

**SKYLINE INVESTMENTS INC.
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
March 31, 2017
and 2016
(UNAUDITED)**

SKYLINE INVESTMENTS INC.
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2017
(UNAUDITED)

CONTENTS

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
INTERIM CONSOLIDATED STATEMENTS OF INCOME	4
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)	5
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	6 - 7
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS	8
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS	9 - 13

SKYLINE INVESTMENTS INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian Dollars)

	As at		
	March 31, 2017 <i>(Unaudited)</i>	March 31, 2016 <i>(Unaudited)</i>	December 31, 2016 <i>(Audited)</i>
ASSETS			
Current			
Cash and cash equivalents	24,903	12,933	29,837
Trade receivables	5,267	13,859	17,264
Other receivables	12,472	7,127	14,463
Prepayments	2,660	2,471	2,331
Inventories	1,379	1,502	1,780
Real estate inventory	60,648	30,717	58,651
Property held for sale	18,357	30,931	18,357
Restricted bank deposits	4,294	3,982	3,054
Total current assets	<u>129,980</u>	<u>103,522</u>	<u>145,737</u>
Non-current			
Restricted bank deposits	4,414	2,236	952
Financial derivative	3,307	-	-
Real estate inventory	--	25,627	--
Investment properties	90,730	92,977	90,783
Property, plant and equipment, at cost	3,862	139,716	3,920
Property, plant and equipment, at fair value	273,066	--	271,612
Other assets	372	524	381
Deferred tax	6,961	9,093	6,368
Total non-current assets	<u>382,712</u>	<u>270,173</u>	<u>374,016</u>
Total Assets	512,692	373,695	519,753
LIABILITIES AND EQUITY			
Current			
Loans payable	15,816	47,760	26,449
Bonds - current maturities	2,076	--	1,105
Loans payable on property held for sale	--	12,216	--
Loans payable to related parties	--	6,764	--
Trade payables	4,982	6,525	8,025
Other payables and credit balances	18,189	14,233	15,485
Deferred revenue	5,425	5,185	6,910
Income taxes payable	354	356	1,667
Purchasers' Deposits	7,114	5,050	6,698
Total current liabilities	<u>53,956</u>	<u>98,089</u>	<u>66,339</u>
Non-current			
Loans payable	62,669	66,766	61,125
Bonds	43,436	--	42,306
Other liabilities	2,552	2,985	2,577
Deferred tax	70,744	36,269	69,417
Total non-current liabilities	<u>179,401</u>	<u>106,020</u>	<u>175,425</u>
Total liabilities	<u>233,357</u>	<u>204,109</u>	<u>241,764</u>
Shareholders' Equity			
Equity attributable to Shareholders of the Company	247,600	158,866	245,968
Non-controlling interest	31,735	10,720	32,021
Shareholders Equity	<u>279,335</u>	<u>169,586</u>	<u>277,989</u>
Total Liabilities and Equity	<u>512,692</u>	<u>373,695</u>	<u>519,753</u>

Commitments, contingencies and charges

Subsequent Events

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

On Behalf of the Board of Directors:

Gil Blutrigh
Chairman

Blake Lyon
CEO

Vadim Shub
CFO

May 11, 2017

Date

SKYLINE INVESTMENTS INC.
INTERIM CONSOLIDATED STATEMENTS OF INCOME

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

	FOR THE PERIOD ENDED		
	March 31, 2017	March 31, 2016	December 31, 2016
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
REVENUE			
Hospitality income	32,885	33,420	118,502
Income from investment properties	870	955	3,695
Sale of residential real estate	892	13,534	25,551
Other operation income	66	187	246
	<u>34,713</u>	<u>48,096</u>	<u>147,994</u>
EXPENSES AND COSTS			
Hospitality operating expenses	25,840	27,101	99,799
Operating expenses of investment properties	303	301	1,577
Cost of sale of residential real estate	396	13,103	23,540
Development periodic costs	392	289	1,458
Other operation expense	16	25	85
Depreciation	2,530	1,667	6,635
Write-down of real estate inventory to net realisable value	--	--	2,993
	<u>29,477</u>	<u>42,486</u>	<u>136,087</u>
GROSS PROFIT	<u>5,236</u>	<u>5,610</u>	<u>11,907</u>
Gain from fair value adjustments	75	94	(7,095)
Selling and marketing expenses	151	456	1,463
Administrative and general expenses	1,106	1,124	4,895
PROFIT FROM OPERATIONS	<u>3,904</u>	<u>3,936</u>	<u>12,644</u>
Financial expense	1,917	2,089	10,332
Financial income	(1,451)	(7)	(211)
Other expense (income)	501	(39)	869
Gain on sale of investment	26	--	(8,574)
PROFIT BEFORE INCOME TAXES	<u>2,911</u>	<u>1,893</u>	<u>10,228</u>
Income tax expense	1,184	542	2,775
PROFIT FOR THE PERIOD	<u>1,727</u>	<u>1,351</u>	<u>7,453</u>
Attributable to:			
Shareholders of the Company	1,903	1,711	3,910
Non-controlling interest	(176)	(360)	3,543
	<u>1,727</u>	<u>1,351</u>	<u>7,453</u>
BASIC EARNINGS PER SHARE	<u>0.11</u>	<u>0.10</u>	<u>0.23</u>
DILUTED EARNINGS PER SHARE	<u>0.11</u>	<u>0.10</u>	<u>0.23</u>

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

SKYLINE INVESTMENTS INC.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian Dollars)

	FOR THE PERIOD ENDED March 31, 2017 <i>(Unaudited)</i>	FOR THE PERIOD ENDED March 31, 2016 <i>(Unaudited)</i>	FOR THE YEAR ENDED December 31, 2016 <i>(Audited)</i>
PROFIT FOR THE PERIOD	1,727	1,351	7,453
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus (loss) of property, plant and equipment, before income taxes	--	--	132,221
Income taxes	--	--	(35,057)
Items that will or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(623)	(1,554)	(306)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD net of taxes	(623)	(1,554)	96,858
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, net of taxes	1,104	(203)	104,311
Attributable to:			
Shareholders of the Company	1,390	310	87,277
Non-controlling interest	(286)	(513)	17,034
	1,104	(203)	104,311

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

SKYLINE INVESTMENTS INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of Canadian Dollars)

	Share Capital and Premium	Warrant Certificates	Re- valuation Surplus	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non- controlling Interest	Total
March 31, 2017										
<i>(Unaudited)</i>										
Balance at the beginning of the period	77,900	519	83,749	1,014	125	4,827	77,834	245,968	32,021	277,989
Issuance of new shares	879	--	--	(879)	--	--	--	--	--	--
Profit for the period	--	--	--	--	--	--	1,903	1,903	(176)	1,727
Other comprehensive income for the year	--	--	(285)	--	--	(228)	--	(513)	(110)	(623)
Total comprehensive income for the year	--	--	(285)	--	--	(228)	1,903	1,390	(286)	1,104
Recognition of Share-based payment	--	--	--	242	--	--	--	242	--	242
Balance at the end of the period	78,779	519	83,464	377	125	4,599	79,737	247,600	31,735	279,335

	Share Capital and Premium	Warrant Certificates	Re- valuation Surplus	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non- controlling Interest	Total
March 31, 2016										
<i>(Unaudited)</i>										
Balance at the beginning of the period	77,900	519	2,804	874	125	5,209	71,120	158,551	11,233	169,784
Profit for the year	--	--	--	--	--	--	1,711	1,711	(360)	1,351
Other comprehensive income for the year	--	--	--	--	--	(1,401)	--	(1,401)	(153)	(1,554)
Total comprehensive Income for the year	--	--	--	--	--	(1,401)	1,711	310	(513)	(203)
Recognition of Share-based payment	--	--	--	5	--	--	--	5	--	5
Balance at the end of the period	77,900	519	2,804	879	125	3,808	72,831	158,866	10,720	169,586

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

SKYLINE INVESTMENTS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian Dollars)

	Share Capital and Premium	Warrant Certificates	Re- valuation Surplus	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non- controlling Interest	Total
December 31, 2016										
<i>(Audited)</i>										
Balance at the beginning of the period	77,900	519	2,804	874	125	5,209	71,120	158,551	11,233	169,784
Cancellation of warrants	--	--	--	--	--	--	--	--	5,045	5,045
Profit for the period	--	--	--	--	--	--	3,910	3,910	3,543	7,453
Other comprehensive income for the year	--	--	83,749	--	--	(382)	--	83,367	13,491	96,858
Total comprehensive Income for the year	--	--	83,749	--	--	(382)	3,910	87,277	17,034	104,311
Dividend	--	--	--	--	--	--	--	--	(1,291)	(1,291)
Revaluation surplus, recognized net of taxes	--	--	(2,804)	--	--	--	2,804	--	--	--
Recognition of Share-based payment	--	--	--	140	--	--	--	140	--	140
Balance at the end of the period	77,900	519	83,749	1,014	125	4,827	77,834	245,968	32,021	277,989

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

SKYLINE INVESTMENTS INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian Dollars)

	FOR THE PERIOD ENDED March 31, 2017 (Unaudited)	FOR THE PERIOD ENDED March 31, 2016 (Unaudited)	FOR THE YEAR ENDED December 31, 2016 (Audited)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES			
Cash Flow from Operating Activities			
Profit (Loss) for the period	1,727	1,351	7,453
Add (deduct) items not involving cash:			
Depreciation and amortization	2,767	1,804	7,552
Gain from fair value adjustments	75	94	(7,095)
Gain on sale of investment and other property	--	(39)	(8,574)
Financing costs from bonds	2,756	--	3,040
Financing (income) cost from financial derivative	(3,307)	--	--
Deferred tax, net	857	382	791
Write-down of real estate inventory to net realisable value	--	--	2,993
Equity settled service reserve	242	5	140
Changes in non-cash working capital			
Trade receivables	11,997	(9,304)	(12,709)
Other receivables and prepayments	1,662	221	(6,975)
Restricted bank deposits	(1,452)	174	2,386
Inventories	401	430	152
Real Estate Inventory	(1,997)	7,467	8,817
Trade and other payables and credit balances	(2,479)	(4,997)	(1,905)
Income taxes payable	(1,313)	245	1,556
Purchasers' Deposits	416	(1,329)	319
	12,352	(3,496)	(2,059)
Cash Flow from Investing Activities			
Proceeds from asset held for sale	--	460	460
Additions to investment properties	(94)	(94)	(671)
Investment in restricted long term deposit	(3,250)	--	--
Additions to property, plant and equipment	(5,358)	(481)	(12,509)
Proceeds from sale of property, plant and equipment	18	196	30,847
	(8,684)	81	18,127
Cash Flow from Financing Activities			
Bank credit and other short-term loans	(10,337)	1,561	8,792
Issuance of bonds payable	--	--	41,461
Proceeds on loans payable	18,096	16,101	30,445
Repayments of loans payable	(16,445)	(14,968)	(72,385)
Distribution by a subsidiary to its non-controlling shareholders	--	--	(1,291)
Repayments of loans payable to related parties	--	--	(6,739)
Change in other liabilities	(25)	(45)	(453)
Deferred financing costs paid	(233)	(705)	(726)
	(8,944)	1,944	(896)
Foreign Exchange translation of foreign operations	342	200	461
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(4,934)	(1,271)	15,633
Cash and cash equivalents, beginning of the year	29,837	14,204	14,204
CASH AND CASH EQUIVALENTS, END OF PERIOD	24,903	12,933	29,837
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid	1,917	2,024	6,564
Interest received	33	7	211
Income taxes paid	--	--	248
<u>Significant non-cash transactions</u>			
Conversion of third party loan to equity (non-controlling interest)	--	--	5,046

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

SKYLINE INVESTMENTS INC.
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2017

(in thousands of Canadian Dollars)

1 NATURE OF OPERATIONS

Skyline Investments Inc. ("Skyline" or the "Company") was incorporated on December 4, 1998 under the *Business Corporations Act (Ontario)*. Traded on the Tel-Aviv Stock Exchange (TASE) in Israel and a public issuer in Ontario, Canada

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 66.13% owned by Skyline Canada-Israel Ltd (the calculation of 66.13% does not consider 200,000 shares issued to the CEO of the Company and held in trust - see note 20), a majority of shares of which are owned by Mishorim Real Estate Investments Ltd (former: Mishorim Development Corporation Ltd.), a public company whose shares are traded on the Tel-Aviv Stock Exchange.

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.

(c) Non-current asset and / or a group of assets held for sale

Non-current asset and / or a group of assets held for sale, as well as the liabilities related to these assets must be available for immediate sale in its present condition, the management must be committed to a plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated. The sale should be expected to qualify for recognition as completed in one year from the date of classification and must be highly probable. These assets cease to be amortized from the date of such classification and presented separately as current assets at the lower of their carrying amount or fair value less costs to sell, except investment properties, which are measured at fair value and financial liabilities measured at amortized cost.

(d) Exchange rate (CAD/USD)

Results of operations and balances are affected by changes in US dollar. Since January 1, 2017 until March 31, 2017 the foreign exchange rate of the U.S. dollar compared to the Canadian dollar decreased by approximately 1%. From March 31, 2017 until the date those financial statements were published the U.S. dollar appreciated by approximately 3% compared to Canadian dollar.

	<u>31-Mar-17</u>	<u>31-Mar-16</u>	<u>31-Dec-16</u>
Exchange rate (CAD per 1 USD)	1.330	1.299	1.343
Average Exchange rate (CAD per 1 USD)	1.324	1.373	1.325

3 SEASONALITY AND OTHER DISCLOSURES

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

The Company's current liabilities include \$17,892 current maturities of long term loans, bonds and short term construction debt. There is a net cash inflow from operations of \$12,352 as per the consolidated statements of cash flow for the period ended March 31, 2017. A net cash outflow from operations, when applicable, is not expected to adversely affect the Company's business operations, since according to its past experience, financial institutions refinance the loans in addition to the fact that there are a substantial number of potential lenders.

4 FAIR VALUE MEASUREMENT

Categories of assets and liabilities subject to fair value measurement

The estimated fair values of loans payable are as follows:

	<u>Fair value</u>		<u>Carrying amount</u>	
	<u>As at March 31, 2017</u>	<u>As at March 31, 2016</u>	<u>As at March 31, 2017</u>	<u>As at March 31, 2016</u>
Loans payable	78,294	126,662	78,485	126,742
Bonds (1)	50,464	-	45,512	-
Loans payable to related parties	-	6,764	-	6,764
	<u>128,758</u>	<u>133,426</u>	<u>123,997</u>	<u>133,506</u>

(1) The Fair value is based on Tel-Aviv Stock Exchange quote (in New Israeli Shekels) for March 31, 2017 and translated to CAD using a currency NIS/CAD quote provided on Bank of Israel web site.

The Carrying amount is net of costs of 1.6 million CAD, which incurred to issue the bonds.

SKYLINE INVESTMENTS INC.
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2017

(in thousands of Canadian Dollars)

5 SIGNIFICANT EVENTS DURING THE PERIOD

a. Employee stock options plan

On November 14, 2016 the Board of Directors approved granting 290,000 employee options. The option plan was approved by Tel-Aviv Stock Exchange on March 16, 2017. The fair value of the options at the grant date was determined using Binomial model. Where relevant, the expected life used in the models has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility of similar companies including the Parent Company, which management estimates to approximate the volatility in value of the Company's shares.

In February 1, 2017 the Executive Options expired and the associated value was classified from Equity Settled Service Reserve into Share Capital and Premium.

b. Loan refinancing

During March 2017, the Company's subsidiary refinanced one of its properties and obtained a new \$17,000 US 5-year loan, with an option to extend the loan by additional two years. The principal, amortized over 25 years, is to be repaid on a monthly basis as from May 5, 2019. An amount of \$14,600 US was received on March 17, 2017 and additional amount \$2,400 US is expected to be received during the second quarter of 2017. The loan is bearing annual interest of 2.50% above 30 day libor (3.40%). The Company, as a 50% recourse guarantor, is required to maintain certain financial covenants, as customary for this type of transactions, as well as a minimum liquid cash balance.

c. Financial derivative

On January 18, 2017 the Company purchased a financial instrument, to hedge its cash flow exposure to New Israeli Shekel due to its outstanding obligation for Series 1 bonds. As a result of this transaction, the Company will settle its bond obligations like they were borrowed in Canadian dollars at a nominal fixed interest rate in a range of 5.5%-6.5% instead of payment in New Israeli Shekel at 5.2%. This financial instrument covers 100% of expected future payments of the Company's bond obligation and interest. As per an agreement with the Bank, the Company invested \$3,250 in a restricted deposit. The revaluation of the financial instrument is recognized through the statement of income.

d. Credit line

In March 2017, the Company secured a \$20,000 line of credit, while the Horseshoe resort is a collateral. The credit line is bearing an interest of Prime+2% (as for March 31, 2017 approximately 4.70%). The Company is required to maintain certain covenants, as customary for this type of transactions.

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 of the Company's operating segments operate in Ontario, Canada, California, USA and Ohio, USA.

(a) General business segments

- | | |
|----------------------------|---|
| 1. Hospitality USA - | Includes the acquisition, ownership and management of hotels, portion of hotels and extended stay operations in USA. |
| 2. Hospitality Canada - | Includes the acquisition, ownership and management of hotels, portion of hotels and extended stay operations in Canada. |
| 3. Investment properties - | Includes acquisition, ownership and management of commercial investment properties. |
| 4. Development - | Includes the development, purchase and sale of real estate properties including lands accounted as per IAS 40. |
| 5. Other - | Other |

SKYLINE INVESTMENTS INC.
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2017

(in thousands of Canadian Dollars)

6 SEGMENTED INFORMATION (continued)

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

	For the three months ended March 31, 2017 (unaudited)					Total
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	
REVENUE						
Hospitality income	19,431	13,454	--	--	--	32,885
Income from investment properties	--	--	870	--	--	870
Sale of residential real estate	--	--	--	892	--	892
Other operation income	--	--	--	--	66	66
	<u>19,431</u>	<u>13,454</u>	<u>870</u>	<u>892</u>	<u>66</u>	<u>34,713</u>
EXPENSES AND COSTS						
Hospitality operating expenses	15,551	10,289	--	--	--	25,840
Operating expenses of investment properties	--	--	303	--	--	303
Cost of sale of residential real estate	--	69	--	327	--	396
Development periodic costs	--	--	27	365	--	392
Other operation expense	--	--	--	--	16	16
Depreciation	1,387	1,139	--	--	4	2,530
	<u>16,938</u>	<u>11,497</u>	<u>330</u>	<u>692</u>	<u>20</u>	<u>29,477</u>
SEGMENTED RESULTS	<u>2,493</u>	<u>1,957</u>	<u>540</u>	<u>200</u>	<u>46</u>	<u>5,236</u>
Gain from fair value adjustments	--	--	75	--	--	75
Selling and marketing expenses						151
Administrative and general expenses						1,106
Financial expense						1,917
Financial income						(1,451)
Other expense (income)						501
Gain on sale of investment						26
PROFIT BEFORE INCOME TAXES						<u>2,911</u>

	As at March 31, 2017					Total
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	
Assets	160,164	157,782	39,087	155,511	148	512,692
Liabilities	91,656	72,350	20,681	48,632	38	233,357
	<u>68,508</u>	<u>85,432</u>	<u>18,406</u>	<u>106,879</u>	<u>110</u>	<u>279,335</u>

SKYLINE INVESTMENTS INC.
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2017

(in thousands of Canadian Dollars)

6 SEGMENTED INFORMATION (continued)

	For the three months ended March 31, 2016 (unaudited)					
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
REVENUE						
Hospitality income	20,595	12,825	--	--	--	33,420
Income from investment properties	--	--	955	--	--	955
Sale of residential real estate	--	--	--	13,534	--	13,534
Other operation income	--	--	--	--	187	187
	<u>20,595</u>	<u>12,825</u>	<u>955</u>	<u>13,534</u>	<u>187</u>	<u>48,096</u>
EXPENSES AND COSTS						
Hospitality operating expenses	16,066	11,035	--	--	--	27,101
Operating expenses of investment properties	--	--	301	--	--	301
Cost of sale of residential real estate	--	--	--	13,103	--	13,103
Development periodic costs	--	--	--	289	--	289
Other operation expense	--	--	--	--	25	25
Depreciation	743	797	--	18	109	1,667
	<u>16,809</u>	<u>11,832</u>	<u>301</u>	<u>13,410</u>	<u>134</u>	<u>42,486</u>
SEGMENTED RESULTS	3,786	993	654	124	53	5,610
Loss (gain) from fair value adjustments	--	--	36	58	--	94
Selling and marketing expenses						456
Administrative and general expenses						1,124
Financial expense						2,089
Financial income						(7)
Other expense (income)						(39)
PROFIT BEFORE INCOME TAXES						1,893

	As at March 31, 2016 (Unaudited)					
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
Assets	88,005	98,389	34,609	152,430	262	373,695
Liabilities	65,202	42,736	20,417	75,507	247	204,109
	<u>22,803</u>	<u>55,653</u>	<u>14,192</u>	<u>76,923</u>	<u>15</u>	<u>169,586</u>

SKYLINE INVESTMENTS INC.
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2017

(in thousands of Canadian Dollars)

6 SEGMENTED INFORMATION (continued)

	For the year ended December 31, 2016 (Audited)					Total
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	
REVENUE						
Hospitality income	70,349	48,153	--	--	--	118,502
Income from investment properties	--	--	3,695	--	--	3,695
Sale of residential real estate	--	--	--	25,551	--	25,551
Other operation income	--	--	--	--	246	246
	70,349	48,153	3,695	25,551	246	147,994
EXPENSES AND COSTS						
Hospitality operating expenses	55,875	43,924	--	--	--	99,799
Operating expenses of investment properties	--	--	1,577	--	--	1,577
Cost of sale of residential real estate	--	--	--	23,540	--	23,540
Development periodic costs	--	--	--	1,458	--	1,458
Other operation expense	--	--	--	--	85	85
Depreciation	2,980	3,534	--	--	121	6,635
Write-down of real estate inventory to net realisable value	--	--	--	2,993	--	2,993
	58,855	47,458	1,577	27,991	206	136,087
SEGMENTED RESULTS	11,494	695	2,118	(2,440)	40	11,907
Gain from fair value adjustments	--	--	(3,850)	(3,245)	--	(7,095)
Selling and marketing expenses						1,463
Administrative and general expenses						4,895
Financial expense						10,332
Financial income						(211)
Other expense (income)						869
Gain on sale of investment						(8,574)
PROFIT BEFORE INCOME TAXES						10,228

	As at December 31, 2015 (Audited)					Total
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	
Assets	160,625	152,415	39,327	167,238	148	519,753
Liabilities	89,438	73,105	21,330	57,773	118	241,764
	71,187	79,310	17,997	109,465	30	277,989

7 SUBSEQUENT EVENTS

a. Dividend distribution

Following the board of directors approval to distribute 5,000NIS (approximately \$1,800) dividend to its share holders, the Company distributed the dividend on April 18, 2017.

b. Legal settlement

In May 2017 the Company settled a claim with one of its former service providers and agreed to pay \$430.