The Company is evaluating the impact of the standard on the financial statements.

**3 SEASONALITY AND CHANGES IN FOREIGN EXCHANGE**

The Company's hospitality segment operations are seasonal due to its nature. The results of operations and the revenue are substantially better during winter and summer seasons.

The Company has a foreign exchange impact from the US dollar. Since January 1, 2014 until June 30, 2014 the foreign exchange difference on the U.S. dollar compared to the Canadian dollar increased by 0.3%. From April 1, 2014 until June 30, 2014 the foreign exchange difference on the U.S. dollar compared to the Canadian dollar decreased by 3.9%

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED June 30, 2014**

(Unaudited) (in thousands of Canadian Dollars)

**4 FAIR VALUE MEASUREMENT**

**Categories of assets and liabilities subject to fair value measurement**

The estimated fair values of loans payable are as follows:

	Fair value		Carrying amount	
	As at June 30, 2014	As at June 30, 2013	As at June 30, 2014	As at June 30, 2013
Loans payable	90,124	108,904	90,909	107,258
Loans payable to related parties	18,060	34,310	18,060	34,310
	108,184	143,214	108,969	141,568

**5 SIGNIFICANT EVENTS DURING THE PERIOD**

**2013 Acquisition**

**Blue Mountain Village, Collingwood, Ontario**

On April 15, 2013, the Company together with its 40% partner completed the acquisition for the existing commercial space and future residential developable lands at Blue Mountain Resort, known as Blue Mountain Village (thereafter - 'The Village'). The acquisition also includes the management contract of other commercial space in The Village that is owned by a non-related third party. The total purchase price is \$20,000 not including closing costs of \$1,303. The acquisition was financed with a ten-year first degree mortgage of \$15,000, bearing an annual interest rate of 6.75%. The loan is guaranteed by the Company and the partner and is subject to a minimum debt service ratio covenant (DSCR) of 1.20.

**2014 Acquisition**

**Purchase remaining 40% of Blue Mountain Village, Collingwood Ontario**

On February 26, 2014, the Company reached an agreement with a third party to acquire the third party's 40% share in Blue Mountain Village assets for \$15,400 net of \$6,000 obligations to a financial institution and become a 100% owner of the asset. The parties agreed to complete the transaction within 90 days, subject to conditions precedent customary to this type of transaction including securing by the Company the required financing and release of the vendor from its obligations.

In May 2014, the Company and the third party both agreed to extend to complete the transaction to the end of August 2014 and that the acquisition will be completed through the issuance of shares of the Company.

**Public Placement**

On February 26, 2014 the Company's shareholders approved 10:1 share split increasing the number of shares issued from 1,475,895 to 14,758,950. This share split increased the outstanding employee stock option conversion rights by 10 as well. At the same day the Company's shareholders announced that they would not exercise any of their rights or warrants to the Company's shares and these rights expired on the IPO date.

On February 28, 2014, the company filed its prospectus and was issued receipt to sell its securities to the public on the Tel Aviv Stock Exchange (TASE). On March 13, 2014 the Company concluded its Initial Public Offering (IPO) and listed its shares on TASE, issuing 1,759,250 common shares (10.65%) and 703,700 warrants in consideration of \$22,450 (69,754 New Israeli Shekels (NIS)) or net amount of approximately \$18,938 (after costs and underwriters fees) becoming a public reporting entity in the State of Israel. The effective price of each share was established at 38.05 NIS (\$12.27) or \$21,593 of the total proceeds and the total value attributed to warrants using the Black Scholes model was 2,815 NIS (\$908).

**Exercise of Options**

On May 27, 2014 one of the Company's employees exercised 5,420 options and was issued 5,420 common shares. This transaction reduced the balance of the options outstanding from 651,980 to 646,560. The share price of the Company's share on the exercise date was \$9.2 dollars per share.

**Employee Stock Option**

In January 2012, the Board of Directors of the Company (BOD) agreed to establish an employee stock option plan (ESOP) to align the compensation structure of Directors, Executives and Employees with the Company's performance objectives.

As per the ESOP, the aggregate number of shares in the capital of the corporation that may be issued and/or delivered under the plan shall not exceed 1,024,640 common shares.

847,040 options were granted on February 1, 2012 (including 204,310 options that were granted to the President, which were subject to ratification by the Parent Company). Once the Company became a public issuer, the Parent Company did not give its approval to issue options to the President. The 204,310 options were returned to the Company.

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED June 30, 2014**

(Unaudited) (in thousands of Canadian Dollars)

**5 SIGNIFICANT EVENTS DURING THE PERIOD (continued)**

**Deerhurst Resort, Village Centre Development**

During 2012 the Company engaged various consultants, planners, and together with the Huntsville municipality held a number of public meetings and consultations regarding the development of the lands surrounding its Deerhurst Resort.

These activities concluded in November 2013 with completion of the master plan for the lands.

On December 2, 2013 the Company submitted an application for development of the Village Centre Area. It is envisioned for a mixed-use residential and commercial development of 51.3 acres for 791 residential units and approximately 46,758 square feet of commercial gross floor area.

On March 20, 2014 the Company received a letter from the Township's Planning Department's head advising Skyline that the application was considered "complete" so there are still some minor outstanding issues that need to be resolved.

The Township and the Region see the project favorably and the application conforms to the Official Plan. Therefore, the future development is considered to be in the nearing the approval stage and the fair value of the site was appraised at \$6,950 resulting in a fair value adjustment for the land of \$5,150 in the quarter.

The appraisal was performed by an independent real estate appraiser from one of the top reputable firms, knowledgeable of the area and experienced in this type of appraisal engagements.

**6 SEGMENTED INFORMATION**

The Company operates within the commercial investment property business, land development business, and hospitality business. The following summary presents segmented financial information for the Company's principal areas of business by industry. All the Company's operating segments are in Canada and the United States.

**(a) General business segments**

- |                            |   |
|----------------------------|---|
| 1. Investment properties - | Includes acquisition, ownership, management and sale of commercial investment properties.                           |
| 2. Development -           | Includes the development, purchase and sale of properties.  |
| 3. Hospitality -           | Includes the acquisition, ownership, management and sale of hotels, portion of hotels and extended stay operations. |
| 4. Other -                 | other   |

**(b) The following presents financial information for these segments:**

	For the three months ended June 30, 2014 (unaudited)				
	Investment properties	Development	Hospitality	Other	Total
<b>REVENUE</b>					
Sale of residential condos and lots	--	2,873	--	--	2,873
Income from investment properties	785	--	--	--	785
Hospitality income	--	--	14,708	--	14,708
Property management fees	--	--	26	--	26
Timeshare income	--	--	--	537	537
Other revenue	--	--	1	--	1
	<u>785</u>	<u>2,873</u>	<u>14,735</u>	<u>537</u>	<u>18,930</u>
<b>EXPENSES AND COSTS</b>					
Operating expenses of investment properties	348	--	--	--	348
Hospitality operating expenses	--	--	14,325	--	14,325
Timeshare expenses	--	--	--	532	532
Cost of sale of residential condos and lots	--	2,877	--	--	2,877
Development periodic costs	--	694	--	--	694
Depreciation	--	51	1,311	98	1,460
	<u>348</u>	<u>3,622</u>	<u>15,636</u>	<u>630</u>	<u>20,236</u>
<b>SEGMENTED RESULTS</b>	<u>437</u>	<u>(749)</u>	<u>(901)</u>	<u>(93)</u>	<u>(1,306)</u>
Gain (loss) from fair value adjustments					(3)
Selling and marketing expenses					412
Administrative and general expenses					815
Financial expense					1,545
Financial income					<u>(35)</u>
<b>LOSS BEFORE INCOME TAXES</b>					<u>(4,046)</u>

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED June 30, 2014**

(Unaudited) (in thousands of Canadian Dollars)

**6 SEGMENTED INFORMATION (continued)**

	For the three months ended June 30, 2013 (unaudited)				Total
	Investment properties	Development	Hospitality	Other	
<b>REVENUE</b>					
Sale of condominiums	--	3,315	--	--	3,315
Sale of residential condos and lots	--	1,100	--	--	1,100
Income from investment properties	572	--	--	--	572
Hospitality income	--	--	15,650	--	15,650
Property management fees	--	--	8	--	8
Other revenue	--	--	14	--	14
	<u>572</u>	<u>4,415</u>	<u>15,672</u>	<u>--</u>	<u>20,659</u>
<b>EXPENSES AND COSTS</b>					
Cost of sale of condominiums	--	2,598	--	--	2,598
Operating expenses of investment properties	(6)	--	--	--	(6)
Hospitality operating expenses	--	--	16,165	--	16,165
Property management costs	--	--	(93)	--	(93)
Cost of sale of residential condos and lots	--	1,141	--	--	1,141
Development periodic costs	--	524	--	--	524
Depreciation	--	8	1,282	--	1,290
	<u>(6)</u>	<u>4,271</u>	<u>17,354</u>	<u>--</u>	<u>21,619</u>
<b>SEGMENTED RESULTS</b>	<b>578</b>	<b>144</b>	<b>(1,682)</b>	<b>--</b>	<b>(960)</b>
Gain (loss) from fair value adjustments					<b>17,228</b>
Selling and marketing expenses					<b>101</b>
Administrative and general expenses					<b>1,737</b>
Financial expense					<b>1,610</b>
Financial income					<b>(286)</b>
<b>LOSS BEFORE INCOME TAXES</b>					<b>13,106</b>

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED June 30, 2014**

(Unaudited) (in thousands of Canadian Dollars)

**6 SEGMENTED INFORMATION (continued)**

	For the six months ended June 30, 2014 (unaudited)				
	Investment properties	Development	Hospitality	Other	Total
<b>REVENUE</b>					
Sale of condominiums	--	119	--	--	119
Sale of residential condos and lots	--	3,048	--	--	3,048
Income from investment properties	1,545	--	--	--	1,545
Hospitality income	--	--	31,896	--	31,896
Property management fees	--	--	43	--	43
Timeshare income	--	--	--	785	785
Other revenue	--	--	1	--	1
	<u>1,545</u>	<u>3,167</u>	<u>31,940</u>	<u>785</u>	<u>37,437</u>
<b>EXPENSES AND COSTS</b>					
Cost of sale of condominiums	--	158	--	--	158
Operating expenses of investment properties	658	--	--	--	658
Hospitality operating expenses	--	--	29,899	--	29,899
Timeshare expenses	--	--	--	624	624
Cost of sale of residential condos and lots	--	3,011	--	--	3,011
Development periodic costs	--	827	--	--	827
Depreciation	--	103	2,725	121	2,949
	<u>658</u>	<u>4,099</u>	<u>32,624</u>	<u>745</u>	<u>38,126</u>
<b>SEGMENTED RESULTS</b>	<b>887</b>	<b>(932)</b>	<b>(684)</b>	<b>40</b>	<b>(689)</b>
Gain (loss) from fair value adjustments					5,087
Selling and marketing expenses					1,618
Administrative and general expenses					1,840
Financial expense					3,376
Financial income					(38)
<b>LOSS BEFORE INCOME TAXES</b>					<b>(2,398)</b>

	As at June 30, 2014				
	(Unaudited)				
	Investment properties	Development	Hospitality	Other	Total
Assets	76,000	62,914	169,537	2,403	310,854
Liabilities	176	59,197	96,019	4,750	160,142
Shareholders' Equity	<u>75,824</u>	<u>3,717</u>	<u>73,518</u>	<u>(2,347)</u>	<u>150,712</u>

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED June 30, 2014**

(Unaudited) (in thousands of Canadian Dollars)

**6 SEGMENTED INFORMATION (continued)**

	For the six months ended June 30, 2013 (unaudited)				
	Investment properties	Development	Hospitality	Other	Total
<b>REVENUE</b>					
Sale of condominiums	--	9,143	--	--	9,143
Sale of residential condos and lots	--	2,466	--	--	2,466
Income from investment properties	804	--	--	--	804
Hospitality income	--	--	34,034	--	34,034
Property management fees	--	--	386	--	386
Other Revenue	--	--	14	--	14
	<u>804</u>	<u>11,609</u>	<u>34,434</u>	<u>--</u>	<u>46,847</u>
<b>EXPENSES AND COSTS</b>					
Cost of sale of condominiums	--	7,084	--	--	7,084
Operating expenses of investment properties	179	--	--	--	179
Hospitality operating expenses	--	--	32,533	--	32,533
Cost of sale of residential condos and lots	--	2,528	--	--	2,528
Development periodic costs	--	928	--	--	928
Depreciation	--	10	2,608	--	2,618
	<u>179</u>	<u>10,550</u>	<u>35,141</u>	<u>--</u>	<u>45,870</u>
<b>SEGMENTED RESULTS</b>					
	<b>625</b>	<b>1,059</b>	<b>(707)</b>	<b>--</b>	<b>977</b>
Gain (loss) from fair value adjustments					<b>17,095</b>
Selling and marketing expenses					<b>395</b>
Administrative and general expenses					<b>2,901</b>
Financial expense					<b>3,276</b>
Financial income					<b>(308)</b>
<b>PROFIT BEFORE INCOME TAXES</b>					<b>11,808</b>

	As at June 30, 2013 (Unaudited)				
	Investment properties	Development	Hospitality	Other	Total
Assets	107,096	64,287	158,631	19	330,033
Liabilities	45,176	72,860	79,124	14	197,174
Shareholders' Equity	<b>61,920</b>	<b>(8,573)</b>	<b>79,507</b>	<b>5</b>	<b>132,859</b>



**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED June 30, 2014**

(Unaudited) (in thousands of Canadian Dollars)

**6 SEGMENTED INFORMATION (continued)**

	For the year ended December 31, 2013 (Audited)				
	Investment properties	Development	Hospitality	Other	Total
Sale of condominiums	--	9,269	--	--	9,269
Sale of residential condos and lots	--	6,657	--	--	6,657
Income from investment properties	2,362	--	--	--	2,362
Hospitality income	--	--	72,176	--	72,176
Property management fees	--	--	1,032	--	1,032
Timeshare income	--	--	--	45	45
Other revenue	39	2	--	--	41
	<u>2,401</u>	<u>15,928</u>	<u>73,208</u>	<u>45</u>	<u>91,582</u>
Cost of sale of condominiums	--	7,221	--	--	7,221
Operating expenses of investment properties	1,005	--	--	--	1,005
Hospitality operating expenses	--	--	67,304	--	67,304
Timeshare expenses	--	--	--	33	33
Cost of sale of residential condos and lots	--	7,472	--	--	7,472
Development periodic costs	--	1,706	--	--	1,706
Depreciation	--	276	4,983	44	5,303
	<u>1,005</u>	<u>16,675</u>	<u>72,287</u>	<u>77</u>	<u>90,044</u>
<b>SEGMENTED RESULTS</b>	<b>1,396</b>	<b>(747)</b>	<b>921</b>	<b>(32)</b>	<b>1,538</b>
Gain (loss) from fair value adjustments					<b>21,567</b>
Selling and marketing expenses					<b>1,459</b>
Administrative and general expenses					<b>6,053</b>
Financial expense					<b>7,178</b>
Financial income					<b>(566)</b>
Other expense					<b>95</b>
Loss (gain) on sale of investment					<b>(1,155)</b>
<b>PROFIT BEFORE INCOME TAXES</b>					<b>10,041</b>

	As at December 31, 2013 (Audited)				
	Investment properties	Development	Hospitality	Other	Total
Assets	90,767	54,237	150,007	1,371	296,382
Liabilities	32,890	57,895	69,203	2,551	162,539
Shareholders' Equity	<b>57,877</b>	<b>(3,658)</b>	<b>80,804</b>	<b>(1,180)</b>	<b>133,843</b>

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED June 30, 2014**

*(Unaudited) (in thousands of Canadian Dollars)*

**6 SEGMENTED INFORMATION (continued)**

**(c) Timeshare Operations**

Since October 2013, the Company began developing a "time-share" operation so as to optimize the usage of the resort and hotel properties and services within the Group to the public. The timeshare operation was launched in late October 2013.

This operation is being marketed as Skyline Vacation Club ("SVC") through a newly incorporated subsidiary - Skyline Vacation Ownership Corporation ("SVOC"), in addition SVC Members' Association ("SVCMA") was established as a not-for-profit association.

SVOC sells Club Points out of the inventory of the points issued by the trustee of SVCMA to third parties. The placing of real estate to the trustee and issuance of points are intended to mirror actual sales. A Third Party Overseer is retained to ensure that there is enough points issued to SVOC and evidenced by deposition of real estate to generate sales. These points can be redeemed for a stay at the SVOC owned properties (or if not available, at any other Skyline location for a fee payable by SVOC to this location). SVOC reached an agreement with RCI (Resort Condominium International), which granted Platinum membership status to the SVC members so these points can also be exchanged (for a fee) via RCI at premium against other locations within the RCI network. The usage of the Club Points are subject to certain terms and condition and have a life of 50 years as set out in the membership agreement. There is a provision for development of programs for less than 50 years as well.

All costs incurred in marketing, operating, and promoting the timeshare business as well as administration, set up and sales costs are expensed as incurred.

**7 RECLASSIFICATION**

The comparative interim consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current period's interim consolidated financial statements.

**8 SUBSEQUENT EVENTS**

**Acquisition of ski resort in California, U.S.A**

On August 5, 2014 the Company entered into an agreement with a vendor (an affiliate to one of the Company's shareholders) for the acquisition of operation and certain assets of a ski resort and village centre offering approximately 1,700 acres and 75 runs of skiable area, located in California, United States. The assets acquired include mainly nine lifts, a mountain based 40,000 sq. ft. lodge, equipment area, 2,000 stall parking lot, as well as all the snowmaking and other equipment, and ancillary maintenance and equipment buildings for a total consideration of \$2,000 USD. The transaction includes a ten-year lease of 53 guest room lodge and 17,000 sq. ft. commercial center, and a two year option to purchase substantial development lands surrounding the resort, suitable for a development of more than 350 residential unit at the exercise price of \$3,000 USD.

The closing of the transaction is expected to take place within few weeks and after receiving a permit by the U.S. Department of Agriculture-Forest Service and approval by the Company organs under the provisions of the Israeli Companies Act, 1999.