SKYLINE

DESTINATION COMMUNITIES

SKYLINE INTERNATIONAL DEVELOPMENT INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

December 31, 2014

and 2013

(AUDITED)

SKYLINE
DESTINATION COMMUNITIES

SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 & 2013
(AUDITED)

CONTENTS

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

SLF

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Skyline International Development Inc.

We have audited the accompanying consolidated financial statements of Skyline International Development Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2014, 2013 and 2012, 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.

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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.

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 International Development Inc. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years ended December 31, 2014, 2013 and 2012 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Schwartz Levitsky Feldman llp

Toronto, Ontario, Canada
March 27, 2015

Chartered Accountants
Licensed Public Accountants

SKYLINE DESTINATION COMMUNITIES

SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian Dollars)

	Notes	As at December 31, 2014 (Audited)	December 31, 2013 (Audited)	
ASSETS				
Current				
Cash and cash equivalents	3	14,942	5,578	
Trade receivables	4	4,319	3,732	
Other receivables	5	4,760	4,623	
Prepayments	6	827	1,175	
Inventories	8	1,329	1,246	*
Real estate inventory	9	41,320	48,485	*
Total current assets		67,497	64,839	
Non-current				
Restricted bank deposits	7	4,574	6,094	
Real estate inventory	9	8,804	-	
Investment properties	10	105,944	92,282	
Property, plant and equipment, at cost	11	104,451	91,833	
Property, plant and equipment, at fair value	11	28,206	28,301	
Other assets	12	366	147	
Deferred tax	13	10,908	9,429	
Available for Sale Investments, at fair market value	14	4,614	3,457	
Total non-current assets		267,867	231,543	
Total Assets		**335,364**	**296,382**	
LIABILITIES AND EQUITY				
Current				
Loans payable	15	7,684	8,831	
Loans payable to related parties	18	11,616	5,525	
Trade payables		5,458	7,678	
Other payables and credit balances	16	10,055	7,739	
Deferred revenue		5,598	3,806	*
Income taxes payable		36	822	
Purchasers Deposits		3,902	3,340	*
Total current liabilities		44,349	37,741	
Non-current				
Loans payable	17	91,813	83,992	
Loans payable to related parties	18	6,359	12,497	
Other liabilities		3,177	166	
Deferred tax	13	31,691	28,143	
Total non-current liabilities		133,040	124,798	
Total liabilities		177,389	162,539	
Shareholders' Equity				
Share capital	20	77,182	57,988	
Warrant Certificates		519	581	
Revaluation surplus		4,155	4,192	
Related Party Surplus		125	125	
Equity settled service reserve	20	1,538	1,703	
Foreign exchange translation		1,859	853	
Retained earnings		65,009	63,320	
Equity attributable to Shareholders of the Company		150,387	128,762	
Non-controlling interest	20	7,588	5,081	
Total Liabilities and Equity		**335,364**	**296,382**	

Commitments, provisions, contingencies and charges	21
Subsequent Events	39

* Reclassified, see note 40

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

On Behalf of the Board of Directors:

Gil Blutrich	**Michael Sneyd**	**Vadim Shub**
Chairman	CEO	CFO

March 27, 2015

Date

SKYLINE DESTINATION COMMUNITIES

SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED STATEMENTS OF INCOME

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

	Notes	FOR THE YEARS ENDED Dec 31, 2014 (Audited)	Dec 31, 2013 (Audited)	Dec 31, 2012 (Audited)
REVENUE				
Sale of condominiums		185	9,269	4
Sale of residential condos and lots		3,914	6,657	13,299
Income from investment properties	22	3,183	2,362	959
Hospitality income	23	71,101	72,176	73,172
Property management fees		343	1,032	2,349
Timeshare income	35	1,474	45	--
Other revenue		125	41	--
		80,325	91,582	89,783
EXPENSES AND COSTS				
Cost of sale of condominiums	26	207	7,221	--
Operating expenses of investment properties	24	1,256	1,005	900
Hospitality operating expenses	25	62,211	67,304	65,170
Property management costs		--	--	741
Timeshare expenses		1,364	33	--
Cost of sale of residential condos and lots	26	3,998	7,472	9,946
Development periodic costs		1,047	1,706	1,542
Depreciation	27	5,410	5,303	5,089
		75,493	90,044	83,388
GROSS PROFIT		**4,832**	**1,538**	**6,395**
Gain from fair value adjustments	10	13,891	21,567	1,508
Selling and marketing expenses		3,212	1,459	1,447
Administrative and general expenses	28	3,390	6,053	6,066
PROFIT FROM OPERATIONS		**12,121**	**15,593**	**390**
Financial expense	30	6,555	7,178	6,733
Financial income	30	(180)	(566)	(124)
Other expense		--	95	59
Gain on bargain purchase		--	--	(16,967)
Loss (gain) on sale of investment	11(d)	--	(1,155)	163
PROFIT BEFORE INCOME TAXES		**5,746**	**10,041**	**10,526**
Current income tax expense (recovery)	31	124	431	(53)
Deferred income tax expense	31 & 13	1,426	1,671	4,928
Income tax expense	31 & 13	1,550	2,102	4,875
PROFIT FOR THE YEAR		**4,196**	**7,939**	**5,651**
Attributable to:				
Shareholders of the Company		1,689	2,858	5,632
Non-controlling interest	20	2,507	5,081	19
		4,196	7,939	5,651
BASIC EARNINGS PER SHARE	37	**0.10**	**0.20**	**0.41**
DILUTED EARNINGS PER SHARE		**0.10**	**0.20**	**0.41**

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

SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SKYLINE DESTINATION COMMUNITIES

(in thousands of Canadian Dollars)

	FOR THE YEARS ENDED		
	Dec 31, 2014 (Audited)	Dec 31, 2013 (Audited)	Dec 31, 2012 (Audited)
PROFIT FOR THE YEAR	4,196	7,939	5,651
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus of property, plant and equipment, before income taxes	(53)	387	2,051
Income taxes	16	40	(565)
Items that will or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	1,006	853	--
OTHER COMPREHENSIVE INCOME FOR THE YEAR net of taxes	969	1,280	1,486
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, net of taxes	**5,165**	**9,219**	**7,137**
Attributable to:			
Non-controlling interest	2,507	5,081	19
Shareholders of the Company	2,658	4,138	7,118
	5,165	**9,219**	**7,137**

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

SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian Dollars)

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

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

	Share Capital	Warrant Certificates	Re-valuation Surplus	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total
	FOR FOR THE YEARS ENDED Dec 31, 2012 *(Audited)*									
Balance at the beginning of the year	45,675	--	4,001	--	125	--	53,108	102,909	113	103,022
Issuance of new shares	3,894	--	--	--	--	--	--	3,894	--	3,894
Profit for the year	--	--	--	--	--	--	5,632	5,632	19	5,651
Other comprehensive income for the year	--	--	1,486	--	--	--	--	1,486	--	1,486
Total comprehensive income for the year	--	--	1,486	--	--	--	5,632	7,118	19	7,137
Dividend payment	--		--	--	--	--	--	--	(132)	(132)
Recognition of Share-based payment	--	--	--	1,072	--	--	--	1,072	--	1,072
Balance at the end of the year	49,569	--	5,487	1,072	125	--	58,740	114,993	--	114,993

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

SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian Dollars)

	FOR THE YEARS ENDED		
	December 31, 2014	December 31, 2013	December 31, 2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES	*(Audited)*	(Audited)	*(Audited)*
Operating			
Profit for the year	4,196	7,939	5,651
Add (deduct) items not involving cash:			
Depreciation and amortization	5,819	6,369	5,286
Gain from fair value adjustments	(13,891)	(21,567)	(1,508)
Gain on sale of investment	--	(1,155)	--
Gain on sale of investment and other property	--	--	(21)
Gain on bargain purchase	--	--	(16,967)
Loss on foreign exchange	--	--	8
Deferred tax	2,707	2,444	4,918
Equity settled service reserve	(165)	631	1,072
Changes in non-cash working capital			
Trade receivables	(596)	206	(1,225)
Other receivables and prepayments	(107)	1,055	(50)
Restricted bank deposits	1,520	(1,675)	(693)
Inventories	756	(226) *	(2,835) *
Real Estate Inventory	(1,639)	7,494 *	-- *
Deposits on properties	--	1,151	(1,151)
Trade and other payables and credit balances	1,514	1,459 *	1,008 *
Income taxes payable	(786)	219	(730)
Purchasers Deposits	562	(1,818) *	3,118 *
	(110)	2,526	(4,119)
Investing			
Investment in available for sale assets	(1,157)	(501)	--
Cash from acquisition of corporate shares (Schedule A)	--	--	--
Additions to investment properties	(316)	(21,410)	(536)
Investment in government securities	--	--	2,853
Proceeds from sale of investment properties	--	19	--
Net proceeds from sale of assets (Schedule A)	--	3,173	--
Additions to property, plant and equipment	(8,279)	(5,316)	(9,082)
Proceeds from sale of property, plant and equipment	--	--	24
Proceeds of loans given to purchasers	318	21,500	2,887
Net cash used in a business acquisition (Schedule B)	(2,672)	--	--
Net cash used in a business acquisition (Schedule C)	--	--	(6,377)
	(12,106)	(2,535)	(10,231)
Financing			
Bank credit and other short-term loans	(1,024)	(3,463)	798
Proceeds on loans payable	10,701	31,984	51,316
Repayments of loans payable	(4,443)	(13,660)	(51,154)
Proceeds on loans payable to related parties	--	--	7
Dividend paid by a subsidiary to its non-controlling shareholders	--	--	(132)
Repayments of loans payable to related parties	(531)	(21,828)	(1,055)
Change in tenants' deposits	151	(458)	--
Deferred financing costs paid	(586)	(267) *	(1,378) *
Common shares issued	19,132	9,000	3,894
	23,400	1,308	2,296
Foreign Exchange translation of foreign operations	(1,820)	--	--
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**9,364**	**1,299**	**(12,054)**
Cash and cash equivalents, beginning of the year	5,578	4,279	16,333
CASH AND CASH EQUIVALENTS, END OF YEAR	**14,942**	**5,578**	**4,279**
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid	6,071	6,346	5,416
Interest received	180	566	124
Income taxes paid	910	228	668

* Reclassified

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

SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian Dollars)

SKYLINE
DESTINATION COMMUNITIES

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

	FOR THE YEARS ENDED		
	December 31, 2014 (Audited)	December 31, 2013 (Audited)	December 31, 2012 (Audited)
Consideration received	--	3,154	--
Working Capital, net of cash and cash equivalents	--	(128)	--
Property, Plant and Equipment	--	9,469	--
Deferred income tax	--	--	--
Loans payable	--	(4,267)	--
Deferred revenue	--	(100)	--
Investment in Shares	--	(2,956)	--
Cash and cash equivalent balances disposed of	--	(19)	--
Total assets disposed of	--	1,999	--
Gain on sale of investment	--	1,155	--
	--	3,154	--
Less:			
Cash and cash equivalent balances disposed of	--	19	--
Net cash from sale of assets	--	3,173	--

Schedule B - Net cash used in the acquisition of the assets and liabilities of the Bear Valley Resort

	FOR THE YEARS ENDED		
	December 31, 2014 (Audited)	December 31, 2013 (Audited)	December 31, 2012 (Audited)
Working Capital, net of cash and cash equivalents	292	--	--
Inventory	(164)	--	--
Property, plant and equipment	(7,198)	--	--
Deferred revenue	1,538	--	--
Other Long term Liabilities	2,860	--	--
Net assets consolidated	(2,672)	--	--
Recognized excess of net fair value acquired over cost,net of tax	--	--	--
Change in cash from the consolidation of a company	--	--	--
Net cash used in acquisition of Bear Valley Resort	(2,672)	--	--

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

SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian Dollars)

Schedule C - Net cash used in the acquisition of the assets and liabilities of the Hyatt Regency Arcade

	FOR THE YEARS ENDED		
	December 31, 2014	**December 31, 2013**	**December 31, 2012**
	(Audited)	*(Audited)*	*(Audited)*
Working Capital, net of cash and cash equivalents	--	--	566
Restricted bank deposits	--	--	(2,715)
Investment Properties	--	--	(2,100)
Property, plant and equipment	--	--	(25,900)
Loan payable	--	--	6,805
Deferred tax	--	--	5,786
Recognized excess of net fair value acquired over cost,net of tax	--	--	11,181
Net cash used in acquisition of Hyatt Regency Arcade	--	--	(6,377)

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

1 NATURE OF OPERATIONS

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 90 Eglinton Avenue East, Suite 800, 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 66.18% owned by Skyline Canada-Israel Ltd, a majority of shares of which are owned by Mishorim Development Corporation Ltd., a public company whose shares are traded on the Tel-Aviv Stock Exchange.

On March 13, 2014 the Company listed its shares on the Tel Aviv Stock Exchange. See note 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, following the filing of the Shelf Prospectus, the Company received a receipt from the Israeli Securities Authority to publish a shelf prospectus and offer bonds on the Tel Aviv Stock Exchange.

In Company's management opinion, it is typical for a real estate development company like Skyline, with an operating cycle of 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 $7,684 of current maturities of long term loans and short-term loans from third parties (see note 15), and $11,616 loans payable to related parties (see note 18). There is a net cash outflow of 110 as per the consolidated statements of cash flow for 2014. This net outflow from operations, when applicable, is not expected to adversely affect the Company's business operations, as according to its past experience, financial institutions refinance the loans as well as the fact that there are a substantial number of potential lenders. In December 2014 the Company increased the limits of its existing credit line by $4.5 million to a total of $14.5 million Canadian dollars.

2 SIGNIFICANT ACCOUNTING POLICIES

Definitions:

The **Company**- Skyline International Development Inc.
Parent Company- Skyline Canada-Israel Ltd.
The **Group** - the Company and its subsidiaries
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, 2013 consolidated financial statements. As well these consolidated financial statements have been prepared in accordance with the Israeli Securities' Regulations (Annual Financial Statements), 2010.

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of the Toronto downtown condo hotels included in property, plant and equipment; investment properties, and available-for-sale investments.

The consolidated financial statements of the Company for the years ended December 31, 2014 and 2013 were approved by the Board of Directors on March 27, 2015.

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

Change in Accounting Policies

There have been the following changes and amendments to the IFRS that were taken into consideration by the Company in its accounting policies: (The IASB has issued additional modifications to its financial reporting standards, not reported below, since they are not applicable to Company's financial reporting.) The Company has evaluated these changes and has identified the impact on the financial statements below.

New IFRS's adopted January 1, 2014

IAS 32, Financial Instruments: Presentation

IAS 32, Financial Instruments: Presentation was amended to clarify matters regarding offsetting financial assets and financial liabilities, as well as related disclosure requirements. Earlier application is permitted when applied with corresponding amendment to IFRS 7, Financial Instruments: Disclosures. The Company adopted this amendment on January 1, 2014.

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

IFRS 15, "Revenue from Contracts with Customers":

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

Application of the standard is mandatory for annual reporting periods starting from January 1, 2017. Earlier application is permitted.

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

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

IFRS 9 (2014) Financial Instruments

IFRS 9 Financial Instruments issued in July 2014 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

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.

IAS 19, Defined Benefit Plans

Employee Contributions (amendments to IAS19) - the objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service. The amendments are effective for annual periods beginning on or after July 1, 2014 with early application permitted.

Following is a listing of amendments, revisions and new International Financial Reporting Standards (IFRSs) issued but not effective until annual periods beginning after January 1, 2016. Unless otherwise indicated, earlier application is permitted.

Consequential amendments to other IFRSs are included with the amendment, revision or new IFRS to which they relate. 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.

IFRS 10 Consolidated Financial Statements

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

IFRS 11 Joint Arrangements

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

IAS 16 Property, Plant and Equipment

- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

IAS 27 Separate Financial Statements (amended in 2011)

- Equity Method in Separate Financial Statements (Amendments to IAS 27)

IAS 28 Investments in Associates and Joint Ventures (amended in 2011)

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

IAS 38 Intangible Assets

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

Annual Improvements to IFRSs 2012–2014 Cycle

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

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.

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 36.

(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.

(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.

PP&E for Toronto downtown hotels have been 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

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 16.

(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). Details of the assumptions used are included in note 20.

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 periods affected.

Basis of Consolidation

The consolidated financial statements include the accounts of its subsidiaries and its interests in unincorporated joint ventures and co-ownerships, held 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 proportionately consolidated in these consolidated financial statements according to the Company's ownership interest in the joint operations.

Cash and Cash Equivalents

Cash and cash equivalents 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 balance sheets.

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.

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. 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 inventory may not equal fair value less costs to sell.

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 allows buyers construction of 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.

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 balance sheet date, on a straight-line basis over the expected useful lives of the assets concerned. The principal lives used for this purpose are:

Freehold high-rise buildings -	60 years
Freehold buildings -	25 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.

A financial impact of any change in estimated useful life is applied prospectively.

The Company's real estate classified as property plant and equipment as of December 31, 2014 consists of 3 main groups: resorts, condo hotels in Toronto and Hyatt hotel in Cleveland, USA.

Main characteristics of condo hotels in Toronto are: the hotels consist of separate condominium units; a single condo can be sold or added without a change in the hotel operation; configuration and equipment of each unit are essentially similar to a residential apartment; part of the units are owned by others, who receive rentals based on a formula; maintenance is the responsibility of the condominium corporation, in which unit owners have voting rights; and target customers are diversified.

Main characteristics of Hyatt hotel are: the entire hotel constitutes a single real estate unit; the hotel resides in a historic building, protected by law of conservation; the property constitutes typical hotel rooms used for relatively short staying periods; the Company has ownership of the entire property; the existing building can presently be used only as a hotel and realized in one unit; the hotel is managed by Hyatt network under a long term management agreement; maintenance is the responsibility of the hotel, target customers are mainly business people.

After recognition as an asset, items of property, plant and equipment categorized as **Condo hotels** whose fair values can be measured reliably are carried at the revalued amounts, being their fair values at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluations are made on an annual basis to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet 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 fair values of condo hotels 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 condo hotels, are measured at cost net of accumulated amortization, mainly due to the lack of active market for these properties and since they can not be disposed on a piecemeal basis.

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 balance sheet 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 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 Long-lived 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, 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.

For the reporting years under audit, the Company does not hold any derivative financial instruments.

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.

Loans Payable

Loans payable are initially recognized at fair value, net of transaction costs incurred. Loans payable are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

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 straight-line 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 principle 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.

Revenue from the sale of vacation ownership products is recognized when the customer has executed a binding sales contract, the statutory rescission period has expired (after which time the purchaser is not entitled to a refund except for non-delivery), the Company deems the receivable collectible and the remaining obligations are completed. The purchaser must have met the initial investment criteria of a minimum down payment and the continuing investment criteria.

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 as 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

Income taxes are computed using the liability method. Under this method, 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 tax is provided on temporary differences arising 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

The Company's functional and reporting currency is Canadian dollars, except for Skyline Cleveland Acquisitions Inc. and Skyline Bear Valley Inc. which is US dollars. Foreign Exchange differences are reflected in the foreign exchange translation reserve. The consolidated financial statements have been presented in Canadian dollars as the Company's principal investments and cash flows are in Canadian dollars. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate in effect at the balance sheet date (1 USD = 1.1601 CAD). Revenue and expenses are translated at the weighted average exchange rate (1 USD = 1.1045 CAD) in effect for the period presented and recognized in the consolidated income statements.

(in thousands of Canadian Dollars)

SKYLINE
DESTINATION COMMUNITIES

		December 31, 2014 (Audited)	December 31, 2013 (Audited)
3 CASH AND CASH EQUIVALENTS	Range of Interest		
Cash and cash equivalents	0.2% - 0.50%	14,671	5,066
Short-term bank deposits	0.50%	271	512
		14,942	5,578

4 TRADE RECEIVABLES

	2014	2013
Due from guests and clients	4,237	3,835
Deferred rent	140	101
Less - Allowance for doubtful accounts	(58)	(204)
	4,319	3,732

The change in the allowance for doubtful accounts can be reconciled as follows:

	2014	2013
Balance 1 January	204	227
Amounts written off (uncollectable)	--	(12)
Adjustment to allowance	(146)	(11)
Period ending balance	58	204

The carrying amount of receivables whose terms have been renegotiated, that would otherwise be past due or impaired is $ Nil (2013 $ Nil).

5 OTHER RECEIVABLES

	2014	2013
Government institutions	357	298
Deposit receivables (a)	3,846	3,209
Other receivables from related party	--	93
Loan to purchasers - short term and current portion	--	318
Other receivables	557	705
	4,760	4,623

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.

6 PREPAYMENTS

	2014	2013
Prepayments	827	1,135
Prepayments to related party	--	40
	827	1,175

7 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, 2014, also include $563 (2013 - $563) against which letters of guarantee have been issued in favour of local authorities of the Township where various land development activites are being conducted.

(in thousands of Canadian Dollars)

8 INVENTORIES

	December 31, 2014 (Audited)	December 31, 2013 (Audited)
Food & beverage	604	518
Retail	475	274
Other inventory	250	454
	1,329	1,246

9 REAL ESTATE INVENTORY

		2014	2013
Serviced parcels of land	(b) & (c)	9,130	9,973
Undeveloped land inventory	(b)	17,745	26,377
Residential constructed inventory	(a)	--	403
Real estate under construction	(a), (c) & (d)	3,758	2,640
Parcels of land under construction	(c) & (d)	10,687	9,092
		41,320	48,485
Long term real estate inventory	(b)	8,804	--
		50,124	48,485

(a) Toronto, Ontario - King Edward

As at December 31, 2014, the Company had closed on the sale of 138 of 143 condo units at The Private Residences at the King Edward Hotel for net proceeds of $55,583. Skyline's net proceeds were $9,449.

(b) 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 2014, the Company appraised its portfolio and decided to classify $8,804 of inventory to long term inventory as it is expected to be developed over a period greater than its regular business cycle.

(c) Huntsville, Ontario - Deerhurst

On August 16, 2012, one of the Company's subsidiaries acquired 32 vacant lots that is located in the Town of Huntsville, Ontario in the District Municipality of Muskoka near Deerhurst Resort for a total consideration of $3,953. These lots are part of a planned subdivision that has already completed the first phase of development.

In May 2011, the company designated a portion of the lands, acquired as part of the Deerhurst acquisition as inventory and began commercial development with the intent of selling the developed land as residential units or serviced lots. The fair value of this land as of the determination date was determined by an independent accredited appraiser.

(d) Barrie, Ontario - Horseshoe Valley

In November of 2011, the Company designated a portion of the land at Horseshoe Resort as inventory and began promoting the sale of condominium units. The fair value of the land was determined by an independent accredited appraiser.

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

		December 31, 2014 (Audited)	December 31, 2013 (Audited)
Port McNicoll		28,315	27,889
Deerhurst		16,096	17,150
Horseshoe Valley		5,705	3,043
Toronto	(a)	8	403
		50,124	48,485

There is no inventory carried at fair value less cost to sell.

(f) Charges

See note 10 (c) & note 21 (c) for additional details.

(in thousands of Canadian Dollars)

SKYLINE DESTINATION COMMUNITIES

10 INVESTMENT PROPERTIES

	December 31, 2014 (Audited)	December 31, 2013 (Audited)
Balance as at the beginning of the year	92,282	49,309
Acquisitions (a)	--	21,045
Expenditures subsequent to acquisition	316	294
Net gain from fair value adjustments	13,891	21,567
Foreign Exchange translation	130	67
Transfer to Inventory	(675)	--
Balance as at the end of the year	105,944	92,282

The fair value model has been used for all the investment properties, and the valuations were performed in December 2014 and December 2013 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 amount for which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction, after proper sales and marketing effort and reasonable exposure time, where each party acts prudently and without compulsion.

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

	Property	Valuator	Basis of Valuation	December 31, 2014 (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	5,088
3	Development land at 1235 Deerhurst Drive, Huntsville, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method (1)	15,480	5,740
4	Commercial and Rural Land at Port McNicoll, County of Simcoe, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method (1)	3,679	1,489
5	Commercial spaces that is leased within the Pantages hotel, Toronto, Ontario		Income Capitalization Approach Method	2,697	1,738
6	Commercial spaces that is leased within the Arcade, Cleveland, Ohio		Income Capitalization Approach Method	2,437	2,437
7	Blue Mountain, retail	Cushman & Wakefield Ltd.	Income Capitalization Approach Method (2)	25,460	20,043
8	Blue Mountain, lands	Avison Young Commercial Real Estate (Ontario) Inc.	Direct Comparison Approach Method (1)	20,955	962

(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 valuator used a cap rate of 7% and a vacancy rate of 5%.

(in thousands of Canadian Dollars)

10 INVESTMENT PROPERTIES (continued)

				December 31, 2013 (Audited)	
	Property	**Valuator**	**Basis of Valuation**	**Fair Value**	**Cumulative Cost**
1	Development Land at 1101 Horseshoe Valley Road, County of Simcoe, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method	16,354	12,658
2	Waterfront Development at Port McNicoll, County of Simcoe, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method	18,895	4,932
3	Development land at 1235 Deerhurst Drive, Huntsville, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method	10,070	5,639
4	Commercial and Rural Land at Port McNicoll, County of Simcoe, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method	3,679	1,488
5	Commercial spaces that is leased within the Pantages hotel, Toronto, Ontario		Income Capitalization Approach Method	2,697	1,738
6	Commercial spaces that is leased within the Arcade, Cleveland, Ohio		Income Capitalization Approach Method	2,234	2,234
7	Blue Mountain, retail	Cushman & Wakefield Ltd.	Income Capitalization Approach Method	23,000	20,034
8	Blue Mountain, lands	Cushman & Wakefield Ltd.	Direct Comparison Approach Method	15,350	1,011

The valuators used unobservable inputs (level 3) in estimating the fair value of the above mentioned properties. The impact on income resulting from these valuations is a gain from fair value in the amount of $13,891.

(a) Acquisitions

December 31, 2013

Blue Mountain Village, Collingwood, Ontario

On April 15, 2013, the Company (together with its 40% partner) completed the acquisition of approx. 50% of existing commercial space and future residential developable lands at Blue Mountain Resort, known as Blue Mountain Village (thereafter - 'The Village'). The acquisition also includes the management contract of other commercial space in The Village that is owned by a non-related third party. The total purchase price was $21,036. The acquisition was financed with a ten-year first degree mortgage of $15,000. (see also note 17(i)).

Subsequent to the acquisition of The Village, the Company obtained appraisal reports from an independent appraiser for the acquired lands and retail buildings, establishing a fair value of $38,350. The company recognized a resulting $17,314 gain from the fair value adjustment.

(in thousands of Canadian Dollars)

10 INVESTMENT PROPERTIES (continued)

(b) Assets under finance lease

The net carrying amount of assets under finance lease included in Investment Properties is $Nil ($Nil - 2013).

(c) Charges

See note 21 (c).

11 PROPERTY, PLANT AND EQUIPMENT

	Resort lands & buildings	Hotel Land	Hotel Buildings & improvements	Furniture & equipment	Total
	For the year ended December 31, 2014 (Audited)				
Gross carrying amount as at the beginning of the year	75,794	1,149	35,597	33,759	146,299
Accumulated depreciation as at the beginning of the year	(2,581)	--	(10,779)	(12,805)	(26,165)
Acquisitions (a)	7,198	--	--	--	7,198
Expenditures subsequent to acquisitions	2,011	--	--	6,271	8,282
Net gain from fair value adjustments	--	--	(60)	--	(60)
Foreign Exchange translation	--	--	2,484	--	2,484
Depreciation	(859)	--	(713)	(3,809)	(5,381)
Balance as at the end of the year	81,563	1,149	26,529	23,416	132,657
Carrying amount recognized if cost model was applied	81,563	725	20,885	23,416	126,589
Balance as at the end of the year:					
For items measured at fair value	--	1,149	26,529	528	28,206
For items measured at cost	81,563	--	--	22,888	104,451
	For the year ended December 31, 2013 (Audited)				
Gross carrying amount as at the beginning of the year	73,875	1,149	41,328	31,686	148,038
Accumulated depreciation as at the beginning of the year	(1,793)	--	(10,001)	(9,038)	(20,832)
Expenditures subsequent to acquisitions	1,919	--	377	3,020	5,316
Net gain from fair value adjustments	--	--	762	--	762
Foreign Exchange translation	--	--	1,652	--	1,652
Dispositions (d)	--	--	(8,522)	(947)	(9,469)
Depreciation	(788)	--	(778)	(3,767)	(5,333)
Balance as at the end of the year	73,213	1,149	24,818	20,954	120,134
Carrying amount recognized if cost model was applied	73,213	725	24,819	20,954	119,711
Balance as at the end of the year:					
For items measured at fair value	--	1,149	24,818	2,334	28,301
For items measured at cost	73,213	--	--	18,620	91,833

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Acquisitions

December 31, 2014

Bear Valley Resort, California

On August 5, 2014 the Company entered into an agreement with a vendor (an affiliate to one of the Company's shareholders who is also a member of the board of directors' for the Company) for the acquisition of operation and certain assets of a ski resort and village centre offering approximately 1,700 acres and 75 runs of skiable area, located in California, United States. The assets acquired include mainly nine lifts, a mountain based 40,000 sq. ft. lodge, equipment area, 2,000 stall parking lot , as well as all the snowmaking and other equipment, and ancillary maintenance and equipment buildings for an initial consideration of $2,000 USD. In addition, in the event the Forest Service fails to approve issuance of the New Operation Permit to Purchaser on or before September 30, 2014, the company shall be responsible to pay all operating expenses of a vendor in connection with the operation of the Property until closing.

The transaction includes a ten-year lease of 53 guest room lodge and 17,000 sq. ft. commercial center, and a two year option to purchase substantial development lands surrounding the resort, suitable for a development of more than 350 residential unit at the exercise price of $3,000 USD.

The Company closed this transaction on December 19, 2014, which is the acquisition date, for a total consideration of $7,198. Actual net cash paid amounted to $2,672. Due to the proximity of the closing date to the date of the balance sheet, the initial accounting for the business combination is incomplete. Since the Company is in the process of assessing the assumptions used in determining the fair value of the acquired components, the Company has reported provisional amounts. During the measurement period which shall not exceed 1 year from the acquisition date, the Company may adjust the provisional amounts recognized in the business combination. See Note 36.

(b) Assets under finance lease

The net carrying amount of assets under finance lease included in Furniture & Equipment as of December 31, 2014 is $1,830 ($1,832 in December 31, 2013).

(c) Cost and Fair Value Models

The fair value model has been used for the Toronto downtown hotels, and the valuations were performed in December 2013 by independent valuators, who have recent experience in the valuation of properties in the relevant locations. The valuators applied the discounted cash flow method in determining the fair value of these properties. The cost model has been used for all the other assets in Property Plant and Equipment including ship, office, hotel in Cleveland, and resorts.

(d) Disposal

December 31, 2013

Partial Sale of Ownership in King Edward:

On August 1, 2013, the Company sold 46.64% of its ownership stake in the King Edward Hotel excluding condo development to Omni Hotels and Resorts for net proceeds of $3,154.

The Company now owns 9.07% of King Edward Hotel and Private Residences from its original equity stake of 17%. As a result of the disposition, the Company recognized a gain of $1,155 for the year ended December 31, 2013.

In addition to the amounts above the Company received a compensation for management success fee and property management termination fee of $235.

Effective the date of the disposition, the Company discontinued proportionate consolidation of the Hotel's operations as required by IFRS11, due to the reduction in its ownership share and the changes to the co-ownership agreement that does not require unanimous consent of all the partners in the property for decision making.

Omni Hotels assumed the property management responsibility subsequent to the sale.

See note 14.

(in thousands of Canadian Dollars)

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(e) The table summarizes the details of Valuations of major items of Property, Plant and Equipment:

		December 31, 2014 (Audited)			
	Property	Fair Value	Cumulative Cost	Valuator	Basis of Valuation
1	Pantages Suites Hotel & Spa, Toronto, Ontario	18,712	16,471	Cushman & Wakefield Ltd.	Discounted Cash Flow using the Income Capitalization Approach
2	Cosmopolitan Hotel, Toronto, Ontario	9,106	6,217	Cushman & Wakefield Ltd.	Discounted Cash Flow using the Income Capitalization Approach

The appraisal reports were issued on December 31, 2013.

		December 31, 2013 (Audited)			
	Property	Fair Value	Cumulative Cost	Valuator	Basis of Valuation
1	Pantages Suites Hotel & Spa, Toronto, Ontario	19,103	16,756	Cushman & Wakefield Ltd.	Discounted Cash Flow using the Income Capitalization Approach
2	Cosmopolitan Hotel, Toronto, Ontario	9,200	6,311	Cushman & Wakefield Ltd.	Discounted Cash Flow using the Income Capitalization Approach

The valuators used level 2 inputs in estimating the fair value of the above mentioned properties. The impact of the revaluation is reflected in other comprehensive income.

(f) Fair value of certain property, plant and equipment measured at cost.

Property	Fair Value	Appraisal
Horseshoe Valley Resort, Barrie, Ontario,	52,400	Dec-14
Deerhurst Resort, Huntsville, Ontario, Canada	65,900	Dec-14
Hyatt Regency Arcade Hotel, Cleveland, Ohio, USA	34,803	May-13

The Management believes there has been no substantial change in values of these properties since the appraisal date.

(g) 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.

Please see note 21(c).

(in thousands of Canadian Dollars)

SKYLINE DESTINATION COMMUNITIES

12 OTHER ASSETS

	December 31, 2014 (Audited)	December 31, 2013 (Audited)
Deferred financing and leasing expenses	290	259
Long-term deposit	335	147
Accumulated depreciation of deferred expenses	(259)	(259)
	366	147

13 DEFERRED TAX

(a) Taxation in Canada

The taxable income of the Canadian Group of companies is subject to effective corporate tax rates (combined Federal and Provincial) which range between 25% and 26.5%. A Canadian resident corporation is subject to tax on only one half of realized capital gains. 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 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). Under the Israel/ Canada tax treaty, withholding tax on dividends and interest is limited to 15%.

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:

	Investment Properties	Property Plant and Equipment	Carryforward Losses	Depreciation temporary differences	Other	Total
Balance as of January 1, 2013	(10,602)	(1,552)	7,938	(11,739)	(315)	(16,270)
Carried to foreign currency translation reserve	--	--	--	8	--	8
Amounts carried to other comprehensive income	--	(781)	--	--	--	(781)
Amounts carried to income statement	(5,859)	449	3,714	(323)	348	(1,671)
Balance as of December 31, 2013	(16,461)	(1,884)	11,652	(12,054)	33	(18,714)
Carried to foreign currency translation reserve	--	--	--	(658)	--	(658)
Amounts carried to other comprehensive income	--	16	--	--	--	16
Amounts carried to income statement	(3,729)	12	1,742	349	200	(1,426)
Balance as of December 31, 2014	(20,190)	(1,856)	13,394	(12,363)	232	(20,783)

The deferred taxes are calculated at tax rates ranging between 12.50% and 39.83% (the tax rates applicable at utilization including federal, provincial and state tax). The utilization of deferred tax assets is dependent on the existence of sufficient taxable income in the subsequent years.

(in thousands of Canadian Dollars)

13 DEFERRED TAX (continued)

Deferred taxes are presented as follows

	December 31, 2014 (Audited)	December 31, 2013 (Audited)
Within non-current assets	10,908	9,429
Within non-current liabilities	(31,691)	(28,143)
	(20,783)	(18,714)

(d) Tax rates

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

	2015	2014
Non-capital profit tax rates		
Ontario	26.50%	26.50%
Ohio, USA	34.10%	34.10%
California, USA:	39.83%	39.83%
Alberta	25.00%	25.00%
Capital gain tax rates		
Ontario	13.25%	13.25%
Ohio, USA	34.10%	34.10%
California, USA:	39.83%	39.83%
Alberta	12.50%	12.50%

(e) Non-capital losses

The Company has non-capital losses for Canadian purposes of $50,559 as at December 31, 2014 (December 31, 2013 - $43,985).

14 AVAILABLE FOR SALE INVESTMENTS

The Company's 9.07% investment in the King Edward Hotel was classified as "Available for Sale" and measured at fair market value as per IAS 39. See note 11 (d).

15 LOANS PAYABLE

	December 31, 2014 (Audited)	December 31, 2013 (Audited)
Short term loans	510	1,510
Current maturities of long term loans	7,174	7,321
	7,684	8,831

See note 17 for further details.

16 OTHER PAYABLES AND CREDIT BALANCES

	December 31, (Audited) 2014	December 31, (Audited) 2013
Provision for completion costs	1,281	534
Government institutions	729	587
Employees and payroll institutions	1,675	1,107
Amounts due to co-owners	--	14
Due to hotel unit owners	335	473
Due to property seller	--	60
Due to related parties	1,199	1,756
Accrued expenses	3,891	2,348
Other	945	860
	10,055	7,739

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.

(in thousands of Canadian Dollars)

SKYLINE DESTINATION COMMUNITIES

17 LOANS PAYABLE

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

			December 31, 2014 (Audited)	December 31, 2013 (Audited)		
Maturities	Rate		Balance	Maturities	Rate	Balance
2015	10.00%		511	2014	10.00%	511
2016	9.00%	(g)	9,925	2014	9.00%	1,000
2016	4.75%	(h)	20,720	2014	4.75%	25
2019	0.00%		2,903	2019	0.00%	2,843
2014-2017	Prime+0.15%-0.35%		5,516	2014-2017	Prime+0.15%-0.35%	3,123
2016	6.10%		3,106	2016	6.10%	3,172
2014	9.75%		--	2014	9.75%	2,750
2014	6.35%		--	2014	6.35%	1,124
2015	6.00%		2,271	2015	6.00%	2,402
2015	7.00%		1,597	2015	7.00%	1,597
2016	4.75%	(h)	13,813	2016	prime + 1.75%	36,013
2018	4.78%		13,971	2018	4.78%	13,005
2023	6.75%		15,000	2023	6.75%	15,000
2025	9.13%	36(c)	4,681	2025	9.13%	4,456
2027	4.00%		5,043	2027	4.00%	5,418
			99,057			92,439
Finance lease						
2015-17	4.75-8.8%		1,831	2014-17	4.75-8.8%	1,832
			1,831			1,832
Deferred financing costs			(1,391)			(1,448)
			99,497			92,823

	December 31, 2014 (Audited)	December 31, 2013 (Audited)
(b) The prime rate at December 31, 2014 is 3% (2013 - 3%).		
(c) Presented in the balance sheets:		
Loans payable - current	7,684	8,831
Loans payable - non-current	93,204	85,440
Less deferred financing costs	(1,391)	(1,448)
Loans payable - non-current	91,813	83,992

(in thousands of Canadian Dollars)

17 LOANS PAYABLE (continued)

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

Period ending December 31,	2015	7,684
	2016	19,303
	2017	54,800
	2018	2,655
	2019	1,467
	2020 and Thereafter	13,588
		99,497

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

The amount of $94,557 of the loans are secured by charges registered to the Company's assets totaling $283,872. $138,724 of the assets are measured at fair value, and $145,148 are measured at cost.

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

(g) **Line of Credit**

On November 20, 2012, the Company obtained a $10,000 revolving line of credit from a financial institution, secured by land. In December 2014 this credit facility was increased to $14,500. The line of credit bears an annual interest of 9%, payable monthly. Any balance outstanding under this facility is due on November 30, 2016.

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

(h) **Horseshoe Valley Resort and Deerhurst Resort**

On November 1, 2012, the Company obtained, with a banking institution a $37,000 loan replacing the 9.5% $24,166 loan held at Horseshoe Valley Resort and the $11,774 loan held at Deerhurst Resort. The refinancing of the two loans allowed the Company to reduce the blended interest rate of 10% to Prime + 1.75% (currently - 4.75%). The term of the loan is for 42 months with interest only payments for the first 6 months of the life of the loan and payments of interest plus $123 principal being applied to the balance thereafter. $750 is held in an interest reserve. The Company is allowed to make prepayments greater than $1,000 in increments of $250 without penalty. The Company undertook to comply with two major financial covenants, requiring a minimum debt service coverage ratio of at least 1.75 and a loan to value ("LtV') ratio of less than 0.55. As of December 31, 2014 the Company was in compliance with these covenants, having a LtV ratio of 0.25 and DSCR ratio of 2.50.

(i) **Acquisition of Blue Mountain**

On April 15, 2013, the Company completed the partial acquisition of the Village (See note 10(a)). 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 debt service ratio covenant (DSCR) of 1.20. As at December 31, 2014, the property had a DSCR of 1.27. Only interest is paid on a monthly basis until May 2015.

(j) **Refinancing of the 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 FF&E reserve account to 7% 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, 2014 is 4.05).

The Company repaid $2,630 of the loan assumed from the former owners of Hyatt Arcade in May 2013.

(k) In November 2013, the Company secured construction financing with one of its financiers at Horseshoe in the amount of $12,300. There has been no borrowing against the loan facility.

(l) As at December 31, 2014 the Company was compliant with its covenant obligations, including maintaining capital and financing profitability ratios.

(in thousands of Canadian Dollars)

SKYLINE DESTINATION COMMUNITIES

18 RELATED PARTIES

(a) Liabilities

	Interest rate	December 31, 2014 (Audited)	2013 (Audited)
Loans from shareholders of the parent company	4%	12,110	12,110
Interest accrued on the loans to above related parties		5,865	5,912
Less - current portion		(11,616)	(5,525)
Long term liabilities		6,359	12,497
Bonus and salary due to a shareholder of a parent company and director - see note 16		1,436	1,800
Payments on account of loans, see note 16		(96)	(66)
Other current balance, see note 16		(141)	22
Current portion of loans from shareholders		11,616	5,525
Short term liabilities		12,815	7,281
		19,174	19,778
Loans from key person included in the above	4%	252	395

(b) In 2008, the Company received $24,235 unsecured loans from the related parties above to finance its operations at 10% annual interest. The interest was payable annually, and the loans were to be repaid in full in the year 2013. This date has been extended automatically for further periods of twelve (12) months each (an “Extended Maturity date”), unless the Payee advises the Payor in writing at least ninety (90) days before the expiry of the Initial Maturity Date or an extended Maturity Date, as the case may be, that the repayment date is not being extended. 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 2011, the Company received $6,359 from related parties to facilitate the Deerhust acquisition in March 2011. It has been agreed that these loans will mature March 2016 and will bear interest at a rate of 4% per annum until the loans are repaid.

In 2014, the Company repaid $531 of the loans from shareholders, $21,828 was repaid in 2013.

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

(d) Shareholder of the Parent Company and the President of the Company, CEO and CFO (key management personnel) - management fees, salary, bonus and benefits:

Number of related parties: 3

	For the years ended December 31, 2014 (Audited)	2013 (Audited)	2012 (Audited)
Compensation, bonus and benefits.	211	1,535	1,497
Employee stock option expense recognized on conditionally granted options. See note 20 (g) for additional details.	(221)	408	657
Management fee earned from the President (see (e) below)	17	45	67

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

The company's managed 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) The Company managed revenue producing properties for its co-owners including those in co-ownership with the Company's shareholders. In December 2012 all the co-ownership, and management agreements with the shareholders were terminated, due to the previous disposition of the underlining properties.

In consideration for the asset management the following revenue was recognized in the consolidated income statements.

	For the years ended December 31, 2014 (Audited)	2013 (Audited)	2012 (Audited)
Commissions on disposition of properties	-	--	303
Management fees	-	--	338

(g) Related party transactions are measured at the exchange amount, which is the consideration agreed to by the related parties.

(in thousands of Canadian Dollars)

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**	2014 (Audited)	2013 (Audited)
Financial assets at fair value through profit or loss			
Cash and cash equivalents	Level 1	14,942	5,578
Financial Assets Available for Sale			
Available for Sale Investments	Level 2	4,614	3,457
Loans and receivables			
Trade receivables	Level 2	4,319	3,732
Other receivables	Level 2	4,760	4,623
Restricted bank deposits	Level 1	4,574	6,094
		33,209	23,484
Held-to-maturity investments			
Long-term deposit	Level 2	335	147
		33,544	23,631
Financial liabilities			
Financial liabilities measured at amortized cost:			
Current:			
Loans payable	Level 2	7,684	8,831
Loans payable to related parties	Level 2	11,616	5,525
Trade payables	Level 2	5,458	7,678
Other payables and credit balances	Level 2	10,055	7,739
Purchasers Deposits	Level 2	3,902	3,340
		38,715	33,113
Non-current:			
Loans payable	Level 2	91,813	83,992
Loans payable to related parties	Level 2	6,359	12,497
Other liabilities	Level 2	3,177	166
		101,349	96,655
		140,064	129,768

(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,	
	2014	2013	2014	2013
	(Audited)	(Audited)	(Audited)	(Audited)
Loans payable	89,523	92,937	99,497	92,823
Loans payable to related parties	17,975	18,022	17,975	18,022
	107,498	110,959	117,472	110,845

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. No fair value changes have been included in profit or loss for the year as financial liabilities are carried at amortized cost in the statement of financial position.

The economic and market conditions, existing at December 2014, reflected in a limited credit availability from lenders, resulted in a significant reduction in the market lending transactions. Many lenders in the real estate market significantly reduced the financial resources allocated to new lending, and changed the credit pricing methodology. As a result of that there are no readily available market interest rates to the Company, since there is limited market currently.

However, the Management believes that there is a correlation between the capitalization rates, required by investors and the interest rates the lenders would offer in the real estate transactions.

The management used the change in the capitalization rates, obtained by comparing the valuations of the Company's real estate properties used by the valuators for 2014 and 2013 year ends as an approximation to the change to the market interest rates.

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.

(in thousands of Canadian Dollars)

20 SHARE CAPITAL

Note: All shares, units and options as well as price per share have been retroactively adjusted for a 10:1 share split in note 20

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

(b) Issued and Paid-in

		For the years ended December 31, 2014 (Audited)	2013 (Audited)
16,523,620 common shares at December 31, 2014 (2013 -		--	--
Class A Shares		--	--
		--	--
Share Capital	(c) - (f)	77,182	57,988
		77,182	57,988
Equity settled service reserv see (g) below		1,538	1,703

(c) Public Placement

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

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. The effective price of each share was established at 38.05 NIS ($12.27) or $21,593 of the total proceeds and the total value attributed to warrants using the Black Scholes model was 2,815 NIS ($908).

(d) Share Subscription:

In April 2013, the Company issued 695,730 "units" to some of its existing shareholders for $9,000.

The issue price was set at $12.9359 per unit, representing a pre-money equity valuation of $181,000.

Each "Unit" is comprised of one common share in the capital of the Company ("Common Share") and one common share purchase warrant ("Warrant"); a Warrant entitles each subscriber to receive one common share at the exercise price of $12.9359 commencing on the closing date and expiring upon the earlier of (i) the business day prior to the completion of a Qualified Event (as defined below) , and 5th anniversary of the issuance of the Warrant. The fair value of the warrants at the grant date was determined using the OPTIONS XL Black-Scholes model.

"Qualified Event" is defined as any of: (i) an initial public offering of common shares on a Recognized Exchange in Canada or the United States (thereafter - "Recognized Exchange"), or (ii) a reverse-take-over such that all of the outstanding common shares are acquired in exchange for securities of an entity, which securities are listed on a Recognized Exchange; or (iii) a sale of all or substantially all of the assets and undertakings of the Company, or all of the issued and outstanding equity securities of the Company for cash or securities of an entity, which securities are listed on a Recognized Exchange.

(e) Share Issuance:

On May 7, 2013, some shareholders of the Company received 154,620 additional common shares pursuant to the "Rights" granted in the 2011 subscription round.

The entitlement states that, for each unit purchased, one right ("Right"), with the aggregate of all such entitling the Subscriber to receive, for no additional consideration, that number of whole (and not fractional) Common Shares which is equal to one-tenth of the number of Rights held. (See note (f)).

(f) Subscription of Shares during 2012

In August 2012, the Company issued 246,670 common shares to an arms length party which resulted in a cash raise of $3,900, less approximately $6 in financing costs.

The issue price was set at $15.81 per unit.

(in thousands of Canadian Dollars)

20 SHARE CAPITAL(continued)

(g) Employee Stock Option

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

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

847,040 options were granted on February 1, 2012 (including 204,310 options that were granted to the President, which were subject to ratification by the Parent Company). 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). Once the Company became a public issuer, the Parent Company did not give its approval to issue options to the President. The 204,310 options were returned to the Company.
In August 2013, the BOD granted an additional 9,280 options to the company's employees.

There are three different option categories, varying mainly in terms of length of service and exercise price.

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.

	Directors Options	Employee Options	Employee Options	Executive Options
# of Options granted	102,460	9,270	9,280	735,280
Grant date	1-Feb-12	1-Feb-12	12-Aug-13	1-Feb-12
Grant date share price	$12.94	$12.94	$12.94	$12.94
Exercise price	$12.94	$0.001	$0.001	$12.94
Expiration date	1-Feb-17	1-Feb-17	12-Aug-17	1-Feb-17
Dividend yield	0%	0%	0%	0%
Risk-free interest rate	0.72%	0.72%	0.72%	0.72%
Exit rate post-vesting	40%	40%	40%	40%
Fair value per option at grant date	$2.88	$8.28	$8.28	$2.22
Expected volatility	54.10%	54.10%	54.10%	54.10%
Vesting dates:				
Vested immediately**	100%	100%	100%	--
1st Anniversary of Grant Date	--	--	--	25%
2nd Anniversary of Grant Date	--	--	--	25%
3rd Anniversary of Grant Date	--	--	--	25%
4th Anniversary of Grant Date	--	--	--	25%

	Directors Options	Employee Options	Employee Options	Executive Options	Balance at December 31, 2014	Weighted Average Exercise Price
Beginning Balance December 31, 2013	102,460	9,270	9,280	735,280	856,290	$ 12.66
Forfeited during the year	-	-	-	(204,310)	(204,310)	$ (12.94)
Exercised during the year	-	(3,100)	(2,320)	-	(5,420)	$ 0.001
Outstanding options at December 31, 2014	**102,460**	**6,170**	**6,960**	**530,970**	**646,560**	12.68

** The Holders of Directors' and Employee options shall become vested in the option, upon the date which is the earlier of: (a) date of a Qualified Event (see note (c) ; and (b) the second (2nd) anniversary of the Grant Date.

Material terms and conditions of the option agreements:
(a) The Holder must execute a counterpart to the Shareholders' Agreement at the time of exercise in order to effectuate his or her exercise and as a condition precedent to becoming a shareholder and receiving any shares of Common Stock.

(b) The transfer of Common Stock is restricted pursuant to the aforesaid Shareholders' Agreement.

(c) The Holder shall abide by the same resale restrictions agreed to by said officers and directors of the Company as part of the IPO Qualified Event and will execute such documents and instruments as are necessary in connection therewith.

(d) No Option granted under this stock option agreement and the plan shall be transferable.

(in thousands of Canadian Dollars)

SKYLINE
DESTINATION COMMUNITIES

20 SHARE CAPITAL(continued)

(e) Upon disability or death of the option Holder, the portion of options that shall not become fully vested shall immediately expire, and the vested options have to be exercised within 120 days following the qualified event.

(f) Upon termination without cause or voluntary resignation, the portion of options that shall not become fully vested shall immediately expire, and the vested options have to be exercised within 60 days following the qualified event.

(g) Upon termination with cause, the option holder's right to exercise options (whether vested or not) shall terminate at the time of notice of termination given by the Company to the holder and such options shall immediately be forfeited by the holder.

(h) The options granted to a holder shall immediately accelerate and vest upon a Non-IPO qualifying event, and must be exercised at least five business days prior to the date of this event.

In August 2013, the Board of Directors approved granting additional 9,280 options to employees at the terms identical to those described in note (g) above.

On May 27, 2014 an employee exercised 5,420 options

The Company recognized -$165 service costs which are included in administrative and general expenses. ($631 - 2013, $1,072 - 2012).

(h) Non-controlling Interest

Blue Mountain Village Inc., Collingwood Ontario

The proportion of ownership by Non Controlling Interest ("NCI") is 40%.

The current profit allocation to NCI is $2,507 and accumulated NCI at the end of the year is $7,588.

Summarized financial information	2014 (Audited)	2013 (Audited)
Assets	48,866	39,979
Liabilities	29,901	27,261
Net Income	6,267	12,702
Cashflow from operations	488	365
Cash flow from Investing activities	25	(21,117)
Cash flow from financing activities	134	21,258

(i) The properties revaluation surplus arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings.

(in thousands of Canadian Dollars)

21 COMMITMENTS, PROVISIONS, 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:

As at December 31, 2014	2015	779
	2016	660
	2017	558
	Thereafter	786
		2,783

(b) Provisions, Contingencies and Related Party surplus.

The Company's compensation policy was approved during the general meeting of shareholders conducted on December 23, 2014 consisting primarily of:
a) Company's president or company under his control annual compensation in the amount of $350 CAD and an annual bonus performance driven up to a maximum amount of $375 CAD.
b) An annual compensation to the president or company under his control for the years 2014, 2013 and 2012 in the amount of $300 CAD was also approved as well as bonuses for the years 2013 and 2012 in the amount of $75 CAD and $375 CAD, respectively . As a result of that approval, the company recorded a reduction of $814 CAD in the administrative and general expenses due to the elimination of provisions previously recorded.

The Company is contingently liable for the other co-owners' share of the obligations of the incorporated co-ownerships in which it participates. The other co-owners' share of the assets of the co-ownerships is available for the purpose of satisfying such obligations and the other co-owners signed indemnification agreements with the Company. The carrying value of the net assets of these co-ownerships exceeds the contingent liabilities.

(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) Cosmopolitan and Pantages Hotels Claim

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. The claimants believe the defendants violated the terms of agreements of purchase and sale and demand a full refund of the purchase price. The parent company has forwarded the claim to its legal advisors and on March 25, 2010 submitted a defense letter. As of the date of publishing these financial statements the claim amount was reduced to $2,306. Based on the parent Company's legal advisors' opinion, the management of the Company believes that it is more likely than not the claim will be rejected.

(e) Letters of Guarantee

The company has various letters of guarantee approximating $2,356 as of December 31, 2014 ($1,133 - 2013).

(in thousands of Canadian Dollars)

SKYLINE DESTINATION COMMUNITIES

22 INCOME FROM INVESTMENT PROPERTIES

	For the years ended December 31,		
	2014 (Audited)	2013 (Audited)	2012 (Audited)
Basic Rent	2,369	1,984	806
Other	814	378	153
	3,183	2,362	959

23 HOSPITALITY INCOME

	For the years ended December 31,		
	2014 (Audited)	2013 (Audited)	2012 (Audited)
Room Revenue	31,580	32,952	32,586
Food & beverage revenue	20,709	21,384	21,771
Ski Revenue	8,164	6,889	6,722
Other Hospitality Revenue	10,648	10,951	12,093
	71,101	72,176	73,172

24 OPERATING EXPENSES OF INVESTMENT PROPERTIES

	For the years ended December 31,		
	2014 (Audited)	2013 (Audited)	2012 (Audited)
Operating expenses	949	682	891
Non-recovered expenses of investment properties	9	100	9
Property tax	298	223	--
	1,256	1,005	900

(in thousands of Canadian Dollars)

25 HOSPITALITY OPERATING EXPENSES

	For the years ended December 31,		
	2014	2013	2012
	(Audited)	(Audited)	(Audited)
Room department	11,395	12,068	12,568
Cost of food & beverage	14,099	15,721	15,701
Resort administrative and general expenses	7,347	8,506	8,477
Resort marketing and sales	5,258	6,348	4,686
Resort maintenance and repairs	4,126	5,054	6,078
Cost of Ski services	3,551	3,331	3,453
Cost of Golf services	2,162	2,352	2,369
Cost of Property tax, utilities, and Insurance	7,480	6,209	3,634
Other	6,793	7,715	8,204
	62,211	67,304	65,170

26 COST OF SALE OF RESIDENTIAL CONDOS AND LOTS

	For the years ended December 31,		
	2014	2013	2012
	(Audited)	(Audited)	(Audited)
Cost of sale of condominiums	207	7,221	--
Cost of sale Development projects	2,853	5,313	9,946
Revaluation component included in cost of sale	1,145	2,159	--
	3,998	7,472	9,946
	4,205	14,693	9,946

27 DEPRECIATION

See note 2 Significant Accounting Policies under "Property, Plant and Equipment"
Depreciation expense includes depreciation of the Company's non-investment properties included in its development, hospitality and other segments of operation.

In 2014, the Company reassessed the remainder of the useful life of its major resort assets. It is expected to reduce its annual amortization costs by $1,079.

28 ADMINISTRATIVE AND GENERAL EXPENSES

		For the years ended December 31,		
		2014	2013	2012
		(Audited)	(Audited)	(Audited)
Salaries		979	1,108	975
Recognition of Share-based payment	Note 20 (g)	(165)	631	1,072
Compensation, benefits and bonus to key management personne		211	1,535	1,497
Office Rent and Insurance		529	699	697
Legal, audit and consulting		1,413	1,587	1,268
Communication, Computer support and office		383	411	440
Bad debts		--	--	16
Depreciation of property, plant and equipment		40	82	101
		3,390	6,053	6,066

As of December 31, 2014 office rent includes $442 of operating lease payments recognised as an expense ($483 - 2013).

29 SHARE-BASED PAYMENT

During the year ended December 31, 2014 the Company recognized a gain of $165 in share-based compensation, see notes 20 and 28. During 2013 and 2012 the company recognized $631 and $1,072 in share-based compensation expense respectively, see notes 20 and 28.

(in thousands of Canadian Dollars)

30 FINANCIAL EXPENSE AND INCOME

	For the years ended December 31,		
Expenses	2014 (Audited)	2013 (Audited)	2012 (Audited)
Interest on long-term loans	5,874	6,655	6,404
Amortization of deferred financing charges	368	239	200
Interest on short-term loans	161	189	83
Bank charges	152	95	46
Total expenses	6,555	7,178	6,733
Income	(180)	(566)	(124)
Included in financial expense (income) are balances related to:			
Related parties	484	1,144	1,317

31 INCOME TAXES

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

	For the years ended December 31,		
	2014 (Audited)	2013 (Audited)	2012 (Audited)
Ontario:	26.5%	26.5%	26.3%
Alberta:	25.0%	25.0%	25.0%
Ohio, USA:	34.1%	34.1%	34.1%
California, USA:	39.8%	-	-

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

Current Income Tax (recovery)	198	1,016	(185)
Deferred Income tax	1,426	1,671	4,928
Prior year taxes (recovery)	(74)	(585)	132
	1,550	2,102	4,875

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

Profit before income taxes	5,746	10,041	10,526
Ontario Statutory tax rate	26.5%	26.5%	26.3%
Tax calculated using statutory tax rate	1,523	2,661	2,768
Increase (decrease) in taxes resulting from:			
Prior year taxes	(74)	(585)	132
Changes in tax rates	--	13	276
Difference in tax rate applicable to income of foreign companies	31	30	1,413
Difference in tax rate applicable on capital gain	--	(137)	--
Difference in tax rate on fair value adjustments	14	9	--
Non-Deductible expense (recovery)	(38)	178	293
Other	94	(67)	(7)
Income tax expense	1,550	2,102	4,875

(in thousands of Canadian Dollars)

32 CO-OWNERSHIP INTEREST

The following amounts, included in these consolidated financial statements, represent the Company's proportionate share in co-ownership interest:

	For the years ended December 31,	
	2014	2013
	(Audited)	(Audited)
Balance sheets		
Current assets	1,997	2,179
Non-current assets	510	983
	2,507	3,162
Current liabilities	87	458
Non-current liabilities	601	497
	688	955

	For the years ended December 31,		
	2014	2013	2012
	(Audited)	(Audited)	(Audited)
Income statements			
Revenue	180	10,933	3,372
Expenses	(427)	(9,339)	(4,138)
Earnings (loss) from operations	(247)	1,594	(766)
Statements of cash flows			
Cash flows resulting from (used in):			
Operating activities	247	(4,032)	7,298
Investing activities	--	--	1,185
Financing activities	--	79	79

(in thousands of Canadian Dollars)

33 EMPLOYEE BENEFITS

Employee benefits included in the functional expenses reported in notes 24, 25 and 27 amount to $3,720 for the year ended December 31, 2014 ($4,936 - 2013 and $4,678 - 2012)

	For the years ended December 31,		
Wages, Salaries and benefits included in:	2014 (Audited)	2013 (Audited)	2012 (Audited)
Hospitality operating expenses	30,648	33,061	31,499
Development periodic costs	220	827	965
Timeshare expenses	2,209	677	-
Administrative and general expenses	1,190	2,643	2,472
	34,267	37,208	34,936

34 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 and liquidity risk.

The Company's risk management is coordinated at its headquarters, 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. At December 31, 2014 and 2013, 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, 2014, 52% (2013 - 49%) 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, 2014 (2013: +/- 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.

(in thousands of Canadian Dollars)

34 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Profit		Equity	
	+1%	-1%	+1%	-1%
Year ended December 31, 2014	362	(362)	362	(362)
Year ended December 31, 2013	359	(359)	359	(359)

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, 2014, this amount is limited to $30,688

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

	For the years ended December 31,	
	2014	2013
	(Audited)	(Audited)
Cash and cash equivalents	14,942	5,578
Trade receivables	4,319	3,732
Other receivables	4,760	4,623
Restricted bank deposits	4,574	6,094
Long-term deposit	335	147
	28,930	20,174

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.

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.

(in thousands of Canadian Dollars)

34 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

The carrying amount of financial assets whose terms have been renegotiated, that would otherwise be past due or impaired is $ Nil as at December 31, 2014 ($Nil - 2013).

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

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, 2014, the Company's liabilities have contractual maturities as summarized below:

	Current	year 2	year 3	year 4	year 5	6 years & later
Loans payable	7,684	19,303	54,800	2,655	1,467	13,588
Trade payables	5,458	--	--	--	--	--
Other payables and credit balances	10,055	--	--	--	--	--
Income taxes payable	36	--			--	--
Purchasers Deposits	3,902	--	--	--	--	--
Loans payable to related parties	5,751	--	6,359	--	--	--
Interest on loans payable	5,296	3,047	2,316	1,991	1,485	4,310
Interest on loans payable to related parties	5,865	369	127	--	--	--
Other liabilities	--	--	3,177	--	--	--
	44,047	22,719	66,779	4,646	2,952	17,898

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.

At December 31, 2014, $18,215, or 15.3%, (2013 - $16,946 , or 17.5%,) of the Company's indebtedness for borrowed money was denominated in US dollars.

(in thousands of Canadian Dollars)

SKYLINE
DESTINATION COMMUNITIES

34 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	December 31, 2014		
	Canada (Audited)	USA (Audited)	Total (Audited)
Assets:			
Cash and cash equivalents	10,752	4,190	14,942
Trade receivables	3,240	1,079	4,319
Other receivables	4,632	128	4,760
Intercompany balances	151	(151)	--
Restricted bank deposits	3,389	1,185	4,574
Available for Sale Investments	4,614	--	4,614
Other assets	366	--	366
Total Financial Assets	27,144	6,431	33,575
Non-Financial Assets	259,855	41,934	301,789
Total Assets	286,999	48,365	335,364
Liabilities:			
Loans payable	7,234	450	7,684
Loans payable to related parties	11,616	--	11,616
Trade payables	4,758	700	5,458
Other payables and credit balances	7,772	2,283	10,055
Purchasers Deposits	3,902	--	3,902
Loans payable	74,048	17,765	91,813
Loans payable to related parties	6,359	--	6,359
Other liabilities	196	2,981	3,177
Total Financial Liabilities	115,885	24,179	140,064
Non-Financial Liabilities	28,814	8,511	37,325
Total Liabilities	144,699	32,690	177,389
Financial Assets net of Financial Liabilities	(88,741)	(17,748)	(106,489)
Total Assets, net of Total Liabilities	142,300	15,675	157,975
Revenue	62,071	18,254	80,325

(in thousands of Canadian Dollars)

SKYLINE DESTINATION COMMUNITIES

34 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

	December 31, 2013		
	Canada (Audited)	USA (Audited)	Total (Audited)
Assets:			
Cash and cash equivalents	3,603	1,975	5,578
Trade receivables	3,090	642	3,732
Other receivables	4,623	--	4,623
Intercompany balances	(3,567)	3,567	--
Restricted bank deposits	2,408	3,686	6,094
Available for Sale Investments	3,457	--	3,457
Other assets	147	--	147
Total Financial Assets	13,761	9,870	23,631
Non-Financial Assets	243,054	29,697	272,751
Total Assets	256,815	39,567	296,382
Liabilities:			
Loans payable	8,471	360	8,831
Loans payable to related parties	5,525	--	5,525
Trade payables	5,888	1,790	7,678
Other payables and credit balances	7,487	252	7,739
Purchasers Deposits	3,340	--	3,340
Loans payable	67,406	16,586	83,992
Loans payable to related parties	12,497	--	12,497
Other liabilities	166	--	166
Total Financial Liabilities	110,780	18,988	129,768
Non-Financial liabilities	25,421	7,350	32,771
Total Liabilities	136,201	26,338	162,539
Financial Assets net of Financial Liabilities	(97,019)	(9,118)	(106,137)
Total Assets, net of Total Liabilities	120,614	13,229	133,843
Revenue	76,877	14,705	91,582

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in exchange rate of +/- 5% at December 31, 2014 (2013: +/- 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, 2014 (Audited)		December 31, 2013 (Audited)	
	+5%	-5%	+5%	-5%
Assets	322	(322)	494	(494)
Liabilities	(1,209)	1,209	(949)	949
Equity	(887)	887	(456)	456
Profit for the year	(586)	586	(301)	301
Loans from financial	933	(933)	873	(873)

(in thousands of Canadian Dollars)

34 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	December 31, 2014 (Audited)		
	Within twelve months	More than twelve months	Total
Assets:			
Cash and cash equivalents	14,942		14,942
Trade receivables	4,319		4,319
Other receivables	3,130	1,630	4,760
Prepayments	827		827
Inventories	9,517	41,936	51,453
Restricted bank deposits		4,574	4,574
Investment properties		105,944	105,944
Property, plant and equipment		132,657	132,657
Other assets		366	366
Deferred tax		10,908	10,908
Available for Sale Investments, at fair market value		4,614	4,614
Total Assets	32,735	302,629	335,364
Liabilities:			
Loans payable	7,684		7,684
Loans payable to related parties	11,616		11,616
Trade payables	5,458		5,458
Other payables and credit balances	10,055		10,055
Deferred revenue	5,598	-	5,598
Income taxes payable	36		36
Purchasers Deposits	2,272	1,630	3,902
Loans payable		91,813	91,813
Loans payable to related parties		6,359	6,359
Other liabilities		3,177	3,177
Deferred tax		31,691	31,691
Total Liabilities	42,719	134,670	177,389
Total assets, net of total liabilities	(9,984)	167,959	157,975

(in thousands of Canadian Dollars)

SKYLINE DESTINATION COMMUNITIES

34 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

	December 31, 2013 (Audited)		
	Within twelve months	More than twelve months	Total
Assets:			
Cash and cash equivalents	5,578		5,578
Trade receivables	3,732		3,732
Other receivables	2,093	2,530	4,623
Prepayments	1,175		1,175
Inventories	12,305	37,426	49,731
Restricted bank deposits		6,094	6,094
Investment properties		92,282	92,282
Property, plant and equipment		120,134	120,134
Other assets		147	147
Deferred tax		9,429	9,429
Available for Sale Investments, at fair market value		3,457	3,457
Total Assets	24,883	271,499	296,382
Liabilities:			
Loans payable	8,831		8,831
Loans payable to related parties	5,525		5,525
Trade payables	7,678		7,678
Other payables and credit balances	7,739		7,739
Deferred revenue	4,281	2,530	6,811
Income taxes payable	822		822
Purchasers Deposits	335		335
Loans payable		83,992	83,992
Loans payable to related parties		12,497	12,497
Other liabilities		166	166
Deferred tax		28,143	28,143
Total Liabilities	35,211	127,328	162,539
Total assets, net of total liabilites	(10,328)	144,171	133,843

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 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, 2014 (Audited)	December 31, 2013 (Audited)
Shareholders' equity	150,387	128,762
Loans payable to related parties	17,975	18,022
Cash and cash equivalents	(14,942)	(5,578)
Capital	153,420	141,206
Loans payable	99,497	92,823
Overall Financing	252,917	234,029
Loan to overall financing ratio	39%	40%

(in thousands of Canadian Dollars)

SKYLINE DESTINATION COMMUNITIES

35 SEGMENTED INFORMATION

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

(a) General business segments

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

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

	For the year ended December 31, 2014 *(Audited)*				
	Investment properties	Development	Hospitality	Other	Total
REVENUE					
Sale of condominiums	--	185	--	--	185
Sale of residential condos and lots	--	3,914	--	--	3,914
Income from investment properties	3,183	--	--	--	3,183
Hospitality income	--	--	71,101	--	71,101
Property management fees	42	--	301	--	343
Timeshare income	--	--	--	1,474	1,474
Other revenue	125	--	--	--	125
	3,350	4,099	71,402	1,474	80,325
EXPENSES AND COSTS					
Cost of sale of condominiums	--	207	--	--	207
Operating expenses of investment	1,256	--	--	--	1,256
Hospitality operating expenses	--	--	62,211	--	62,211
Timeshare expenses	--	--	--	1,364	1,364
Cost of sale of residential condos and lots	--	3,998	--	--	3,998
Development periodic costs	--	1,047	--	--	1,047
Depreciation	--	157	5,104	149	5,410
	1,256	5,409	67,315	1,513	75,493
SEGMENTED RESULTS	**2,094**	**(1,310)**	**4,087**	**(39)**	**4,832**
Gain from fair value adjustments	13,891	--	--	--	**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)*				
	Investment properties	Development	Hospitality	Other	Total
Assets	104,217	61,542	166,714	2,891	335,364
Liabilities	46,631	60,170	64,697	5,891	177,389
	57,586	**1,372**	**102,017**	**(3,000)**	**157,975**

(in thousands of Canadian Dollars)

SKYLINE DESTINATION COMMUNITIES

35 SEGMENTED INFORMATION (continued).

For the year ended December 31, 2013 *(Audited)*

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

As at December 31, 2013 *(Audited)*

	Investment Properties	Development	Hospitality	Other	Total
Assets	90,767	54,237	150,007	1,371	296,382
Liabilities	32,890	57,895	69,203	2,551	162,539
	57,877	**(3,658)**	**80,804**	**(1,180)**	**133,843**

(in thousands of Canadian Dollars)

SKYLINE DESTINATION COMMUNITIES

35 SEGMENTED INFORMATION (continued)

	For the year ended December 31, 2012 (Audited)				
	Investment properties	Development	Hospitality	Other	Total
REVENUE					
Sale of condominiums	4	--	--	--	4
Sale of residential condos and lots	--	13,299	--	--	13,299
Income from investment properties	959	--	--	--	959
Hospitality income	--	--	73,172	--	73,172
Property management fees	--	--	2,349	--	2,349
	963	13,299	75,521	--	89,783
EXPENSES AND COSTS					
Operating expenses of investment	900	--	--	--	900
Hospitality operating expenses	--	--	65,170	--	65,170
Property management costs	--	--	741	--	741
Cost of sale of residential condos and	--	9,946	--	--	9,946
Development periodic costs	--	1,542	--	--	1,542
Depreciation	--	16	5,073	--	5,089
	900	11,504	70,984	--	83,388
SEGMENTED RESULTS	**63**	**1,795**	**4,537**	**--**	**6,395**
Gain from fair value adjustments	1,508	--	--	--	**1,508**
Selling and marketing expenses					**1,447**
Administrative and general expenses					**6,066**
Financial expense					**6,733**
Financial income					**(124)**
Other expense					**59**
Gain on bargain purchase					**(16,967)**
Loss (gain) on sale of investment					**163**
Profit before income taxes					**10,526**

	As at December 31, 2012 (Audited)				
	Investment Properties	Development	Hospitality	Other	Total
Assets	67,709	65,732	151,375	15	284,831
Liabilities	30,334	61,263	78,342	(101)	169,838
	37,375	**4,469**	**73,033**	**116**	**114,993**

(c) Timeshare Operations

During late 2013, the Company began developing a “time-share” operation so as to optimize the usage of the resort and hotel properties and services within the Group to the public.

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

In 2014, SVOC entered into an agreement with a third party financial institution, which would allows the buyers of points to typically pay 10% in cash and the balance to be financed by them via this financial institution as a consumer interest bearing loan (at 10-13% annual interest for a period of 5-10 years). The financial institution has limited recourse against SVOC in case the buyers default on their loans. The recourse is established by a mechanism of early repayment and bad debt reserves that reduces amount payable by this institution to SVOC to approximately 90% of the notes face value at origination. Additional terms as well as financial covenants will be put in place as well.

(in thousands of Canadian Dollars)

35 SEGMENTED INFORMATION (continued)

SVCMA's purpose is i) owning, maintaining, operating and managing property which had been assigned as time-share property under the SVC Timeshare Plan for the enjoyment and recreational benefit of its members and their guests; ii) Issuance of points to SVOC against deposition by SVOC of the real estate with trustee to the benefit of SVCMA based on the agreed upon schedule of values in the declaration. (right to real estate backed points) iii) Establishing adequate annual maintenance fees to its members to allow for a proper upkeep of its facilities.
The purchase of a membership creates an obligation to the member for the payment of annual club dues. Annual club dues represent the member's portion of SVCMA's operating budget for the current calendar year and are billed quarterly. Therefore there are "per point" and a "per member" club fees.

As of December 31, 2014, SVOC sold 432,912 points and had an inventory of 217,088 points available. Revenues in the amount of $1,319 were realized for contracts signed and paid in full by December 31, 2014 and sales, marketing and administration expenses of $4,217 was incurred since the operations commenced. Prospective club members have 10 days from the date of signing an agreement to withdraw from the agreement. Any deposit not withdrawn after the 10 days are forfeited or can be refunded at the discretion of management. Remaining balances not paid are recorded as deferred revenue until the transaction closes.

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

36 SIGNIFICANT BUSINESS ACQUISITIONS

2014 Acquisitions

(a) For information regarding Bear Valley acquisition please see note 11 (a) above.

(b) The total consideration transferred included the following:

	$
Cash paid	2,711
Cash and cash equivalents assumed	(39)
	2,672

(c) Provisional amounts, recognized as of the acquisition date, of assets acquired and liabilities assumed:

		$
	Property Plant & Equipment	7,198
	Accounts receivable	12
	Inventory	164
	Other working capital	18
	Accounts payables	(283)
	Deferred revenue	(1,538)
	Other long term liability	(2,860)
	Cash used in acquisition of operation	**2,711**
less:	Cash & cash equivalents, assumed	(39)
	Net cash used in acquisition of operation	2,672

Property, plant and equipment includes the following:	$
Ski Lifts	7,198
	7,198

Proforma consolidated revenue and profit of the Company for the year ended December 31, 2014 as though the acquisition date for Bear Valley had been as of January 1, 2014:

	Bear Valley operation's contribution since December 20, 2014	As per the consolidated income statements	Bear Valley operation contribution for eleven months prior to December 20, 2014	Pro-forma
	$	$	$	$
Revenue	1,496	80,325	4,635	84,960
Income (loss) before income taxes	(28)	5,746	(771)	4,975

(in thousands of Canadian Dollars)

37 EARNINGS PER SHARE

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

	For the years ended December 31,		
	2014	2013	2012
	(Audited)	(Audited)	(Audited)
Profit for the period attributable to Shareholders of the Company	1,689	2,858	5,632
Net earnings	1,689	2,858	5,632
Weighted number of common shares - basic	16,179,235	14,435,290	13,796,680
Weighted-average effect of dilutive			
Class "A" shares			
Shareholder rights issuance		20,980	-
Employee stock option plan	15,305	71,350	8,510
Weighted-average number of common shares - diluted see note below	16,194,540	14,527,620	13,805,190
Net earnings per common share (in Canadian dollars):			
Basic	0.10	0.20	0.41
Diluted	0.10	0.20	0.41

Note: this reflects a 10:1 stock split

SKYLINE INTERNATIONAL DEVELOPMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SKYLINE DESTINATION COMMUNITIES

(in thousands of Canadian Dollars)

38 INVESTMENT IN SUBSIDIARIES

	Percentage of ownership December 31, 2014 (Audited)	2013	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	3,551	--	(2,202)
Skyline (Alberta) Inc ("SAI")	100%	100%	Canada	--	--	9
Skyline 70 Temperance Inc. ("70 TEMP")	100%	100%	Canada	--	--	1
Skyline Horseshoe Valley Inc. ("SHV")	100%	100%	Canada	25,294	25,000	6,976
Skyline Utility Services Inc. ("SUS")	100%	100%	Canada	1,332	--	(557)
Skyline Properties (Alberta) Inc ("SPAI")	100%	100%	Canada	--	--	51
Skyline Esplanade Corporation ("SEC")	100%	100%	Canada	2,208	--	(958)
Pantages Hotel Operations:				3,552		1,447
Skyline Executive Properties Inc ("SEPI")	100%	100%	Canada	--	9,128	--
2029861 Ontario Ltd. ("2029861")	100%	100%	Canada	--	4,000	--
Cosmopolitan Hotel Operations:				6,549		381
Skyline Cosmopolitan Ltd ("SCL")	100%	100%	Canada	--	3,000	--
Skyline Executive Suites Inc ("SESI")	100%	100%	Canada	--	--	--
Skyline (Port McNicoll) Development Inc("Port")	100%	100%	Canada	10,358	13,000	19,883
Skylife Club Inc. ("SCI")	100%	100%	Canada	3,779	--	(6)
Skyline (Port McNicoll) Land Inc ("LPort")	100%	100%	Canada	1,564	500	1,850
Skyline Marine Inc ("SMI")	100%	100%	Canada	2,493	--	(333)
Skyline Deerhurst Resort Inc ("DHR")	100%	100%	Canada	5,222	12,000	10,828
Skyline Executive Acquisition Inc. ("SEAI")	100%	100%	Canada	8,536	1,472	7,617
Skyline Hospitality Technologies Inc. ("SHTI")	100%	100%	Canada	2,056	--	(931)
Skyline Cleveland Acquisitions Inc. ("SCAI")	100%	100%	USA	(3,236)	14,269	14,909
Skyline Bear Valley Inc	100%	-	USA	4,187	--	(34)
Skyline USA Inc. ("SUSA")	100%	100%	Canada	--	--	14,909
Skyline Blue Mountain Village Inc. ("SBMV")	60%	60%	Canada	4,378	15,000	(7,594)
Skyline Blue Mountain Retail Inc. ("SBMR")	60%	60%	Canada	--	--	4,511
Skyline Blue Mountain Development Inc. ("SBMD")	60%	60%	Canada	--	--	14,541
Skyline Vacation Ownership Club Inc. ("SVOC")	100%	100%	Canada	5,030	--	(3,275)
Consolidated (inactive)						
Rivervest Development Ltd ("RDL")	100%	100%	Canada	--	--	1
Skyvision Telemedia Inc. ("STI")	100%	100%	Canada	30	--	(30)
Skyvision Holdings Inc. ("SHI")	47%	47%	Canada	(30)	--	36
Proportionate consolidation						
King Edward Residences Limited Partnership	17%	17%	Canada	--	--	--
Investment available for sale						
King Edward Realty Inc. ("SKE")	9%	9%	Canada	(1,181)	7,200	1,593

* Other than guarantees of equipment leases, car leases or other such leases
Controlling shareholder holds 52% in SHI
100% Held by Port
100% Held by SHI
100% Held by SBMV
The guarantee of $37,000 to the financial institution for the loan cross collateralized by Horseshoe Resort and Deerhurst Resort assets.

SKYLINE
DESTINATION COMMUNITIES

39 SUBSEQUENT EVENTS

On February 26, 2014, the Company reached an agreement with a third party to acquire the third party's 40% share in Blue Mountain Village assets for $15,400 net of $6,000 obligations to a financial institution and become a 100% owner of the asset. The parties agreed to complete the transaction within 90 days, subject to conditions precedent customary to this type of transaction including securing by the Company the required financing and release of the vendor from its obligations. Since the original agreement, reached on February 26, 2014, the Company continued negotiations with the third party. The original agreement as described above was amended subsequently and a binding term sheet was signed on October 15, 2014. The principal terms are described below:

1. The third party will purchase 239,924 shares of the Company at $12.09 per share (equal to the IPO issuance price) for a total consideration of $2,900. This represents 1.43% of the outstanding shares of the Company.
2. In addition, the third party will receive a non-tradable option to purchase, one year from the closing date (see 7 below), additional shares of the Company at a price of $0.01 per share, if the actual stock price decrease below $12.09. In that case the third party will receive an additional amount of shares which will compensate for the difference between the market price of the 239,924 shares and $3,000. The market price will not be less than the market price of the Company's actual closing date.
3. The Company and the third party will purchase the development lands from Skyline Blue Mountain Development (SBMD). The Company will acquire 60% of the development lands and the third party will acquire the remaining 40% of the development lands. The acquisition will be made in cash, while the Company will pay a total of $8,750, the third party will pay $5,926.
4. The Company will purchase some of the third party's share of development lands for $3,676 in cash.
5. The Company will sell 9% of Skyline Blue Mountain Village (SBMV) to the third party in exchange for $776 in cash so the Company's share will be reduced to 51%.
6. The binding term sheet establishes a number of conditions precedent customary to this type of transaction.
7. The Company expects the transaction to be closed by the end of March, 2015, provided all the conditions have been met ("Closing Date"). Upon completion of the transaction, the Company is not expected to record a gain or loss of any material amount in its financial statements.

On February 24, 2015, following the filing of the Shelf Prospectus, the Company received a receipt from the Israeli Securities Authority to publish a shelf prospectus and offer bonds on the Tel Aviv Stock Exchange.

40 RECLASSIFICATION OF PREVIOUS YEAR FIGURES

Certain comparative figures for 2013 and 2012 have been reclassified to conform with presentation adopted by the Parent Company, with respect to real estate inventory and real estate deposit.