SKYLINE INVESTMENTS INC.
(formerly SKYLINE INTERNATIONAL DEVELOPMENT INC.)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
December 31, 2016
and 2015
(AUDITED)

SKYLINE INVESTMENTS INC.
(formerly SKYLINE INTERNATIONAL DEVELOPMENT INC.)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 & 2015
(AUDITED)

CONTENTS

Schwartz Levitsky Feldman llp
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

SLF

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Skyline Investments Inc. (formerly Skyline International Development Inc.)

We have audited the accompanying consolidated financial statements of Skyline Investments Inc. (formerly Skyline International Development Inc.), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2016, 2015, and 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Skyline Investments Inc. (formerly Skyline International Development Inc.) as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years ended December 31, 2016, 2015 and 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/SCHWARTZ LEVITSKY FELDMAN LLP

Toronto, Ontario, Canada
March 23, 2017

Chartered Accountants
Licensed Public Accountants

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Toronto, Ontario M4P 1E4
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SKYLINE INVESTMENTS INC. (formerly SKYLINE INTERNATIONAL DEVELOPMENT INC.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian Dollars)

	Notes	As at December 31, 2016 *(Audited)*	December 31, 2015 *(Audited)*
ASSETS			
Current			
Cash and cash equivalents	3	29,837	14,204
Trade receivables	4	17,264	4,555
Other receivables	5	14,463	6,416
Prepayments		2,331	1,903
Inventories	7	1,780	1,932
Real estate inventory	8	58,651	38,212
Property held for sale	9	18,357	32,891
Restricted bank deposits	6	3,054	4,149
Total current assets		145,737	104,262
Non-current			
Restricted bank deposits	6	952	2,243
Real estate inventory	8	--	25,599
Investment properties	10	90,783	93,158
Property, plant and equipment, at cost	11	3,920	146,051
Property, plant and equipment, at fair value	11	271,612	--
Other assets	12	381	513
Deferred tax	13	6,368	10,032
Total non-current assets		374,016	277,596
Total Assets		**519,753**	**381,858**
LIABILITIES AND EQUITY			
Current			
Loans payable	15	26,449	46,596
Bonds - current maturities	14	1,105	--
Loans payable on property held for sale		--	12,364
Loans payable to related parties	18	--	6,739
Trade payables		8,025	9,551
Other payables and credit balances	16	15,485	14,662
Deferred revenue		6,910	6,752
Income taxes payable		1,667	111
Purchasers' Deposits		6,698	6,379
Total current liabilities		66,339	103,154
Non-current			
Loans payable	17	61,125	68,274
Bonds	14	42,306	--
Other liabilities		2,577	3,030
Deferred tax	13	69,417	37,616
Total non-current liabilities		175,425	108,920
Total liabilities		241,764	212,074
Shareholders' Equity			
Equity attributable to Shareholders of the Company	20	245,968	158,551
Non-controlling interest	20	32,021	11,233
Total Liabilities and Equity		**519,753**	**381,858**

Commitments, contingencies and charges	21
Subsequent Events	34

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

On Behalf of the Board of Directors:

Gil Blutrich
Chairman

Blake Lyon
CEO

Vadim Shub
CFO

March 23, 2017
Date

SKYLINE INVESTMENTS INC. (formerly SKYLINE INTERNATIONAL DEVELOPMENT INC.)
CONSOLIDATED STATEMENTS OF INCOME

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

	Notes	FOR THE YEAR ENDED DECEMBER 31, 2016	2015	2014
		(Audited)	*(Audited)*	*(Audited)*
REVENUE				
Hospitality income	22	118,502	87,535	71,444
Income from investment properties		3,695	3,538	3,183
Sale of residential real estate		25,551	276	4,099
Commissions and fees	11 (a)	--	4,620	--
Other operation income		246	694	1,599
		147,994	96,663	80,325
EXPENSES AND COSTS				
Hospitality operating expenses	23	99,799	74,174	62,211
Operating expenses of investment properties		1,577	1,329	1,256
Cost of sale of residential real estate	24	23,540	264	4,205
Development periodic costs		1,458	1,050	1,047
Other operation expense		85	901	1,364
Depreciation	25	6,635	5,326	5,410
Write-down of real estate inventory to net realisable value	8(a)	2,993	--	--
		136,087	83,044	75,493
GROSS PROFIT		**11,907**	**13,619**	**4,832**
Gain from fair value adjustments	10	(7,095)	(1,045)	(13,891)
Selling and marketing expenses		1,463	1,863	3,212
Administrative and general expenses	26	4,895	4,399	3,390
PROFIT FROM OPERATIONS		**12,644**	**8,402**	**12,121**
Financial expense	27	10,332	7,082	6,555
Financial income	27	(211)	(33)	(180)
Other expense (income)		869	560	--
Gain on bargain purchase	11 (a)	--	(8,274)	--
Gain on sale of investment	11(c) & 14	(8,574)	(3,768)	--
PROFIT BEFORE INCOME TAXES		**10,228**	**12,835**	**5,746**
Income tax expense	28 & 13	2,775	4,740	1,550
PROFIT FOR THE YEAR		**7,453**	**8,095**	**4,196**
Attributable to:				
Shareholders of the Company		3,910	4,669	1,689
Non-controlling interest	20	3,543	3,426	2,507
		7,453	8,095	4,196
BASIC EARNINGS PER SHARE	20	**0.23**	**0.28**	**0.10**
DILUTED EARNINGS PER SHARE		**0.23**	**0.28**	**0.10**

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

SKYLINE INVESTMENTS INC. (formerly SKYLINE INTERNATIONAL DEVELOPMENT INC.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian Dollars)

	FOR THE YEAR ENDED December 31, 2016 *(Audited)*	FOR THE YEAR ENDED December 31, 2015 *(Audited)*	FOR THE YEAR ENDED December 31, 2014 *(Audited)*
PROFIT FOR THE YEAR	7,453	8,095	4,196
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	123	(53)
Income taxes	(35,057)	(32)	16
Items that will or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(306)	3,569	1,006
OTHER COMPREHENSIVE INCOME FOR THE YEAR net of taxes	96,858	3,660	969
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, net of taxes	**104,311**	**11,755**	**5,165**
Attributable to:			
Shareholders of the Company	87,277	8,110	2,658
Non-controlling interest	17,034	3,645	2,507
	104,311	**11,755**	**5,165**

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

SKYLINE INVESTMENTS INC. (formerly SKYLINE INTERNATIONAL DEVELOPMENT INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian Dollars)

December 31, 2016
(Audited)

	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
Balance at the beginning of the year	77,900	519	2,804	874	125	5,209	71,120	158,551	11,233	169,784
Investment in subsidiary	--	--	--	--	--	--	--	--	5,045	5,045
Profit for the year	--	--	--	--	--	--	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
Distribution	--	--	--	--	--	--	--	--	(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 year	77,900	519	83,749	1,014	125	4,827	77,834	245,968	32,021	277,989

December 31, 2015
(Audited)

	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
Balance at the beginning of the year	77,182	519	4,155	1,538	125	1,859	65,009	150,387	7,588	157,975
Issuance of new shares	718	--	--	(718)	--	--	--	--	--	--
Profit for the year	--	--	--	--	--	--	4,669	4,669	3,426	8,095
Other comprehensive income for the year	--	--	91	--	--	3,350	--	3,441	219	3,660
Total comprehensive Income for the year	--	--	91	--	--	3,350	4,669	8,110	3,645	11,755
Revaluation surplus, recognized net of taxes	--	--	(1,442)	--	--	--	1,442	--	--	--
Recognition of Share-based payment	--	--	--	54	--	--	--	54	--	54
Balance at the end of the year	77,900	519	2,804	874	125	5,209	71,120	158,551	11,233	169,784

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

SKYLINE INVESTMENTS INC. (formerly SKYLINE INTERNATIONAL DEVELOPMENT 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, 2014 *(Audited)*									
Balance at the beginning of the year	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	18,613	519	--		--	--	--	19,132	--	19,132
Profit for the year	--	--	--	--	--	--	1,689	1,689	2,507	4,196
Other comprehensive income for the year	--	--	(37)	--	--	1,006	--	969	--	969
Total comprehensive Income for the year	--	--	(37)	--	--	1,006	1,689	2,658	2,507	5,165
Recognition of Share-based payment	--	--	--	(165)	--	--	--	(165)	--	(165)
Balance at the end of the year	77,182	519	4,155	1,538	125	1,859	65,009	150,387	7,588	157,975

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

SKYLINE INVESTMENTS INC. (formerly SKYLINE INTERNATIONAL DEVELOPMENT INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian Dollars)

	FOR THE YEAR ENDED December 31, 2016	FOR THE YEAR ENDED December 31, 2015	FOR THE YEAR ENDED December 31, 2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES	*(Audited)*	*(Audited)*	*(Audited)*
Cash Flow from Operating Activities			
Profit (Loss) for the period	7,453	8,095	4,196
Add (deduct) items not involving cash:			
Depreciation and amortization	7,552	5,789	5,819
Gain from fair value adjustments	(7,095)	(1,045)	(13,891)
Gain on sale of investment and other property	(8,574)	(4,213)	--
Gain on bargain purchase, before tax	--	(8,274)	--
Financing costs from bonds	3,040	--	--
Deferred tax, net	791	5,456	2,707
Write-down of real estate inventory to net realisable value	2,993	--	--
Equity settled service reserve	140	54	(165)
Changes in non-cash working capital			
Trade receivables	(12,709)	469	(596)
Other receivables and prepayments	(6,975)	(2,647)	(107)
Restricted bank deposits	2,386	(1,818)	1,520
Inventories	152	(494)	756
Real Estate Inventory	8,817	(11,687)	(1,639)
Trade and other payables and credit balances	(1,905)	8,418	1,514
Income taxes payable	1,556	75	(786)
Purchasers' Deposits	319	2,477	562
	(2,059)	655	(110)
Cash Flow from Investing Activities			
Investment in available-for-sale assets	--	--	(1,157)
Proceeds from asset held for sale	460	--	--
Additions to investment properties	(671)	(1,855)	(316)
Additions to property, plant and equipment	(12,509)	(3,704)	(8,279)
Proceeds from sale of property, plant and equipment	30,847	12,962	--
Disposition of available-for-sale Investment	--	5,164	--
Proceeds of loans given to purchasers	--	--	318
Net cash used in a business acquisition (Schedule A)	--	(24,225)	(2,672)
	18,127	(11,658)	(12,106)
Cash Flow from Financing Activities			
Bank credit and other short-term loans	8,792	8,771	(1,024)
Issuance of bonds payable	41,461	--	--
Proceeds on loans payable	30,445	39,190	10,701
Repayments of loans payable	(72,385)	(24,742)	(4,443)
Distribution by a subsidiary to its non-controlling shareholders	(1,291)	--	--
Repayments of loans payable to related parties	(6,739)	(11,600)	(531)
Change in other liabilities	(453)	(147)	151
Deferred financing costs paid	(726)	(627)	(586)
Common shares issued	--	--	19,132
	(896)	10,845	23,400
Foreign Exchange translation of foreign operations	461	(580)	(1,820)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	**15,633**	**(738)**	**9,364**
Cash and cash equivalents, beginning of the year	14,204	14,942	5,578
CASH AND CASH EQUIVALENTS, END OF YEAR	**29,837**	**14,204**	**14,942**
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid	6,564	6,719	6,071
Interest received	211	33	180
Income taxes paid	248	(446)	910
Significant non-cash transactions			
Conversion of third party loan to equity (non-controlling interest)	5,046	--	--

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

SKYLINE INVESTMENTS INC. (formerly SKYLINE INTERNATIONAL DEVELOPMENT INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian Dollars)

Schedule A - Net cash used in the acquisition of the assets and liabilities of the Renaissance Hotel in 2015 and the Bear Valley Resort in 2014

	FOR THE YEAR ENDED December 31, 2016	FOR THE YEAR ENDED December 31, 2015	FOR THE YEAR ENDED December 31, 2014
	(Audited)	*(Audited)*	*(Audited)*
Working Capital, net of cash and cash equivalents	--	942	292
Inventory	--	(109)	(164)
Property, plant and equipment	--	(33,401)	(7,198)
Deferred revenue	--	67	1,538
Deferred taxes	--	2,830	--
Other Long term Liabilities	--	--	2,860
Gain on bargain purchase, net of tax	--	5,446	--
Net assets acquired	--	(24,225)	(2,672)
Net cash used in acquisition	--	(24,225)	(2,672)

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

SKYLINE INVESTMENTS INC. (formerly SKYLINE INTERNATIONAL DEVELOPMENT INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(in thousands of Canadian Dollars)

1 NATURE OF OPERATIONS

Skyline Investments Inc. (formerly Skyline International Development Inc.) (the "Company") was incorporated on December 4, 1998 under the Ontario *Business Corporations Act,* and its registered office is located at 150 King Street West, Suite 2108, Toronto, 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 66.15% owned by Skyline Canada-Israel Ltd (the calculation of 66.15% 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.

On March 13, 2014 the Company listed its shares on the Tel Aviv Stock Exchange. See note 20 (c).

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

On February 24, 2015, the Company published a shelf prospectus on the Tel Aviv Stock Exchange.

In Company's management opinion, it is typical that a company with real estate development activities like Skyline, with an operating cycle of development segment longer than one year, which funds most of its investments and real estate projects through credit from financial institutions, to incur a net cash outflow from operations.

The Company's current liabilities include $27,554 current maturities of long term loans, bonds and short term construction debt. There is a net cash outflow from operations of $2,059 as per the annual consolidated statements of cash flow for the year ended December 31, 2016. This 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.

2 SIGNIFICANT ACCOUNTING POLICIES

Definitions:

The **Company**- Skyline Investments Inc.

Parent Company- Skyline Canada-Israel Ltd.

The **Group** - the Company and its subsidiaries (see note 33)

Related Parties - As defined in IAS 24

Interested Parties - as defined by the Israeli Securities' regulations, (Annual Financial Statements), 2010.

Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, using accounting policies adopted by its parent company. These accounting policies are based on the IASs, IFRSs and IFRIC interpretations (collectively the "IFRS") that are applicable for the Company, and are the same used in preparation of the December 31, 2015 consolidated financial statements, with the exception of a policy change for accounting for hospitality assets included in property plant and equipment. These assets are now measured based on the "Revaluation Model". As well these consolidated financial statements have been prepared in accordance with the Israeli Securities' Regulations (Annual Financial Statements), 2010.

The consolidated financial statements of the Company for the years ended December 31, 2016 and 2015 were approved by the Board of Directors on March 23, 2017.

The Company presented its Consolidated Statements of Income using the functional approach.

New and revised IFRS's in effect in 2016:

The following amendments to IFRS became mandatorily effective in 2016. All these amendments to IFRSs generally require full retrospective application with some amendments requiring prospective application:

Amendments IFRS 10, IFRS 12, and IAS 28 Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11, Accounting for Acquisition of Interests in Joint Operations
Amendments to IAS 1 Disclosure Initiative
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IAS 27, Equity Method in Separate Financial Statements
Amendments to IFRSs Annual Improvements to IFRSs 2012-2014 Cycle.

New and revised IFRS's in issue but not yet effective:

IFRS 16, "Leases"

The standard issued in January 2016, supersedes the existing IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard does not substantially change the lessor accounting, in which leases continue to be classified as operating or finance leases. The standard applies to annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 has also been applied. An entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. A lessee shall either apply the standard with full retrospective effect or alternatively recognize the related cumulative effect as an adjustment to opening equity at the date of initial application.

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

IFRS 15, "Revenue from Contracts with Customers"

IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs such as IAS 17, Leases. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. The application of this new standard is not expected to have a significant impact on the Company's reported results, specifically with regards to the timing of recognition and classification of revenue, and the treatment of costs incurred in obtaining customer contracts, except for recognition of revenue from serviced lands, which will be recognized based on the pace of servicing compared to recognition on delivery. The standard is effective for annual periods beginning on or after January 1, 2018, early adoption permitted. The company selected to early adopt it effective January 1, 2017.

IFRS 9 (2014) Financial Instruments

In July 2014, IFRS 9 Financial Instruments was issued covering the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and a single impairment method replacing the multiple rules in IAS 39. It provides guidance on the classification and measurement of financial liabilities, a new general hedge accounting model, and a new expected loss impairment model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

This IFRS is effective for annual periods beginning on or after January 1, 2018 and earlier adoption is permitted.

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

Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"

The amendments clarify the following:

• Estimation of the fair value of cash-settled share-based payment;

• Where the share-based payment arrangement has a net settlement feature, such arrangements should be classified as equity settled in its entirety, provided that the share-based payment would have been classified as equity settled had it not included the settlement feature; and

• Guidance for accounting for when a modification of a share-based payment that changes the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted (specific transition provisions apply).

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

The following is a listing of amendments issued that are not mandatorily effective. Unless otherwise indicated, earlier application is permitted, though specific transition provisions may apply.

Generally, entities choosing to apply an amendment, revision or new IFRS before its effective date are required to also apply the related consequential amendments at the same time.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions, effective for annual reporting periods on or after January 1, 2018.

Amendments to IAS7 Disclosure Initiative, effective from annual reporting periods on or after January 1, 2017.

Amendments to IAS12, Recognition of deferred tax assets for unrealized losses effective for annual reporting periods beginning on or after January 1, 2017.

The Company is currently evaluating the impact of these amendments on the financial statements.

Use of Estimates and Critical Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from these estimates.

Significant changes in the assumptions, including those with respect to future business plans and cash flows, could materially change the recorded carrying amounts. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period.

Key areas of estimation, where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain are as follows:

(i) Business Combinations:
The determination of the fair values of the identifiable assets acquired and the liabilities assumed in a business combination is based, to a considerable extent, on management's judgement. See notes 11(a) and 32.

(ii) Income taxes:
Income tax liabilities must be estimated for the Company, including an assessment of the accounting for temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Management's judgement is required for the calculation of current and deferred taxes. See note 13 and 28.

(iii) Property, plant and equipment ("PP&E")
Measurement of PP&E involves the use of estimates for determining the expected useful lives of depreciable assets. Management's judgement is also required to determine depreciation methods and an asset's residual value, the rate of capitalization of internal labour costs and whether an asset is a qualifying asset for the purposes of capitalizing borrowing costs.

From December 31, 2016, the PP&E for Company's hospitality properties is measured and recorded in the financial statements based on their fair values net of accumulated amortization since the appraisal date. See note 11.

(iv) Investments Properties
Investment properties have been measured and recorded in the financial statements based on their fair values. These fair values have been determined by external valuators using assumptions and financial data which involve considerable judgement. See note 10.

(v) Provisions and contingent liabilities
Considerable judgement is used in measuring and recognizing provisions and the exposure to contingent liabilities. Judgement is necessary to determine the likelihood that a pending litigation or other claim will succeed, or a liability will arise and to quantify the possible range of the final settlement. In case of legal claims, the Company relies on its legal advisors to determine the likelihood of the outcome. See note 21.

(vi) Stock options
Assumptions, such as volatility, expected life of an award, risk free interest rate, forfeiture rate, and dividend yield, are used in the underlying calculation of fair values of the Company's stock options. Fair value is determined using the i) the OPTIONS XL Binomial and Trinomial Lattice with Exercise Behavior model (for Directors and Employees), and ii) OPTIONS XL Trinomial Lattice with Exercise Behaviour model: Vesting Tranche Fair Value (for Executives). Assumptions details used are included in note 20.

Basis of Consolidation

The consolidated financial statements include the accounts of the subsidiaries the Company controls and its interests in joint ventures and co-ownerships held and controlled by certain of the Company's subsidiaries.

All intercompany balances and transactions between subsidiaries of the Company, including sales, profit, receivables and payables, have been eliminated on consolidation.

Joint operations are those businesses in which the Company has a long-term interest and is able to exercise joint control with its partners under a contractual arrangement. The financial statements of the joint operations are line by line incorporated in these consolidated financial statements according to the Company's ownership interest in the joint operations.

Cash and Cash Equivalents

Cash and cash equivalents on the consolidated statements of cash flows includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statements of financial position.

Trade Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition for land development and resale debtors and no more than 30 days for other debtors. Collectability of trade receivables is reviewed on an ongoing basis. Receivables that are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of debts receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the consolidated income statements.

(in thousands of Canadian Dollars)

Inventory and Real Estate Inventory

The Company follows the principles of IAS 2 - Inventories. Inventory comprises of serviced parcels of land, condominiums, land held for current development, food and beverage, and retail goods held for sale in the ordinary course of business of the Company. Inventory is measured at the lower of cost and net realizable value. Cost comprises of all costs of purchase and other costs incurred in bringing the property to its present location and condition, as well as the fair market value of investment property item transferred to inventory, on the transfer date. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value for

Parcels of land are subdivided into lots, sellable on a standalone basis.

Serviced parcels of land sold to retail customers typically include full infrastructure such as connection to the utilities such as hydro, gas, sewage and water, and roads. Serviced lots allow buyers to construct custom houses on their own. Land not expected to be developed in the next operational cycle is included in non-current inventory.

Property, Plant and Equipment

The Company follows the principles of IAS 16 - "Property, plant and equipment". The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition. External costs and internal costs are capitalized to the extent they enhance the future economic benefit of the asset.

During 2016 and 2015, the Company sold two of the assets that were previously reclassified from property plant and equipment to property held for sale; both were accounted for using the revaluation model as per IAS 16.31.

Depreciation is calculated so as to write off the cost of property, plant and equipment, less their estimated residual values, which are adjusted, if appropriate, at each Statement of Financial Position date, on a straight-line basis over the expected useful lives of the assets concerned. The principal lives used for this purpose are:

Freehold buildings -	25-86 years
Furniture and equipment -	3 to 5 years
Computers and monitors -	3 to 5 years
Resort equipment -	10 to 39 years
Appliances in buildings -	10 years
Leasehold improvements -	over the term of the lease

A provision is made against the carrying value of the property, plant and equipment where an impairment in value is deemed to have occurred.

As of December 31, 2016, the Company accounts for the Hotels located in downtown Cleveland and the Resorts in Ontario and California using the IAS 16.31 fair value model, as the management believes it would provide a more relevant information to the reader, and the values of these properties can be measured reliably. The difference between the fair market value and net book value, net of tax was recognized as a "revaluation surplus" in other comprehensive income. After initial recognition of the revaluation the assets are carried at the revalued amounts, being their fair values at the date of the revaluation, plus additions, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Periodic revaluations are made to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the Statement of Financial Position date. If the assets' carrying amounts are increased as a result of a revaluation, the increases are credited directly to other comprehensive income, net of tax. However, the increases are recognized to the income statement to the extent that it reverses a revaluation decrease of the same asset previously recognized in the income statement. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized, net of tax, in the income statement to the extent that it exceeds any amount previously accumulated in the revaluation surplus account relating to the same asset. The company applied IAS 16.31 prospectively.

The fair values of the above mentioned assets, are based on valuations by independent valuators who hold recognized and relevant professional qualifications and have recent experience in the location and category of the property, plant and equipment being valued.

Items of Property, Plant and Equipment other than the above mentioned assets, are measured at cost net of accumulated amortization.

Investment Properties

The Company follows the principles of IAS 40 - "Investment properties". Investment properties are land or buildings held to earn rental income or for capital appreciation or both.

The initial cost of investment properties is their purchase cost, together with any incidental costs of acquisition. External costs and internal costs are capitalized to the extent they enhance the future economic benefit of the asset.

The initial cost of an investment property held under a finance lease is presented at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognized as a liability.

After initial recognition, the Company measures all of the investment properties at their fair values. A gain or loss arising from a change in the fair value is recognized in profit or loss for the period in which it arises. The fair value of investment property reflects market conditions at the Statement of Financial Position date.

The fair value of investment property is based on a valuation by an independent valuator who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

In the case of mixed use investment property and property held for use in production of goods or services ("Owner-occupied property"), the Company classifies the leased component as investment property, and the owner-occupied portion at cost, as property, plant and equipment.

Other Assets

Leasing costs are capitalized and amortized on a straight-line basis over the terms of the lease to which they relate.

Major recoverable repair costs of commercial real estate assets are deferred and subsequently recovered from tenants over the estimated period of the repair usage.

Impairment of Non-Current Assets

Assets with indefinite useful lives are tested at least annually for impairment and whenever there is an indication that the asset maybe impaired. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value less costs to sell and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Financial Instruments

A financial asset or a financial liability is recognized when the Company becomes a party to the contractual provisions of a financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when the Company's obligations are extinguished, discharged, cancelled or expired.

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Issue of a unit of a security:

The issue of a unit of securities involves the allocation of 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.

Fair Value of Financial Instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that could be achieved in an arm's length transaction at the reporting date.

Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held to maturity investments; and
- available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within 'financial expenses', 'financial income' or 'other expense', except for impairment of trade receivables which is presented within 'administrative and general expenses'.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less any provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's trade and most other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment individually when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables are presented within 'administrative and general expenses'.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated as at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which hedge accounting requirements apply.

Assets in this category are measured at fair value with any gains or losses arising from remeasurement are recognized in profit or loss. Gains or losses on derivative financial instruments are based on changes in fair value determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-For-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Available-for-sale financial assets are measured at fair value or at cost less any impairment charges, if their fair value cannot be estimated reliably. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'finance income' . Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Financial Liabilities

The Company's financial liabilities include loans payable, bonds, trade and other payables and tenant deposits.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with any gains or losses arising on remeasurement recognized in profit or loss.

All derivative financial instruments that are not designated and effective as a hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'financial expense' or 'financial income'.

Derivative Financial Instruments

A specific accounting treatment is required for derivatives designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All other derivative financial instruments are accounted for at fair value through profit or loss.

Business Combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates about future cash flows and discount rates, however, the actual results may vary. Any measurement changes upon initial recognition would affect the measurement of goodwill.

Goodwill represents the excess of the fair value of the consideration transferred on an acquisition of a business over the fair value of the net assets, including any intangible assets identified and liabilities acquired in accordance with IFRS 3. In determining the fair value of consideration, the fair value of equity issued is the market value of equity at the date of completion, and the fair value of contingent consideration is based upon the Directors' judgment whether the performance conditions will be met and thus whether any further consideration will be payable. Goodwill is measured at cost less impairment losses. The Company tests goodwill for impairment annually, or more frequently if events indicate that it might be impaired. The Company determines if goodwill is impaired by comparing its carrying amount to its fair value for each acquisition. Acquisition - related costs, other than those that are associated with the issue of debt or equity securities that the Company incurs in connection with a business combination, are expensed as incurred. Excess of fair value of net assets acquired over fair value of consideration is recognized in the income statement as a gain from bargain purchase.

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

As per IFRS 5, 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. Assets that were previously booked at investment property are measured as fair value. Financial liabilities relating to those items are measured at amortized cost.

Share-based payments

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted at the date the entity obtains the goods or the counterparty renders the service.

Equity-settled share-based payment transactions with employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions with employees are set out in note 20.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the service period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled service reserve.

Revenue Recognition

The Company's principal sources of revenues and recognition of these revenues for financial statement purposes are as follows:

Revenue from resort operations is recognized when services are provided.

Revenue from hotel and restaurant operations is recognized at the time the goods and services are delivered.

The sale of real estate property is recognized when all material requirements of the sale agreement have been met, the risks of ownership have passed to the purchaser and an appropriate deposit has been received.

Revenue from membership and season passes is shown as deferred revenue and recognized over the period covered by the payment.

Revenue from membership initiation fees are recognized when no significant uncertainty to its collectability exists. Revenue from monthly membership fees are recognized on a monthly basis.

Condominium unit sales are recognized as revenue when the amount due on first closing is received in cash. That amount usually constitutes 15% to 20% of the total consideration. The first closing date is the date at which the purchaser takes physical possession of the property. At that time, the purchaser is entitled to occupancy and provides a commitment to obtain a mortgage for the balance of the consideration, which secures collection of the entire consideration. The vendor, at that time, undertakes to transfer title on registration under the Condominium Act of the applicable jurisdiction. The Company considers, that at that time of first closing, substantially all risks and rewards are transferred to the purchaser and managerial involvement to a degree usually associated with ownership or effective control over the unit is discontinued. In the interim period between first closing and title closing, typical duration of which is a few months, the purchaser assumes costs typical to ownership, such as insurance and asset related taxes.

Revenue from sales of services is recognized when the service is performed. Amounts received for which services have not been rendered are accounted for as deferred revenue and classified as a liability. Other revenue such as the sale of gift cards is recognized at the time of use.

Income from investment properties include rents by tenants under lease agreements, percentage participation rents, property tax and operating cost recoveries, lease cancellation fees, leasing concessions, parking income and incidental income. Tenant deposits are reflected in other liabilities.

The Company accounts for step-up rents on a straight-line basis over the term of each relevant lease except for percentage participation rent.

Percentage participation rent is recognized after the minimum sales level has been achieved in accordance with each lease.
Interest income from a financial asset is recognized when it is probable that the economic benefit will flow to the Company and the amount of income can be reasonably measured. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee benefits

Short-term employee benefits are expensed in the period in which an employee renders services to the Company and they include items such as:

Wages, salaries and social security contributions;
Short term compensation absences;
Non-monetary benefits (such as medical and dental care, life insurance) for current employees;

Bonuses payable within twelve months after the end of the period for which the employees render the related service.

The Company offers RRSP (Registered Retirement Savings Plan) matching payments to some of its employees. RRSP is a tax deferred savings plan approved by the Government of Canada to individuals to save. This incentive is discretionary and the Company has no obligation to contribute to the plan once the employee leaves.
The Company does not offer any post termination benefits to its employees.
A liability for a payment in lieu of termination notice is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Income Taxes

Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using substantially enacted rates and laws that will be in effect when the differences are expected to reverse. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable income or loss. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxes arise from temporary differences on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities arising in the same tax jurisdiction are offset.

As per the amendment to IAS 12, the deferred tax liability resulting from holding investment properties is measured based on the assumption that it will be realized from sale.

Earnings per share

Earnings per share is calculated by dividing profit or loss attributable to shareholders' of the company (the numerator) by the weighted average number of common shares (the denominator).
Basic earnings per share is calculated by dividing profit or loss attributable to shareholders' of the company (the numerator) by the weighted average number of common shares outstanding (the denominator) during the period.
For the purpose of calculating diluted earnings per share, the Company adjusts profit or loss attributable to shareholders of the company, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

Foreign Exchange

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange on the dates of the transactions. The functional currency for the Company and its Canadian subsidiaries is Canadian dollars. The functional currency of the Company's US subsidiaries is the US dollar. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in in the statement of profit and loss in the period for which they arise.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Canadian dollars, the presentation currency, using exchange rates prevailing at the end of each reporting period (1 USD = 1.3427 CAD). Income and expense items are translated at the average exchange rates for that period (1 USD = 1.3245 CAD). Exchange differences are recognized in other comprehensive income, accumulated in equity and attributed to non-controlling interests as appropriate.

SKYLINE INVESTMENTS INC. (formerly SKYLINE INTERNATIONAL DEVELOPMENT INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian Dollars)

3 CASH AND CASH EQUIVALENTS

	Range of Interest	December 31, 2016 (Audited)	December 31, 2015 (Audited)
Cash and cash equivalents	0.2% - 0.50%	25,566	13,933
Short-term bank deposits	1.50%	4,271	271
		29,837	14,204

4 TRADE RECEIVABLES

	2016 (Audited)	2015 (Audited)
Due from hospitality guests and clients	4,697	4,497
Deferred rent	--	116
Amount receivable on sales of condominium units, due on closing	12,597	--
Less - Allowance for doubtful accounts	(30)	(58)
	17,264	4,555

5 OTHER RECEIVABLES

	2016 (Audited)	2015 (Audited)
Government institutions	1,134	515
Deposit receivables (a)	7,172	5,215
Loan to purchasers - short term and current portion (b)	5,565	--
Other receivables	592	686
	14,463	6,416

All amounts are short-term. The net carrying value of other receivables is considered a reasonable approximation of fair value.

(a) Deposits from purchasers of various real estate projects of the Company. The deposits are held in trust by the lawyers of the company projects. This deposits are typically insured and bonded to comply with the Ontario residential construction laws.

(b) Vendor take back loans (VTB) to lands purchasers at Blue Mountain resort. A first mortgage was registered on the lands as a security for the debt.

6 RESTRICTED BANK DEPOSITS

The deposits in bank institutions are subject to certain externally imposed restrictions with respect to the Company's use of these funds.

Restricted bank deposits as of December 31, 2016, also include $563 (2015 - $563) against which letters of guarantee have been issued in favour of local authorities of the Township where various land development activities are being conducted.

7 INVENTORIES

	December 31, 2016 (Audited)	December 31, 2015 (Audited)
Food & beverage	721	837
Retail	851	885
Other inventory	208	210
	1,780	1,932

8 REAL ESTATE INVENTORY

		December 31, 2016 (Audited)	December 31, 2015 (Audited)
Residential constructed inventory	(c)	2,992	--
Real estate under construction	(b) & (c)	6,950	17,306
Serviced parcels of land	(a) & (b)	8,760	9,438
Undeveloped land inventory	(a)	22,655	--
Parcels of land under construction	(c)	17,294	11,468
Current real estate inventory		58,651	38,212
Long term real estate inventory	(a)	--	25,599
		58,651	63,811

(a) Port McNicoll, Ontario

During 2011 the Company designated portions of the lands in Port McNicoll as inventory and began commercial development with intent of selling land as condo units, residential lots, detached houses, townhomes, and commercial areas. The fair value of this land was determined by an appraisal, prepared by an independent qualified appraiser on the date of designation. In January 2017, the Company's subsidiary (100%) executed a conditional agreement to sell the major portion of the Port McNicoll site to a third party for a total consideration of $41,360 payable in 120 equal installments, bearing 2% annual interest. The site's carrying cost of $44,530 was reported as part of "investment Property" ($18,882) as per IAS 40 and "Real Estate inventory" ($25,648) per IAS 2. Since the fair value of expected consideration ,as determined by independent valuators, was estimated at $39,079, the Company recognized an impairment of an investment property asset and a write-down of inventory in a cumulative amount of $5,451, and reclassified the balance from "investment property" to "Property Held for Sale". The real estate inventory portion of the site, valued at $22,655, following the impairment, is presented as part of the current assets. Also see note 9.

(b) Huntsville, Ontario - Deerhurst

In 2016, the Company began construction of its new development condo project - the Lakeside Lodge at Deerhurst Resort. As of December 31, 2016 approximately 62% of the project was pre-sold (this pre-sale rate represents approximately $33 million of the projected revenue).

SKYLINE INVESTMENTS INC. (formerly SKYLINE INTERNATIONAL DEVELOPMENT INC.)
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(in thousands of Canadian Dollars)

8 REAL ESTATE INVENTORY (continue)

(c) Barrie, Ontario - Horseshoe Valley

The first phase of Copeland house project was completed in 2016 and delivered to the purchasers. The balance of $2,706 represent an undelivered inventory book value of 10 condo units. During the year ended December 31, 2016, the Company delivered 57 units to the Copeland house purchasers and recognized a total revenue of $17,033. In December 2016 the Company launched a new conversion project comprising of 44 condominium units.

(d) Blue Mountain Lands

In 2016, a Company's subsidiary (60% ownership) executed a number of firm agreements to sell parcels of serviced land to unrelated third parties for a total consideration of $21,000.

The inventory value of $7,263 represent lands value classified from investment properties and the cost of servicing as for December 31, 2016.

(e) The real estate inventory is summarized as follows:

	December 31, 2016 (Audited)	December 31, 2015 (Audited)
Port McNicoll (a)	24,492	27,436
Deerhurst (b)	21,150	16,258
Horseshoe Valley (c)	5,746	17,761
Blue Mountain Lands (d)	7,263	2,000
Other	--	356
	58,651	63,811

The inventory of Port McNicoll project, valued at $22,655 is carried at fair value less cost to sell. See note 9.

(f) Charges

See note 21 (c) for additional details.

9 PROPERTY HELD FOR SALE

When the Management decides to divest the Company's properties, in accordance with IFRS 5, those properties became classified as "held for sale".

In June 2016, the Company's holdings in Port McNicoll project were classified as "property held for sale". For more information see note 8(a) above. In addition, the Company designated some of the lands located at Horseshoe resort as held for sale, and classified those from fixed assets (per IAS 16). The properties that are classified as "held for sale" are expected to be sold within one year.

In June 2015, the Company's holdings in the Pantages Hotel in downtown Toronto were classified as property "held for sale" (The sale was completed in August 2016). The corresponding financial liabilities totaling $12,364 have been classified as current accordingly . In addition, The Company management classified some of the lands at the Blue Mountain resort to Property Held for Sale, $9,500 were eventually classified back to investment properties in 2016.

Property held for sale is allocated as follows:

	December 31, 2016 (Audited)	December 31, 2015 (Audited)
Horseshoe lands	1,949	--
Pantages Complex	--	21,431
Port McNicoll lands	16,408	--
Blue Mountain Lands	--	11,460
	18,357	32,891

10 INVESTMENT PROPERTIES

	December 31, 2016 (Audited)	December 31, 2015 (Audited)
Balance as at the beginning of the year	93,158	105,944
Transfer from Property Plant and Equipment (a)	3,491	--
Expenditures subsequent to acquisition	671	1,856
Net gain from fair value adjustments	7,095	1,045
Transfer to property held for sale	(6,907)	(14,157)
Transfer to Inventory	(6,650)	(2,000)
Foreign Exchange translation and other	(75)	470
Balance as at the end of the year	90,783	93,158

The fair value model has been used for all the investment properties, and the valuations were performed in December 2016 and December 2015 by independent valuators, who have recent experience in the valuation of properties in the relevant locations. The valuators applied a combination of direct comparison approach and discounted cash flow method when applicable in determining the fair value of the investment properties.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

(a) As from December 31, 2016, the Company's management decided to allocate several components of the Renaissance Hotel to be leased out to Retail and offices

The table summarizes the details of Valuations of major items of Investment Properties:

	Property	Appraiser	Basis of Valuation	December 31, 2016 (Audited) Fair Value	December 31, 2016 (Audited) Cumulative Cost
1	Development Land at 1101 Horseshoe Valley Road, County of Simcoe, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method (1)	17,130	12,033
2	Development land at 1235 Deerhurst Drive, Huntsville, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method (1)	15,480	5,969
3	Blue Mountain, retail	Cushman & Wakefield Ltd.	Income Capitalization Approach Method (2)	28,980	20,235
4	Blue Mountain, lands	CHS Realty Advisors Inc.	Direct Comparison Approach Method (1)	18,181	885
5	Other properties	Colliers / Cushman & Wakefield Ltd.	Income Capitalization Approach Method / Direct Comparison Approach	11,012	9,007

(1) Comparable data was used by the valuators and adjustments were made to address the size, location and timing of the comparable transactions.

(2) The appraiser used a cap rate of 6.63% and a vacancy rate of 3%.

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10 INVESTMENT PROPERTIES (continued)

	Property	Appraiser	Basis of Valuation	December 31, 2015 (Audited) Fair Value	Cumulative Cost
1	Development Land at 1101 Horseshoe Valley Road, County of Simcoe, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method (1)	16,354	12,658
2	Waterfront Development at Port McNicoll, County of Simcoe, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method (1)	18,882	6,617
3	Development land at 1235 Deerhurst Drive, Huntsville, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method (1)	15,480	5,842
4	Blue Mountain, retail	Cushman & Wakefield Ltd.	Income Capitalization Approach Method (2)	25,950	20,195
5	Blue Mountain, lands	CHS Realty Advisors Inc.	Direct Comparison Approach Method (1)	9,889	1,067
6	Other properties	Cushman & Wakefield Ltd.	Income Capitalization Approach Method / Direct Comparison Approach	6,603	4,416

(1) Comparable data was used by the valuators and adjustments were made to address the size, location and timing of the comparable transactions.
(2) The appraiser used a cap rate of 6.75% and a vacancy rate of 4%.
The valuators used unobservable inputs (level 3) in estimating the fair value of the above mentioned properties. The impact on Profit and Loss resulting from these valuations is a gain from fair value in the amount of $7,095 ($1,045 in 2015).

(a) Transfer to property held for sale

See note 8 (d).

(b) Assets under finance lease

The net carrying amount of assets under finance lease included in Investment Properties is $Nil ($Nil - 2015).

(c) Charges

See note 21 (c).

11 PROPERTY, PLANT AND EQUIPMENT

	Lands Buildings & improvements	Furniture, equipment and other	Total	Lands Buildings & improvements	Furniture, equipment and other	Total
	For the year ended December 31, 2016 (Audited)			For the year ended December 31, 2015 (Audited)		
Gross carrying amount as at the beginning of the year	137,325	45,582	182,907	120,799	43,404	164,203
Accumulated depreciation as at the beginning of the year	(15,327)	(21,529)	(36,856)	(13,913)	(17,633)	(31,546)
Acquisitions (a)	--	--	--	31,963	1,438	33,401
Expenditures subsequent to acquisitions	3,795	8,714	12,509	3,337	367	3,704
Adjustment to fair value through revaluation surplus	121,729	10,492	132,221	--	--	--
Foreign Exchange translation	(1,860)	(555)	(2,415)	9,136	373	9,509
Transfer to Investment properties	(3,491)	--	(3,491)			--
Transfer to property held for sale (c)	(1,949)	--	(1,949)	(18,734)	--	(18,734)
Disposal, net of gain (loss)	(133)	(561)	(694)	(9,176)	--	(9,176)
Depreciation	(4,747)	(1,953)	(6,700)	(1,414)	(3,896)	(5,310)
Balance as at the end of the year	235,342	40,190	275,532	121,998	24,053	146,051
Carrying amount recognized if cost model was applied	117,104	29,698	146,802	121,998	24,053	146,051
Balance as at the end of the year:						
For items measured at fair value	235,342	36,270	271,612	--	--	--
For items measured at cost	--	3,920	3,920	121,998	24,053	146,051

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11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Acquisitions

2016
There were no significant acquisitions in 2016

2015
On June 25, 2015, a Company's subsidiary (the "Subsidiary") entered into a purchase and sale agreement to acquire the Renaissance Hotel in downtown Cleveland, Ohio. The acquired hotel building is 873,000 sq. ft. (approximately 81,000 square meters), includes 491 rooms, 65,000 sq. ft. of event and meeting space including 34 meeting rooms, a number of restaurants, and a 304 vehicle parking garage. On October 20, 2015, the Company entered into an agreement with a third party ("the Partner"). The Partner became a 50% equity shareholder in the Subsidiary. The acquisition of the Hotel was completed on October 28, 2015 for a total consideration of approximately US $19 million. The transaction was funded by the way of shareholder loans provided by the Company (US $6.5 million) and the Partner (US $14.5 million). The Partner paid the Company a fee of US $3.5 million. The property is expected to undergo substantial renovation over the next three to four years, which is projected to be financed by third party debt and shareholder loans. The Company will asset manage the Hotel. The Company and the Partner agreed on an indemnification mechanism, whereby if any losses arising out from the hotel operation, including non-repayment of shareholder loans, each party shall bear 50% of those losses. The Company holds 50% of the equity in the Subsidiary and its nominees comprise the majority of the board of directors therefore it has control. The Hotel is operated through a Marriott Renaissance 20 year franchise agreement with the Subsidiary as the franchisee. Ambridge Hospitality LLC is the hotel manager. As per IFRS 3, the Company recorded a gain from bargain purchase in the amount of $8,274 before tax and $5,446 net of tax.

(b) Assets under finance lease
The net carrying amount of assets under finance lease, which are included in Furniture & Equipment as of December 31, 2016 is $6,543 ($1,499 in December 31, 2015).

(c) Sold Property , plant and equipment (that were classified into property held for sale)
During 2015 Pantages Hotel, located in Downtown Toronto, was classified as property held for sale, in accordance with IFRS 5. In June 2016 the Company's subsidiary (100%) executed a conditional agreement to sell the Pantages Hotel to a third party, for a total consideration of $34,000 (of it approximately $4,000 belong to other condo owners at the hotel). On August 22, 2016 the sale of the Pantages Hotel was closed. The Company recorded a gain of $8,300. (See also note 9).

(d) Charges
Charges are written on substantially all the Company's Property Plant and Equipment, including all the land, building, improvements, movable and not-movable, equipment components, and excluding its Horseshoe and Bear Valley Resorts.
Please see note 21(c).

12 OTHER ASSETS

	December 31,	
	2016	2015
	(Audited)	(Audited)
Deferred financing and leasing expenses	--	283
Long-term deposit	381	423
Accumulated depreciation of deferred expenses	--	(193)
	381	513

13 DEFERRED TAX

(a) Taxation in Canada
The taxable income of the Canadian Group of companies is subject to effective corporate tax rate (combined Federal and Provincial) of 26.5%. A Canadian resident corporation is subject to tax on only one half of realized capital gains. Capital gains for this purpose is generally defined as a difference between the net proceeds and cost. In general, and subject to certain conditions, dividends received by a Canadian company from other Canadian companies and/or from foreign affiliate companies may not be subject to Canadian corporate income tax. Dividends between companies in the Canadian Group are not taxable to the recipient, and are not deductible to the payer. According to the FAPI (Foreign Accrual Property Income) rules, a Canadian resident company may be liable for tax in Canada on undistributed passive income of a foreign affiliate company, but can receive relief for foreign tax imposed on this income. Generally, dividends paid by a Canadian resident company to a foreign resident are subject to withholding tax of 25%. Reduced withholding tax rates may apply under the relevant tax treaty (if applicable). Effective January 1, 2017, under the new Canada-Israel Tax treaty, withholding tax on dividends and interest is limited to 15% and 10% for residents of the treaty country.(or 5% for dividends paid to a company that holds directly (or indirectly) at least 25% of the capital of the company that paid the dividends)

Non capital losses can be carried forward 20 years or back 3 years to apply against taxable income earned in those years. Allowable capital losses (i.e. one half of actual capital losses) can be carried back three years, but forward indefinitely to apply against capital gains in those years.

In general, once four years have passed from the date that a corporation's income tax return has been assessed by the Canada Revenue Agency, no adjustments to the return can be made by the CRA or by the company.

(b) Taxation in the U.S.
Skyline's U.S. subsidiaries are subject to corporate tax at the normal rates in the U.S. (Federal tax at the rate of up to 35%, and Ohio State 0.2% revenue tax, California State income tax of 8.8% and City taxes which are deductible in computation of the federal income taxes).
In accordance with the tax treaty between Canada and the U.S., upon distribution of dividends from the U.S. to the company, reduced withholding tax at a rate of 5% applies, provided that the company holds at least 10% ownership of the distributing company. Payment of interest to the company is subject to no withholding tax.

(c) Deferred taxes, net:
Some income and expenses for accounting purposes may be recognized in earlier or later years for tax purposes. These timing differences result in deferred tax balances and reflect taxes that are expected to become payable, or recoverable, in future periods.
The composition and movement in deferred taxes are as follows:

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13 DEFERRED TAX (continued)

	Investment Properties	Property Plant and Equipment	Carry forward Losses	Depreciation temporary differences	Other	Total
Balance as of December 31, 2014	(20,190)	(1,857)	13,394	(12,363)	233	(20,783)
Carried to foreign currency translation reserve	--	--	252	(1,783)	--	(1,531)
Amounts carried to other comprehensive income	--	(32)	--	--		(32)
Amounts carried to income statement	(480)	956	(544)	(5,231)	61	(5,238)
Balance as of December 31, 2015	(20,670)	(933)	13,102	(19,377)	294	(27,584)
Carried to foreign currency translation reserve	--	(201)	(51)	130	--	(122)
Amounts carried to other comprehensive income	--	(35,057)	--	--	--	(35,057)
Amounts carried to income statement	65	1,008	(242)	(453)	(664)	(286)
Balance as of December 31, 2016	(20,605)	(35,183)	12,809	(19,700)	(370)	(63,049)

The deferred taxes are calculated at tax rates ranging between 13.25% and 39.83% - see note d below. The realization of deferred tax assets is dependent on the existence of sufficient taxable income in the subsequent years.

Deferred taxes are presented as follows

	December 31, 2016 (Audited)	2015 (Audited)
Within non-current assets	6,368	10,032
Within non-current liabilities	(69,417)	(37,616)
	(63,049)	(27,584)

(d) Tax rates

Deferred Canadian and U.S. federal and provincial income tax is calculated based on the following combined tax rates:

Non-capital profit tax rates	2016	2015
Ontario	26.50%	26.50%
Ohio, USA	34.10%	34.10%
California, USA:	39.83%	39.83%
Alberta	N/A	26.00%
Capital gain tax rates		
Ontario	13.25%	13.25%
Ohio, USA	34.10%	34.10%
California, USA:	39.83%	39.83%
Alberta	N/A	13.00%

(e) Non-capital losses

The Company has non-capital losses carried forward for US and Canadian tax purposes of $45,441 as at December 31, 2016, which expire at various dates extending to December 31, 2036 (December 31, 2015 - $48,949).

See also note 28

14 BONDS

On July 14, 2016, following a shelf prospectus published in 2015, the Company raised approximately 123,222 Thousand New Israeli Shekel ("NIS"), net of expenditures related to the offering (approximately $41,461) issuing bonds series A. The raised amount will bear an annual nominal interest of 5.2% payable semi-annually. The first interest payment is due on January 15, 2017. The principal is payable on semi-annual basis, while the first principal is due on July 15, 2017. Each principal payment is 2.5% of the nominal raised amount, while the last payment, due on January 15, 2023, will be the remaining 72.5% of the raised amount. The Deerhurst Resort (excluding the surrounding lands) is a collateral for the raised amount. Per the main covenants of the deed of trust, the Company to maintain a maximal loan to value ("LTV") of 72.5% and a minimum shareholders equity of $100 mil, with minimum equity to asset value of 25%. There are restrictions to the amount of dividend that can be distributed and other restrictions. As of December 31, 2016, the Company complies with all covenants required in the deed of trust. The annual effective interest rate is 6.09%. The Company may, in its sole discretion, at any time, repay the bonds (Series A) in full or partially subject to premium.

a. **Composition**

	Effective Interest Rate	December 31, 2016 Total	Total excluding current maturities
Bonds (series A)	6.09%	43,411	42,306

Maturity dates subsequent to the date of the statements of financial position as of December 31, 2016:

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Total**
December 31, 2016	1,105	1,984	1,987	1,987	1,990	34,358	43,411

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14 BONDS (continued)

b. Additional information

	Balance of outstanding Face value December 31			Nominal interest
	Issued F.V. *)	2016	Denominated in	rate %
Series A (issued on July 14, 2016)	128,240	128,240	New Israeli Shekel **)	5.20%

*) The Par value is in thousands NIS
**) For information regarding hedging, see subsequent events note

c. Hedging
To mitigate the exposure to New Israeli Shekel currency, in January 2017, the Company purchased a financial instrument to hedge 100% of the cash flow exposure. The effective interest rate as indicated above does not include the cost of that transaction. See note 34.

15 LOANS PAYABLE

	December 31, 2016 (Audited)	December 31, 2015 (Audited)
Short term loans	18,074	9,282
Current maturities of long term loans	8,375	37,314
	26,449	46,596

See note 17 for further details.

16 OTHER PAYABLES AND CREDIT BALANCES

		December 31, 2016 (Audited)	December 31, 2015 (Audited)
Provision for completion costs		1,691	1,113
Government institutions		322	439
Deferred revenue		44	56
Employees and payroll institutions		3,705	2,554
Due to hotel unit owners		395	273
Due to related parties	see note 18	620	1,237
Accrued expenses		7,347	7,970
Other		1,361	1,020
		15,485	14,662

All amounts are short-term. The carrying values of other payables and credit balances are considered to be a reasonable approximation of their fair values.

17 LOANS PAYABLE

(a) Loans payable consist of the following:
Mortgages, leases and vendor take backs

As of December 31, 2016

	December 31, 2016 (Audited)			December 31, 2015 (Audited)		
	Annual interest rate	Balance	Balance less current maturities (1)	Annual interest rate	Balance	Balance less current maturities
Loan from financing institution in Canadian dollar (*)	5.82%	45,265	20,732	5.24%	84,780	27,155
US dollar loan from financing institution in CAD (**)	4.61%	37,063	36,409	5.84%	21,715	21,111
US dollar loan in CAD from the Partner in Renaissance (***)	--	--	--	6.00%	20,414	20,414
Finance lease	4.20%-9.00%	6,543	5,279	4.75%-9.00%	1,499	768
		88,871	62,420		128,408	69,448
Deferred financing cost			(1,295)			(1,174)
Loans payable non-current			61,125			68,274

(*) Annual weighted average interest rate for the years ended December 31, 2016 and 2015 respectively. The interest rate is mainly variable. The Prime rate in Canada, as of December 31, 2016 and 2015 is 2.7%.
(**) Annual weighted average interest rate for the years ended December 31, 2016 and 2015 respectively. The interest rate is fixed.
(***) Annual interest rate for the year ended December 31, 2015. The interest rate is fixed.

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17 LOANS PAYABLE (continued)

(b) Scheduled repayments of loans payable are due as follows:

Period ending December 31,	2017	19,664
	2018	23,233
	2019	9,100
	2020	18,580
	2021	2,090
	2022 and Thereafter	14,907
		87,574

(c) For charges, please see note 21(c).

The amount of $85,966 of the loans are secured by charges registered to the Company's assets as a first mortgage. A total book value of real estate that are unencumbered by any mortgage charge as for December 31, 2016 is approximately 167,797

(d) For contingent liabilities, please see note 21(b).

(e) Line of Credit

See Note 34.

(f) Lakeside Lodge Financing:

In June 2016 the Company's subsidiary (100%) met all the conditions precedent and secured a $32,000 construction financing for the Lakeside Lodge 162-condo project at its' Deerhurst resort. The loan bears annual interest of prime+1.75% (minimal interest rate of 4.45%) payable monthly. The Company provided a guarantee of $35,000 for the loan. As per the agreement, the subsidiary's equity in the project is comprised of the project land valued at $6,800 together with $3,000 cash.

(g) Renaissance:

In March 2016, the Company obtained a 4-year interest only financing, with an option to extend the loan by an additional year for its acquisition and renovation of the Renaissance Hotel totaling $29,150 US ($38,000 CAD). $12,350 US ($16,100CAD) is used to fund the acquisition with the balance of the funds available to fund future renovation of the property, bearing annual interest of 2.50%-2.75% above 30 day LIBOR. During the extension period option (as described above, and if the Company will choose to exercise it), the principal repayment will begin based on the 25 year amortization. As part of the terms of this loan the property is subject to particular financial covenants, including debt service coverage ratio (DSCR) ranging between 1.30-1.40 : 1.00 with partial recourse in addition to the other terms as customary for this type of transactions, as well as a minimum $7,950 USD ($10,250CAD) of equity.

(h) The Company has other secured credit facilities: as part of the regular course of business the Company obtains and repays various loans to facilitate its business activities.

Contractual limitations and financial covenants in place for material loans payable:

(i) Blue Mountain Retail

On April 15, 2013, the Company completed the partial acquisition of the retail complex at the Blue Mountain Village. 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 an unrelated 40% shareholder in The Village and is subject to a minimum of DSCR covenant of 1.20. As at December 31, 2016, the property had a DSCR of 1.45.

(j) Hyatt Arcade, Cleveland, Ohio, USA

On June 27, 2013, the Company secured a CMBS financing (Commercial mortgage backed securities) for the property. The principal amount of the loan is $12,878, bearing annual interest of 4.78% for 5 years with 25 year amortization.

As part of the terms the Company was required to increase contribution into the Furniture, Fixtures and Equipment (FF&E) reserve account to 7% of their monthly revenue until December 2016.

which will be used to fund the renovation program to be completed by the end of 2016. DSCR ratio is required to be greater than 1.15 (actual ratio at December 31, 2016 is 5.97).

(k) In November 2013, the Company secured construction financing with one of its financiers at Horseshoe in the amount of $12,300. As for December 31, 2016 the Company used $11,289.

(l) As at December 31, 2016 the Company was compliant with its covenant obligations, including maintaining capital and financing profitability ratios.

18 RELATED PARTIES

(a) Liabilities	Interest rate	December 31, 2016	2015
		(Audited)	(Audited)
Loans from shareholders of the parent company	4%	--	6,498
Interest accrued on the loans to above related parties		--	241
Less - current portion		--	(6,739)
Long term liabilities		--	--
Bonus, consulting fees and salary due to a shareholder of a parent company and a chariman - see note 16		648	1,273
Payments on account of loans, see note 16		(12)	--
Other current balance, see note 16		(16)	(36)
Current portion of loans from shareholders		--	6,739
Short term liabilities		620	7,976
		620	7,976
Loans from key person included in the above	4%	--	143

(b) In 2008, the Company received $24,235 unsecured loans from the related parties above to finance its operations at 10% annual interest. During year 2009 the Company received additional $1,392 loans at similar terms, and in year 2010 it received $5,750 of which $2,750 was received to finance the acquisition of King Edward. In July 2010 the shareholders agreed to reduce the interest to 4%, which approximated market interest.

(in thousands of Canadian Dollars)

18 RELATED PARTIES (continued)

In 2011, the Company received $6,359 from related parties to facilitate the Deerhurst acquisition in March 2011. It has been agreed that these loans will mature April 2016 and will bear interest at a rate of 4% per annum until the loans are repaid.

In 2016, the Company repaid the remaining balance of $6,739 of the loans from shareholders (in 2015, $11,600).

(c) For Provisions, Contingencies and Related Party surplus., please see note 21(b).

(d) The Chairman (and a joint- controlling shareholder), CEO and CFO (key management personnel) - management fees, salary, bonus and benefits:

	Number of related parties
	3

	For the years ended December 31,		
	2016 (Audited)	2015 (Audited)	2014 (Audited)
Compensation, bonus and benefits.	1,301	1,286	211
Employee stock option expense recognized on conditionally granted options. See note 20 (d) for additional details.	140	54	(165)
Management fee earned from the Chairman (see (e) below)	-	--	17

(e) Management of the controlling person's real estate

The company's managed Toronto downtown hotels' assets include a number of the condo units owned by the President in exchange for a management fees varied between 14.5% and 25% of the revenue.

(f) Related party transactions are measured at the fair value.

19 FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities:

The following table provides an analysis of financial instruments, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		December 31,	
Financial assets	**Level**	2016 (Audited)	2015 (Audited)
Financial assets at fair value through profit or loss			
Cash and cash equivalents	Level 1	29,837	14,204
Loans and receivables			
Trade receivables	Level 2	17,264	4,555
Other receivables	Level 2	14,463	6,416
Restricted bank deposits	Level 1	4,006	6,392
		65,570	31,567
Held-to-maturity investments			
Long-term deposit	Level 2	381	423
		65,951	31,990
Financial liabilities			
Financial liabilities measured at amortized cost:			
Current:			
Loans payable	Level 2	26,449	46,596
Bonds - current maturities	Level 2	1,105	--
Loans payable on property held for sale	Level 2	--	12,364
Loans payable to related parties	Level 2	--	6,739
Trade payables	Level 2	8,025	9,551
Other payables and credit balances	Level 2	15,485	14,662
Purchasers' Deposits	Level 2	6,698	6,379
		57,762	96,291
Non-current:			
Loans payable	Level 2	61,125	68,274
Bonds	Level 2	42,306	--
Other liabilities	Level 2	2,577	3,030
		106,008	71,304
		163,770	167,595

(in thousands of Canadian Dollars)

19 FINANCIAL ASSETS AND LIABILITIES (continued)

The estimated fair values of loans payable are as follows:

	Fair value December 31,		Carrying amount December 31,	
	2016	2015	2016	2015
	(Audited)	(Audited)	(Audited)	(Audited)
Loans payable	87,253	128,763	87,574	127,234
Bonds	46,801	--	43,411	--
Loans payable to related parties	--	6,739	--	6,739
	134,054	135,502	130,985	133,973

The carrying value of loans payable to related parties approximate their fair values, since they bear interest at rates which approximate market rates.

Fair values of long-term financial liabilities have been determined by calculating their present values at the reporting date, using fixed effective market interest rates available to the Company. The carrying amount of the loans maturing during the next year is assumed to approximate their fair values.
The carrying amount of the variable interest loans approximates the fair values of these loans.

Fair value of other financial assets and liabilities

The fair value of cash and cash equivalents and marketable securities approximates their carrying values.
Amounts receivable, accounts payable and accrued liabilities are also assumed to have a fair value that approximates their carrying values due to their short-term nature.

Non-current loans to purchasers approximate their fair values as the interest rates charged correspond to the market rates. In addition, the Company has taken adequate securities on those financial assets.

20 SHARE CAPITAL

(a) Authorized
1) Unlimited common shares, without par value.

(b) Shareholders equity and issued and Paid-in

	For the years ended December 31,	
	2016	2015
	(Audited)	(Audited)
Share capital	77,900	77,900
Warrant Certificates	519	519
Revaluation surplus	83,749	2,804
Related Party Surplus	125	125
Equity settled service reserve	1,014	874
Foreign exchange translation	4,827	5,209
Retained earnings	77,834	71,120
Equity attributable to Shareholders of the Company	245,968	158,551
16,531,350 *) common shares at December 31, 2016 (2015 - 16,531,350)	--	--

*) 200,000 additional shares were issued to Company's CEO and are held in trust. See note 20d below.

The following table presents the calculation of basic and diluted earnings per common share.

	For the years ended December 31,		
	2016	2015	2014
	(Audited)	(Audited)	(Audited)
Profit for the period attributable to Shareholders of the Company	3,910	4,669	1,689
Net earnings	3,910	4,669	1,689
Weighted number of common shares - basic	16,531,350	16,530,121	16,179,235
Weighted-average effect of dilutive securities:			
Shareholder rights issuance	-	-	-
Employee stock option plan	179,717	6,629	15,305
Weighted-average number of common shares - diluted see note below	16,711,067	16,536,750	16,194,540
Net earnings per common share (in Canadian dollars):			
Basic	0.23	0.28	0.10
Diluted	0.23	0.28	0.10

(in thousands of Canadian Dollars)

20 SHARE CAPITAL(continued)

(c) Public Placement

On February 28, 2014, the company filed its prospectus and was issued a 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 $19,132 (after costs and underwriters fees) becoming a public reporting entity in the State of Israel. In May 2014 the Company became a reporting issuer in Ontario (Canada).

All unexercised Series 1 Warrants expired, on March 5, 2016.

(d) Employees' Stock Options

The fair value of the options at the grant date was determined using two methods: i) The OPTIONS XL Binomial and Trinomial Lattice with Exercise Behavior model (for Directors and Employees), and ii) OPTIONS XL Trinomial Lattice with Exercise Behavior: Vesting Tranche Fair Value (for Executives).

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 over the past 60 months, which management estimates to approximate the volatility in value of the Company's shares.

On March 23, 2016 the Board of Directors approved a private allotment of 200,000 shares to a company controlled by the CEO, for a total consideration of 4,793 NIS (approximately $1,638) or 23.96 NIS (approximately $8.2) per share, reflective of the average share price during 30 days prior to the appointment against a loan bearing 3% interest to be repaid in full until February 17, 2021.

The issuance of the shares is treated as share-based payment - options (IFRS 2). Upon repayment of the loans, the corresponding portion of the shares will be reported in the Share Capital. The average value of this share-based compensation was determined by an independent valuator to be 4.23NIS (approximately $1.5) per share, assuming an average share volatility of 26.4% and the expected useful life of options is between 1-5 years. The valuator applied a Binominal model.

	Employee Options	Employee Options	Executive Options	Shares treated under IFRS 2
# of Options granted	6,170	6,960	530,970	200,000
Grant date	1-Feb-12	12-Aug-13	1-Feb-12	17-Feb-16
Grant date share price	$12.94	$12.94	$12.94	$8.48
Exercise price	$0.001	$0.001	$12.94	$8.20
Expiration date	1-Feb-17	12-Aug-17	1-Feb-17	17-Feb-21
Dividend yield	0%	0%	0%	0%
Risk-free interest rate	0.72%	0.72%	0.72%	0.09% - 1.00%
Exit rate post-vesting	40%	40%	40%	100.00%
Fair value per option at grant date	$8.28	$8.28	$2.22	$1.50
Expected volatility	54.10%	54.10%	54.10%	26.40%
Vesting dates:				
Vested immediately**	100%	100%	--	--
1st Anniversary of Grant Date	--	--	25%	25%
2nd Anniversary of Grant Date	--	--	25%	25%
3rd Anniversary of Grant Date	--	--	25%	25%
4th Anniversary of Grant Date	--	--	25%	25%

	Employee Options	Employee Options	Executive Options	Shares treated under IFRS 2	Balance	Weighted Average Exercise Price
Balance as for December 31, 2015	3,070	2,320	367,650	200,000	573,040	$ 11.16
Outstanding options at December 31, 2016	**3,070**	**2,320**	**367,650**	200,000	**573,040**	$ 11.16

The Company recognized $140 stock compensation expense which is included in administrative and general expenses. (an expense of $54 - 2015 and an income of $165 recorded in 2014).

Expiration of Options

On March 19, 2015 an amount of 102,460 options, that were held by Company's former director.

On May 18, 2015 an amount of 163,320 options, that were held by Company's former employee.

On February 1, 2017 the Executive Options expired. See note 34.

New employee stock option plan:

On November 14, 2016 the Board of Directors approved granting 290,000 options to Company's senior employees. The option plan is pending approval by Tel-Aviv Stock Exchange.

(e) **Non-controlling Interest ("NCI")**

Skyline Blue Mountain Village Inc., Collingwood Ontario ("SBMV") - NCI 40%

Skyline Cleveland Renaissance, LLC, Ohio, USA ("SCRL") - NCI 50%

Summarized financial information	2016 (Audited)	2015 (Audited)
Assets	107,646	91,570
Liabilities	61,851	64,773
Net Income	9,722	7,314
Cash flow from operations	11,663	2,749
Cash flow from Investing activities	242	(24,753)
Cash flow from financing activities	(4,684)	19,402

The allocation of the profit for 2016 to NCI is $3,543 and accumulated NCI at the end of the year is $14,557 for both SBMV and SCRL see note 33.

(in thousands of Canadian Dollars)

21 COMMITMENTS, CONTINGENCIES AND CHARGES

(a) Commitments

Future annual rental payments for office premises and equipment operating leases as well as operating leases that expire at various dates are payable as follows:

2017	361
2018	342
2019	80
Thereafter	15
	798

On February 11, 2016 the Company signed a new lease agreement for its new Corporate office location. The agreement is for 2.5 years. The Company does not have an extension option for the lease.

(b) Contingencies and Related Party surplus.

The Company's compensation policy was approved during the general meeting of shareholders conducted on December 23, 2014 (as amended in June 2016). The policy sets compensation framework for:
a) Company's president or a company under his control is entitled to an annual compensation in the amount of $350 CAD and an annual bonus performance driven up to a maximum amount of $375 CAD.
b) Senior Executive Management Team.

(c) Charges

Charges are written on the Company's properties to secure the first mortgages received on their purchase. The total liabilities secured under these charges are as described in note 17. These charges include specific covenant requirements for the associated revenue producing properties.

(d) Claims

The Company was served claims totaling $2,138 in relation to certain construction projects and issued a counterclaim of $4,000. In addition, the Company was served with several claims totaling approximately $444. As per the Company's legal advisors, at this stage it is not possible to estimate the Company's chances of success or the likely amount of recovery

On October 21, 2009, a legal claim of approximately $8,000 was delivered to the offices of the Company's parent company, naming the parent company, its major shareholder, the Company, and some of its subsidiaries as defendants. The claim was served by a group of individuals that purchased approximately 20 condo rooms in Cosmopolitan and Pantages hotels. As from the date the oringal claim was filed, most of it was dismissed without costs. As for December 31, 2016 a cumulative amount of appeals summing to approximately $1,000 are still pending court desision. Based on Company's legal advisors' opinion, the management of the Company believes that it is more likely than not the appeals will be dismissed.

(e) Letters of Guarantee

The company issued various letters of guarantee approximating $4,980 as of December 31, 2016 ($2,970 - 2015).

22 HOSPITALITY INCOME

	For the years ended December 31,		
	2016	2015	2014
	(Audited)	(Audited)	(Audited)
Room Revenue	58,145	38,608	31,580
Food & beverage revenue	32,810	24,181	20,709
Ski Revenue	14,626	12,900	8,164
Other Hospitality Revenue	12,921	11,846	10,991
	118,502	87,535	71,444

23 HOSPITALITY OPERATING EXPENSES

	For the years ended December 31,		
	2016	2015	2014
	(Audited)	(Audited)	(Audited)
Room department	16,689	12,028	11,395
Cost of food & beverage	23,446	17,459	14,099
Hotels and Resorts administrative and general expenses	13,130	9,512	7,347
Hotels and Resorts marketing and sales	8,992	6,235	5,258
Hotels and Resorts maintenance and repairs	7,599	5,550	4,126
Cost of Ski services	5,792	5,362	3,551
Cost of Golf services	2,125	1,972	2,162
Cost of Property tax, utilities, and Insurance	11,237	8,494	7,480
Hotels management and franchise fee	2,742	552	431
Other	8,047	7,010	6,362
	99,799	74,174	62,211

24 COST OF SALE OF RESIDENTIAL REAL ESTATE

	For the years ended December 31,		
	2016	2015	2014
	(Audited)	(Audited)	(Audited)
Cost of sale of condominiums	16,231	--	207
Cost of sale of land and development projects	3,235	150	2,853
Revaluation component included in cost of sale*	4,074	114	1,145
	23,540	264	4,205

*) At time of transfer from Investment property to inventory

(in thousands of Canadian Dollars)

25 DEPRECIATION

See note 2 Significant Accounting Policies under "Property, Plant and Equipment"
Depreciation expense includes depreciation of the Company's items of property plant and equipment.

26 ADMINISTRATIVE AND GENERAL EXPENSES

	For the years ended December 31,		
	2016	2015	2014
	(Audited)	(Audited)	(Audited)
Salaries	1,398	1,135	979
Recognition of Share-based payment Note 20 (g)	140	54	(165)
Compensation, benefits and bonus to key management personnel	1,301	1,286	211
Office Rent and Insurance	148	293	529
Legal, audit and consulting	1,267	1,186	1,413
Office, travel expenses and others	577	411	383
Depreciation of property, plant and equipment	64	34	40
	4,895	4,399	3,390

In 2016 office rent includes $148 of operating lease payments recognised as an expense ($168 - 2015).

27 FINANCIAL EXPENSE AND INCOME

	For the years ended December 31,		
Expenses	2016	2015	2014
	(Audited)	(Audited)	(Audited)
Interest on long-term loans	5,871	6,111	5,874
Interest on bonds	1,086	--	--
Foreign exchange revaluation of bonds	1,830	--	--
Amortization of deferred financing charges	848	479	368
Interest on short-term loans	444	347	161
Bank charges	253	145	152
Total expenses	10,332	7,082	6,555
Income	(211)	(33)	(180)
Included in financial expense are balances related to:			
Related parties	69	363	484

28 INCOME TAXES

(a) Current Canadian and U.S. federal and provincial combined income tax was calculated based on the following tax rates (see also note 13):

	For the years ended December 31,		
	2016	2015	2014
	(Audited)	(Audited)	(Audited)
Ontario:	26.5%	26.5%	26.5%
Alberta:	N/A	26.0%	25.0%
Ohio, USA:	34.1%	34.1%	34.1%
California, USA:	39.8%	39.8%	39.8%

Income Tax expense (recovery) included in the Consolidated Income Statements:

	2016	2015	2014
Current Income Tax	2,241	(53)	198
Deferred Income tax	286	5,238	1,426
Prior year taxes (recovery) and refunds	248	(445)	(74)
	2,775	4,740	1,550

(b) Reconciliation between the statutory tax rate and the effective tax rate:

	2016	2015	2014
Profit before income taxes	10,228	12,835	5,746
Ontario Statutory tax rate	26.5%	26.5%	26.5%
Tax calculated using statutory tax rate	2,710	3,401	1,523
Increase (decrease) in taxes resulting from:			
Prior year taxes	429	(36)	(74)
Difference in tax rate applicable to income of foreign subsidiaries	689	773	31
Allowance for tax loss non recoverability	260	725	--
Difference in tax rate applicable on capital gain	(1,333)	(143)	--
Difference in tax rate on fair value adjustments	--	19	14
Non-Deductible expense (recovery)	43	21	(38)
Other	(23)	(20)	94
Income tax expense	2,775	4,740	1,550

(in thousands of Canadian Dollars)

29 EMPLOYEE BENEFITS

Employee benefits included in the functional expenses reported in note 23 amount to $4,232 for the year ended December 31, 2016 ($4,676 - 2015 and $3,720 - 2014)

Wages, Salaries and benefits included in:	For the years ended December 31, 2016 (Audited)	2015 (Audited)	2014 (Audited)
Hospitality operating expenses	41,649	33,454	30,648
Development periodic costs	606	319	220
Timeshare expenses	--	448	2,209
Administrative and general expenses	2,699	2,421	1,190
	44,954	36,642	34,267

30 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

The Company's operations are subject to a number of risks and uncertainties, including, but not limited to, risks associated with the development of future properties, competition, the real estate markets and general economic conditions in which the Company competes, the availability and cost of financing and fluctuations in interest rates.

The Company is exposed to various risks in relation to financial instruments. Its financial assets and liabilities by category are summarised in note 19.

The main types of risks the Company is exposed to, related to financial assets and liabilities are interest rate risk, credit risk, foreign exchange risk and liquidity risk.

The Company's risk management is coordinated by its management, in close co-operation with the board of directors, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it trade in options. The most significant financial risks to which the Company is exposed are described below.

The Company does not hold or issue derivative financial instruments for trading purposes.

a) Interest rate risk

The Company's policy is to minimize interest rate risk exposures on long-term financing. Longer-term loans payable are therefore usually at fixed rates, subject to the financial market availability. On December 31, 2016 and 2015, the Company was exposed to changes in market interest rates through bank borrowings at variable interest rates. Other loans payable are at fixed interest rates. The Company's investments in bonds all pay fixed interest rates.

At December 31, 2016, 56% (2015: 57%) of the Company's indebtedness for borrowed money was issued at fixed rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% at December 31, 2016 (2015: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit		Equity	
	+1%	-1%	+1%	-1%
Year ended December 31, 2016	284	(284)	284	(284)
Year ended December 31, 2015	409	(409)	409	(409)

b) Credit risk

The Company operates as a developer of destination real estate assets, as well as a hospitality manager and owner. As a developer, the Company is exposed to credit risk to the extent that purchasers may fail to meet their obligations under the terms of purchase and sale agreements. This risk is alleviated by minimizing the amount of exposure the Company has to any single sales transaction by collecting sufficient deposits and obtaining confirmations from the purchasers bank on mortgage financing.

Credit risk on development projects is limited to the uncollected amount of all transactions that have not closed. As at December 31, 2016, this amount is limited to $41,428

The Company is also exposed to credit risk on certain financial assets recognized at the reporting date, as summarized below:

	December 31, 2016 (Audited)	2015 (Audited)
Cash and cash equivalents	29,837	14,204
Trade receivables	17,264	4,555
Other receivables	14,463	6,416
Restricted bank deposits	4,006	6,392
Long-term deposit	381	423
	65,951	31,990

The Company continuously monitors defaults of customers and other counterparties. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

Some of the unimpaired trade receivables are past due as at the reporting date.

The Company's management considers that all the above financial assets that are not impaired or past due are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements, except loans to purchasers and trade receivables from Copelnad House 1 purchasers. Please see note 4 and 5(b).

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consists of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(in thousands of Canadian Dollars)

30 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Liquidity risk

The Company manages its liquidity risks by ensuring that there is adequate cash resources to meet its obligations as they become due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at December 31, 2016, the Company's liabilities have contractual maturities as summarized below:

	Current	year 2	year 3	year 4	year 5	6 years & later
Loans payable	19,664	23,233	9,100	18,580	2,090	14,907
Bonds payable	1,105	1,984	1,987	1,987	1,990	34,358
Trade payables	8,025	--	--	--	--	--
Other payables and credit	15,163	--	--	--	--	--
Purchasers' Deposits	411	5,841	446	--	--	--
Interest on loans payable	2,226	1,166	467	351	281	1,490
Interest on bonds payable	2,345	2,251	2,135	2,023	1,901	2,638
Other liabilities	330	330	330	330	330	927
	49,269	34,805	14,465	23,271	6,592	54,320

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

d) Foreign Exchange currency risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (primarily Canadian Dollars and US Dollars) with the cash generated from their own operations in that currency.
In addition, the risk is raised when the reporting currency is different from the entity's functional currency.
Exchange rate exposures are not managed by any forward foreign exchange contracts.

On December 31, 2016, $37,176, or 28.4%, (2015: $41,757 , or 31.2%,) of the Company's indebtedness for borrowed money was denominated in US dollars.

To mitigate the exposure to New Israeli Shekel currency due to bonds issued in July 2016, the Company purchased in January 2017 a financial instrument to hedge 100% of the currency exposure. See note 14 above and 34 below.

Assets and liabilities of the Company by currency category and country:

	December 31, 2016			
	CANADA (Audited)	ISRAEL (Audited)	UNITED STATES (Audited)	Total (Audited)
Assets:				
Cash and cash equivalents	18,439	--	11,398	29,837
Trade receivables	15,438	--	1,826	17,264
Other receivables	14,361	--	102	14,463
Restricted bank deposits	3,304	--	702	4,006
Other assets	381	--	--	381
Total Financial Assets	51,923	--	14,028	65,951
Non-Financial Assets	299,686	--	154,116	453,802
Total Assets	351,609	--	168,144	519,753
Liabilities:				
Bonds - current maturities	--	1,105	--	1,105
Loans payable	25,588	--	861	26,449
Trade payables	5,627	--	2,398	8,025
Other payables and credit balances	4,707	--	10,778	15,485
Purchasers' Deposits	6,698	--	--	6,698
Bonds	--	42,306	--	42,306
Loans payable	24,810	--	36,315	61,125
Other liabilities	169	--	2,408	2,577
Total Financial Liabilities	67,599	43,411	52,760	163,770
Non-Financial Liabilities	36,972	--	41,022	77,994
Total Liabilities	104,571	43,411	93,782	241,764
Financial Assets net of Financial Liabilities	(15,676)	(43,411)	(38,732)	(97,819)
Total Assets, net of Total Liabilities	247,038	(43,411)	74,362	277,989
Revenue	76,943	--	71,051	147,994

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30 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

	December 31, 2015			
	CANADA	ISRAEL	UNITED STATES	Total
	(Audited)	(Audited)	(Audited)	(Audited)
Assets:				
Cash and cash equivalents	6,224	--	7,980	14,204
Trade receivables	2,625	--	1,930	4,555
Other receivables	6,336	--	80	6,416
Restricted bank deposits	3,384	--	3,008	6,392
Other assets	423	--	--	423
Total Financial Assets	18,992	--	12,998	31,990
Non-Financial Assets	264,882	--	84,986	349,868
Total Assets	283,874	--	97,984	381,858
Liabilities:				
Loans payable	45,992	--	604	46,596
Loans payable on property held for sale	12,364	--	--	12,364
Loans payable to related parties	6,739	--	--	6,739
Trade payables	7,298	--	2,253	9,551
Other payables and credit balances	1,675	--	12,987	14,662
Intercompany balances	6,041	--	(6,041)	--
Purchasers' Deposits	6,379	--	--	6,379
Loans payable	27,121	--	41,153	68,274
Other liabilities	211	--	2,819	3,030
Total Financial Liabilities	113,820	--	53,775	167,595
Non-Financial liabilities	23,285	--	21,194	44,479
Total Liabilities	137,105	--	74,969	212,074
Financial Assets net of Financial Liabilities	(94,828)	--	(40,777)	(135,605)
Total Assets, net of Total Liabilities	146,769	--	23,015	169,784
Revenue	58,540	--	38,123	96,663

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in exchange rate of +/- 5% at December 31, 2016 (2015: +/- 5%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average foreign exchange rates for each period, and the financial assets and liabilities held at each reporting date that are sensitive to changes in exchange rates. All other variables are held constant.

	December 31, 2016		December 31, 2015	
	(Audited)		(Audited)	
	+5%	**-5%**	**+5%**	**-5%**
Assets	701	(701)	650	(650)
Liabilities	(2,638)	2,638	(2,689)	2,689
Equity	(1,937)	1,937	(2,039)	2,039
Profit for the year	(247)	247	(1,346)	1,346

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30 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

e) Asset and liabilities of the Company by expected settlement or recovery period:

	December 31, 2016 (Audited)			December 31, 2015 (Audited)		
	Within twelve months	More than twelve months	Total	Within twelve months	More than twelve months	Total
Assets:						
Cash and cash equivalents	29,837	-	29,837	14,204	--	14,204
Trade receivables	17,264	-	17,264	4,555	--	4,555
Other receivables	8,176	6,287	14,463	2,713	3,703	6,416
Prepayments	2,331	-	2,331	1,903	--	1,903
Inventories	13,055	47,376	60,431	23,527	42,216	65,743
Restricted bank deposits	3,054	952	4,006	4,149	2,243	6,392
Property held for sale	3,591	14,766	18,357	32,891	--	32,891
Investment properties	-	90,783	90,783	--	93,158	93,158
Property, plant and equipment	-	275,532	275,532	--	146,051	146,051
Other assets	-	381	381	--	513	513
Deferred tax	-	6,368	6,368	--	10,032	10,032
Total Assets	77,308	442,445	519,753	83,942	297,916	381,858
Liabilities:						
Loans payable	19,664	6,785	26,449	46,596	--	46,596
Bonds - current maturities	1,105	-	1,105	--	--	-
Loans payable on property held for sale	-	-	-	12,364	--	12,364
Loans payable to related parties	-	-	-	6,739	--	6,739
Trade payables	8,025	-	8,025	9,551	--	9,551
Other payables and credit balances	15,485	-	15,485	14,662	--	14,662
Deferred revenue	6,910	-	6,910	6,752	--	6,752
Income taxes payable	1,667	-	1,667	111	--	111
Purchasers' Deposits	411	6,287	6,698	2,676	3,703	6,379
Loans payable	-	61,125	61,125	--	68,274	68,274
Bonds	-	42,306	42,306	--	--	-
Other liabilities	330	2,247	2,577	--	3,030	3,030
Deferred tax	-	69,417	69,417	--	37,616	37,616
Total Liabilities	53,597	188,167	241,764	99,451	112,623	212,074
Total assets, net of total liabilities	23,711	254,278	277,989	(15,509)	185,293	169,784

f) Capital Management Policies and Procedures

The Company' s capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity plus loans from related parties, less cash and cash equivalents as presented on the face of the consolidated balance sheets.

The Company's goal in capital management is to maintain a loan-to-overall financing ratio of 70%. This is in line with its parent company's requirement to meet its bond rating obligations.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities other than the loans payable to related parties. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods under review is summarized as follows:

	December 31, 2016 (Audited)	December 31, 2015 (Audited)
Shareholders' equity	245,968	158,551
Loans payable to related parties	--	6,739
Capital	245,968	165,290
Loans payable	87,574	127,234
Bonds payable	43,411	--
Cash and cash equivalents	(29,837)	(14,204)
Overall Financing	347,116	278,320
Loan to overall financing ratio	38%	46%

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31 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.

Hospitality segments: In 2015, following to the acquisition of Renaissance Hotel, the Hospitality operation in the USA became very significant Therefore, the chief operation decision maker decided to review and analyze the US hospitality operations as separate segment, consisted of The Hyatt Regency Arcade and the Renaissance Hotel located in Cleveland, Ohio and the Bear Valley Resort located in California.

Development and investment properties segments: The management of the company manages the lands regardless of their accounting classification, as one operating segment. Therefore, chief operation decision maker decided to review and analyze all the lands (both accounted for IAS 40 and IAS 2) under the development segment.

(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
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

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

	For the year ended December 31, 2016 (Audited)					
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
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, 2016 (Audited)					
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
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**

SKYLINE INVESTMENTS INC. (formerly SKYLINE INTERNATIONAL DEVELOPMENT INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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31 SEGMENTED INFORMATION (continued).

For the year ended December 31, 2015
(Audited)

	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
REVENUE						
Hospitality income	32,943	54,592	--	--	--	87,535
Income from investment properties	--	--	3,538	--	--	3,538
Sale of residential real estate	--	--	--	276	--	276
Commissions and fees	--	4,598	22	--	--	4,620
Other operation income	--	--	--	--	694	694
	32,943	59,190	3,560	276	694	96,663
EXPENSES AND COSTS						
Hospitality operating expenses	28,500	45,674	--	--	--	74,174
Operating expenses of investment properties	--	--	1,329	--	--	1,329
Cost of sale of residential real estate	--	--	--	264	--	264
Development periodic costs	--	--	--	1,050	--	1,050
Other operation expense	--	--	--	--	901	901
Depreciation	1,745	3,409	--	70	102	5,326
	30,245	49,083	1,329	1,384	1,003	83,044
SEGMENTED RESULTS	**2,698**	**10,107**	**2,231**	**(1,108)**	**(309)**	**13,619**
Gain from fair value adjustments	--	--	(491)	(554)	--	**(1,045)**
Selling and marketing expenses						**1,863**
Administrative and general expenses						**4,399**
Financial expense						**7,082**
Financial income						**(33)**
Other expense (income)						**560**
Gain on bargain purchase						**(8,274)**
Gain on sale of investment						**(3,768)**
Profit before income taxes						**12,835**

As at December 31, 2015
(Audited)

	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
Assets	95,057	101,737	34,458	150,182	424	381,858
Liabilities	69,269	48,171	20,276	73,925	433	212,074
	25,788	**53,566**	**14,182**	**76,257**	**(9)**	**169,784**

SKYLINE INVESTMENTS INC. (formerly SKYLINE INTERNATIONAL DEVELOPMENT INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian Dollars)

31 SEGMENTED INFORMATION (continued)

	For the year ended December 31, 2014 *(Audited)*					
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
REVENUE						
Hospitality income	15,921	55,481	42	--	--	71,444
Income from investment properties	--	--	3,183	--	--	3,183
Sale of residential real estate	--	--	--	4,099	--	4,099
Commissions and fees	--	--	--	--	--	--
Other operation income	--	--	125	--	1,474	1,599
	15,921	55,481	3,350	4,099	1,474	80,325
EXPENSES AND COSTS						
Hospitality operating expenses	12,205	50,006	--	--	--	62,211
Operating expenses of investment properties	--	--	1,256	--	--	1,256
Cost of sale of residential real estate	--	--	--	4,205	--	4,205
Development periodic costs	--	--	--	1,047	--	1,047
Other operation expense	--	--	--	--	1,364	1,364
Depreciation	942	4,162	--	157	149	5,410
	13,147	54,168	1,256	5,409	1,513	75,493
SEGMENTED RESULTS	**2,774**	**1,313**	**2,094**	**(1,310)**	**(39)**	**4,832**
Gain from fair value adjustments	--	--	(2,460)	(11,431)	--	**(13,891)**
Selling and marketing expenses						**3,212**
Administrative and general expenses						**3,390**
Financial expense						**6,555**
Financial income						**(180)**
Profit before income taxes						**5,746**

	As at December 31, 2014 *(Audited)*					
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
Assets	48,366	118,348	30,594	135,165	2,891	335,364
Liabilities	32,691	44,006	17,903	76,898	5,891	177,389
	15,675	**74,342**	**12,691**	**58,267**	**(3,000)**	**157,975**

(in thousands of Canadian Dollars)

32 SIGNIFICANT BUSINESS ACQUISITIONS

2015 Acquisitions

(a) For information regarding Renaissance Hotel acquisition please see note 11 (a) above.

(b) The total consideration transferred included the following:

	$
Cash paid	24,225
Cash and cash equivalents assumed	--
	24,225

(c) Recognized as of the acquisition date, of assets acquired and liabilities assumed (see schedule A in the Cash Flow report):

		$
	Cash used in acquisition of operation	**24,225**
less:	Cash & cash equivalents, assumed	--
	Net cash used in acquisition of operation	24,225
	Property, plant and equipment includes the following:	$
	PP&E	24,300
	Parking garage	9,101
		33,401

Proforma consolidated revenue and profit of the Company for the year ended December 31, 2015 as though the acquisition date for Renaissance Hotel had been as of January 1, 2015:

	Renaissance Hotel operation's contribution since October 28, 2015	As per the consolidated income statements	Renaissance Hotel operation contribution for ten months prior to October 28, 2015	Pro-forma
	$	$	$	$
Revenue	5,640	96,663	30,880	127,543
Income before income taxes	326	12,835	4,550	17,385

33 INVESTMENT IN SUBSIDIARIES

	Percentage of ownership December 31, 2016 (Audited)	2015	Incorporated in	Amounts given to (from) subsidiaries in the form of: loans	guarantees*	Net Investment, equity method
Consolidated (active)						
Skyline Hotels and Resorts Inc. ("SHR")	100%	100%	Canada	1,406	1,000	(927)
Skyline (Alberta) Inc ("SAI")	100%	100%	Canada	--	--	10
Skyline Horseshoe Valley Inc. ("SHV")	100%	100%	Canada	43,681	--	7,482
Skyline Utility Services Inc. ("SUS")	100%	100%	Canada	1,440	--	(601)
Skyline Properties Inc ("SPI")	100%	100%	Canada	283	--	426
Skyline Esplanade Corporation ("SEC")	100%	100%	Canada	12,746	30,000	(2,110)
Pantages Hotel Operations	100%	100%	Canada	(6,622)		7,028
Cosmopolitan Hotel Operations	100%	100%	Canada	(2,191)		2,227
Skyline (Port McNicoll) Development Inc("Port")	100%	100%	Canada	26,267	--	16,855
Skyline (Port McNicoll) Land Inc ("LPort")	100%	100%	Canada	1,549	--	1,704
Skyline Deerhurst Resort Inc ("DHR")	100%	100%	Canada	10,267	--	20,159
Skyline Executive Acquisition Inc. ("SEAI")	100%	100%	Canada	9,428	20,800	3,058
Skyline Cleveland Acquisitions Inc. ("SCAI")	100%	100%	USA	(5,894)	16,515	17,838
Skyline Cleveland Renaissance LLC. ("SCRL")	50%	50%	USA	--	5,804	13,747
Skyline Cleveland Renaissance Inc. ("SCRI")	100%	100%	USA	5,371	--	13,747
Skyline Bear Valley Inc ("SBVI")	100%	100%	USA	4,543	--	1,093
Skyline USA Inc. ("SUSA")	100%	100%	Canada	(523)	22,319	31,585
Skyline Blue Mountain Village Inc. ("SBMV")	60%	60%	Canada	(2,896)	3,400	(14,782)
Skyline Blue Mountain Retail Inc. ("SBMR")	60%	60%	Canada	5,111	15,000	7,927
Skyline Blue Mountain Development Inc. ("SBMD")	60%	60%	Canada	2,378	--	20,372
Skyline Vacation Ownership Club Inc. ("SVOC")	100%	100%	Canada	5,385	--	(5,361)

34 SUBSEQUENT EVENTS

(a) In January 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 (see also note 14). 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.

(b) On February 1, 2017 the Executive Options expired. See note 20.

(c) In March 2017, The Company obtained a $20 million line of credit secured by Horseshoe resort hospitality real estate. The loan is subject to compliance with certain conditions precedent that are expected to be met during the first quarter of 2017.

(d) On March 17, 2017, the Company obtained a $14,600US (approximately $19,600) loan to refinance its loan for the Hyatt Regency Arcade. Additional $2,400US (approximately $3,200) are expected to be obtained during the second quarter of 2017.

(e) On March 16, 2017 the Board of Directors approved a dividend distribution of 5Mil NIS (approximately $1.8Mil CAD).

(f) On March 16, 2017 the Board of directors approved grant of 290,000 options to Company's senior employees

35 RECLASSIFICATION OF PREVIOUS YEAR FIGURES

Certain comparative figures for 2015 and 2014 have been reclassified.