

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



DESTINATION COMMUNITIES

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

**FOR THE THREE & NINE MONTHS ENDED SEPTEMBER 30, 2014 & 2013**

*(Unaudited)*

**CONTENTS**

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

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

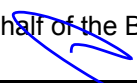
(in thousands of Canadian Dollars)


	As at		
	September 30, 2014 <i>(Unaudited)</i>	September 30, 2013 <i>(Unaudited)</i>	December 31, 2013 <i>(Audited)</i>
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	12,711	4,615	5,578
Trade receivables	4,732	5,045	3,732
Other receivables	3,829	21,651	4,623
Prepayments	1,943	1,536	1,175
Inventories	1,163	998 *	1,246 *
Real Estate Inventory	47,314	48,204 *	48,485 *
Total current assets	<u>71,692</u>	<u>82,049</u>	<u>64,839</u>
<b>Non-current</b>			
Restricted bank deposits	4,649	4,839	6,094
Investment properties	103,754	87,705	92,282
Property, plant and equipment, at cost	95,163	90,696 *	91,833
Property, plant and equipment, at fair value	28,230	26,956 *	28,301
Other assets	335	258	147
Deferred tax	11,088	10,365	9,429
Available for Sale Investments, at fair market value	4,310	3,270	3,457
Total non-current assets	<u>247,529</u>	<u>224,089</u>	<u>231,543</u>
<b>Total Assets</b>	<b><u>319,221</u></b>	<b><u>306,138</u></b>	<b><u>296,382</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Loans payable	10,579	7,008	8,831
Loans payable to related parties	11,819	13,447	5,525
Trade payables	6,133	6,712	7,678
Other payables and credit balances	10,226	8,858	7,739
Deferred revenue	6,599	6,459	6,811
Income taxes payable	274	726	822
Investors deposits	64	274	335
Total current liabilities	<u>45,694</u>	<u>43,484</u>	<u>37,741</u>
<b>Non-current</b>			
Loans payable	79,755	86,712	83,992
Loans payable to related parties	6,363	13,157	12,497
Tenants deposits	233	133	166
Deferred tax	31,104	29,603	28,143
Total non-current liabilities	<u>117,455</u>	<u>129,605</u>	<u>124,798</u>
Total liabilities	<u>163,149</u>	<u>173,089</u>	<u>162,539</u>
<b>Shareholders' Equity</b>			
Share capital	77,032	57,988	57,988
Warrant Certificates	519	581	581
Revaluation surplus	4,173	3,166	4,192
Related Party Surplus	125	125	125
Equity settled service reserve	1,495	1,516	1,703
Foreign exchange translation	1,218	233	853
Retained earnings	64,086	64,335	63,320
	<u>148,648</u>	<u>127,944</u>	<u>128,762</u>
Equity attributable to Shareholders of the Company	<u>148,648</u>	<u>127,944</u>	<u>128,762</u>
Non-controlling interest	7,424	5,105	5,081
<b>Total Liabilities and Equity</b>	<b><u>319,221</u></b>	<b><u>306,138</u></b>	<b><u>296,382</u></b>


\* Reclassified

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

On Behalf of the Board of Directors:

  
**Gil Blutrigh**  
 Chairman

  
**Michael Sneyd**  
 CEO

  
**Vadim Shub**  
 CFO

November 13, 2014

Date

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

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

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED		YEAR ENDED
	September 30,		September 30,		Dec 31,
	2014	2013	2014	2013	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
<b>REVENUE</b>					
Sale of condominiums	66	122	185	9,265	9,269
Sale of residential condos and lots	860	3,151	3,908	5,617	6,657
Income from investment properties	818	681	2,363	1,485	2,362
Hospitality income	22,026	22,290	53,922	56,324	72,176
Property management fees	20	325	63	711	1,032
Timeshare income	367	--	1,152	--	45
Other revenue	89	2	90	16	41
	<u>24,246</u>	<u>26,571</u>	<u>61,683</u>	<u>73,418</u>	<u>91,582</u>
<b>EXPENSES AND COSTS</b>					
Cost of sale of condominiums	49	69	207	7,153	7,221
Operating expenses of investment properties	390	289	1,048	468	1,005
Hospitality operating expenses	16,793	18,958	46,692	51,491	67,304
Timeshare expenses	375	--	999	--	33
Cost of sale of residential condos and lots	848	3,277	3,859	5,805	7,472
Development periodic costs	215	637	1,042	1,565	1,706
Depreciation	1,694	1,051	4,643	3,669	5,303
	<u>20,364</u>	<u>24,281</u>	<u>58,490</u>	<u>70,151</u>	<u>90,044</u>
<b>GROSS PROFIT</b>	<b>3,882</b>	<b>2,290</b>	<b>3,193</b>	<b>3,267</b>	<b>1,538</b>
Gain (loss) from fair value adjustments	6,642	11	11,729	17,106	21,567
Selling and marketing expenses	785	108	2,403	503	1,459
Administrative and general expenses	1,558	1,312	3,398	4,213	6,053
<b>PROFIT FROM OPERATIONS</b>	<b>8,181</b>	<b>881</b>	<b>9,121</b>	<b>15,657</b>	<b>15,593</b>
Financial expense	1,463	1,991	4,839	5,267	7,178
Financial income	(29)	(36)	(67)	(344)	(566)
Other expense	--	(4)	--	(4)	95
Loss (gain) on sale of investment	--	(1,155)	--	(1,155)	(1,155)
<b>PROFIT BEFORE INCOME TAXES</b>	<b>6,747</b>	<b>85</b>	<b>4,349</b>	<b>11,893</b>	<b>10,041</b>
Income tax expense (recovery)	1,926	(475)	1,240	2,915	2,102
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>4,821</b>	<b>560</b>	<b>3,109</b>	<b>8,978</b>	<b>7,939</b>
<b>Attributable to:</b>					
Shareholders of the Company	2,500	609	766	3,873	2,858
Non-controlling interest	2,321	(49)	2,343	5,105	5,081
	<u>4,821</u>	<u>560</u>	<u>3,109</u>	<u>8,978</u>	<u>7,939</u>
<b>BASIC EARNINGS PER SHARE</b>	<b>0.15</b>	<b>0.04</b>	<b>0.05</b>	<b>0.27</b>	<b>0.20</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>0.15</b>	<b>0.04</b>	<b>0.05</b>	<b>0.27</b>	<b>0.20</b>

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

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

(in thousands of Canadian Dollars)

	FOR THE THREE MONTHS ENDED September 30,		FOR THE NINE MONTHS ENDED September 30,		YEAR ENDED Dec 31,
	<u>2014</u> <i>(Unaudited)</i>	<u>2013</u> <i>(Unaudited)</i>	<u>2014</u> <i>(Unaudited)</i>	<u>2013</u> <i>(Unaudited)</i>	<u>2013</u> <i>(Audited)</i>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	4,821	560	3,109	8,978	7,939
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items that will not be reclassified subsequently to profit or loss:</b>					
Revaluation surplus of property, plant and equipment, before income taxes	(1)	(161)	(26)	(636)	387
Income taxes	1	19	7	37	40
<b>Items that will or may be reclassified subsequently to profit or loss:</b>					
Exchange differences on translation of foreign operations	452	(339)	365	233	853
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD net of taxes</b>	452	(481)	346	(366)	1,280
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, net of taxes</b>	<b>5,273</b>	<b>79</b>	<b>3,455</b>	<b>8,612</b>	<b>9,219</b>
<b>Attributable to:</b>					
Non-controlling interest	2,321	(49)	2,343	5,105	5,081
Shareholders of the Company	2,952	128	1,112	3,507	4,138
	<b>5,273</b>	<b>79</b>	<b>3,455</b>	<b>8,612</b>	<b>9,219</b>

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

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

(in thousands of Canadian Dollars)

	Share Capital	Warrant Certificates	Re-valuation Surplus	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total
<b>FOR THE THREE MONTHS ENDED September 30, 2014</b>										
<i>(Unaudited)</i>										
<b>Balance at the beginning of the period</b>	76,988	519	4,173	1,452	125	766	61,586	145,609	5,103	150,712
Issuance of new shares	44	--	--	--	--	--	--	44	--	44
Profit for the period	--	--	--	--	--	--	2,500	2,500	2,321	4,821
Other comprehensive income (loss) for the period	--	--	--	--	--	452	--	452	--	452
<b>Total comprehensive Income (loss) for the period</b>	--	--	--	--	--	452	2,500	2,952	2,321	5,273
Recognition of Share-based payment	--	--	--	43	--	--	--	43	--	43
<b>Balance at the end of the period</b>	<u>77,032</u>	<u>519</u>	<u>4,173</u>	<u>1,495</u>	<u>125</u>	<u>1,218</u>	<u>64,086</u>	<u>148,648</u>	<u>7,424</u>	<u>156,072</u>
<b>FOR THE THREE MONTHS ENDED September 30, 2013</b>										
<i>(Unaudited)</i>										
<b>Balance at the beginning of the period</b>	57,988	581	5,030	1,405	125	572	62,004	127,705	5,154	132,859
Profit for the period	--	--	--	--	--	--	609	609	(49)	560
Other comprehensive (loss) for the period	--	--	(142)	--	--	(339)	--	(481)	--	(481)
<b>Total comprehensive Income (loss) for the period</b>	--	--	(142)	--	--	(339)	609	128	(49)	79
Revaluation surplus, recognized net of taxes	--	--	(1,722)	--	--	--	1,722	--	--	--
Recognition of Share-based payment	--	--	--	111	--	--	--	111	--	111
<b>Balance at the end of the period</b>	<u>57,988</u>	<u>581</u>	<u>3,166</u>	<u>1,516</u>	<u>125</u>	<u>233</u>	<u>64,335</u>	<u>127,944</u>	<u>5,105</u>	<u>133,049</u>

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

(in thousands of Canadian Dollars)

	Share Capital	Warrant Certificates	Re-valuation Surplus	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total
<b>FOR THE NINE MONTHS ENDED September 30, 2014</b>										
<i>(Unaudited)</i>										
<b>Balance at the beginning of the period</b>	57,988	581	4,192	1,703	125	853	63,320	128,762	5,081	133,843
Cancellation of warrants	581	(581)						--		--
Issuance of new shares	18,463	519	--	--	--	--	--	18,982	--	18,982
Profit for the period	--	--	--	--	--	--	766	766	2,343	3,109
Other comprehensive income for the period	--	--	(19)	--	--	365		346		346
<b>Total comprehensive Income for the year</b>	--	--	(19)	--	--	365	766	1,112	2,343	3,455
Recognition of Share-based payment	--	--	--	(208)	--	--	--	(208)	--	(208)
<b>Balance at the end of the period</b>	<u>77,032</u>	<u>519</u>	<u>4,173</u>	<u>1,495</u>	<u>125</u>	<u>1,218</u>	<u>64,086</u>	<u>148,648</u>	<u>7,424</u>	<u>156,072</u>
<b>FOR THE NINE MONTHS ENDED September 30, 2013</b>										
<i>(Unaudited)</i>										
<b>Balance at the beginning of the period</b>	49,569	--	5,487	1,072	125	--	58,740	114,993	--	114,993
Issuance of new shares	8,419	581	--	--	--	--	--	9,000	--	9,000
Profit for the period	--	--	--	--	--	--	3,873	3,873	5,105	8,978
Other comprehensive income for the year	--	--	(599)	--	--	233	--	(366)	--	(366)
<b>Total comprehensive income for the period</b>	--	--	(599)	--	--	233	3,873	3,507	5,105	8,612
Revaluation surplus, recognized net of taxes	--	--	(1,722)	--	--	--	1,722	--	--	--
Recognition of Share-based payment	--	--	--	444	--	--	--	444	--	444
<b>Balance at the end of the period</b>	<u>57,988</u>	<u>581</u>	<u>3,166</u>	<u>1,516</u>	<u>125</u>	<u>233</u>	<u>64,335</u>	<u>127,944</u>	<u>5,105</u>	<u>133,049</u>

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

(in thousands of Canadian Dollars)

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

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



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

(in thousands of Canadian Dollars)

	FOR THE THREE MONTHS ENDED September 30,		FOR THE NINE MONTHS ENDED September 30,		YEAR ENDED Dec 31,
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>					
<b>Operating</b>					
Profit for the period	4,821	560	3,109	8,978	7,939
Add (deduct) items not involving cash:					
Depreciation and amortization	1,765	1,305	5,007	4,568	6,369
Loss (gain) from fair value adjustments	(6,642)	(11)	(11,729)	(17,106)	(21,567)
Gain on sale of investment	--	(1,155)	--	(1,155)	(1,155)
Deferred tax	1,877	(609)	1,302	2,968	2,444
Equity settled service reserve	43	111	(208)	444	631
<b>Changes in non-cash working capital</b>					
Trade receivables	279	1,858	(1,000)	(1,107)	206
Other receivables and prepayments	(709)	(932)	(292)	(2,858)	1,055
Restricted bank deposits	(1,609)	(145)	1,445	(420)	(1,675)
Inventories	123	202 *	758	22 *	(226) *
Real Estate Inventory	(103)	2,423 *	1,171	7,775 *	7,494 *
Deposits on properties	--	--	--	1,151	1,151
Trade and other payables and credit balances	1,255	(1,599)	743	710	(694)
Income taxes payable	341	256	(548)	123	219
Investors deposits	(86)	(338)	(271)	274	335
	<u>1,355</u>	<u>1,927</u>	<u>(513)</u>	<u>4,367</u>	<u>2,526</u>
<b>Investing</b>					
Investment in available for sale assets	(641)	(314)	(853)	(314)	(501)
Additions to investment properties	(295)	(7)	(353)	(21,297)	(21,410)
Proceeds from sale of investment properties	--	19	--	19	19
Net proceeds from sale of assets (Schedule A)	--	3,173	--	3,173	3,173
Additions to property, plant and equipment	(1,005)	(1,812)	(6,456)	(3,454)	(5,316)
Proceeds of loans given to purchasers	318	8,000	318	8,000	21,500
	<u>(1,623)</u>	<u>9,059</u>	<u>(7,344)</u>	<u>(13,873)</u>	<u>(2,535)</u>
<b>Financing</b>					
Bank credit and other short-term loans	(1,597)	(1,271)	(1,024)	(4,487)	(3,463)
Proceeds on loans payable	2,203	(163)	2,698	31,249	31,984
Repayments of loans payable	(1,974)	(8,237)	(5,011)	(11,734)	(13,660)
Repayments of loans payable to related parties	--	(7,965)	(203)	(13,301)	(21,828)
Change in tenants' deposits	(52)	(622)	67	(491)	(458)
Deferred financing costs paid	(69)	(3)	(519)	(394) *	(267) *
Foreign Exchange translation gain (loss)	--	572	--	--	--
Common shares issued	44	--	18,982	9,000	9,000
	<u>(1,445)</u>	<u>(17,689)</u>	<u>14,990</u>	<u>9,842</u>	<u>1,308</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>	<b>(1,713)</b>	<b>(6,703)</b>	<b>7,133</b>	<b>336</b>	<b>1,299</b>
Cash and cash equivalents, beginning of the year	14,424	11,318	5,578	4,279	4,279
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>12,711</b>	<b>4,615</b>	<b>12,711</b>	<b>4,615</b>	<b>5,578</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>					
Interest paid	1,341	1,734	4,477	4,381	6,346
Interest received	29	36	67	344	566
Income taxes paid	16	11	905	171	227
* Reclassified					

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

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

*(in thousands of Canadian Dollars)*

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

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

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE & NINE MONTHS ENDED SEPTEMBER 30, 2014 & 2013**

(Unaudited) (in thousands of Canadian Dollars)

**1 NATURE OF OPERATIONS**

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

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

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

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

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

**2 SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

Issue of a unit of securities:

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

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

IFRS 15, "Revenue from Contracts with Customers":

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

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

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

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

**3 SEASONALITY AND CHANGES IN FOREIGN EXCHANGE**

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

The Company has a foreign exchange impact from the US dollar. Since January 1, 2014 until September 30, 2014 the foreign exchange difference on the U.S. dollar compared to the Canadian dollar increased by 5.3%. From July 1, 2014 until September 30, 2014 the foreign exchange difference on the U.S. dollar compared to the Canadian dollar increased by 5.0%

**4 FAIR VALUE MEASUREMENT**

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

The estimated fair values of loans payable are as follows:

	Fair value		Carrying amount	
	As at September 30, 2014	As at September 30, 2013	As at September 30, 2014	As at September 30, 2013
Loans payable	89,988	94,208	90,334	93,720
Loans payable to related parties	18,182	26,604	18,182	26,604
	108,170	120,812	108,516	120,324

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE & NINE MONTHS ENDED SEPTEMBER 30, 2014 & 2013**

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

**5 SIGNIFICANT EVENTS DURING THE PERIOD**

**2013 Events**

**Blue Mountain Village, Collingwood, Ontario**

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

**2014 Events**

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

On February 26, 2014, the Company reached an agreement with a third party to acquire the third party's 40% share in Blue Mountain Village assets for \$15,400 net of \$6,000 obligations to a financial institution and become a 100% owner of the asset. The parties agreed to complete the transaction within 90 days, subject to conditions precedent customary to this type of transaction including securing by the Company the required financing and release of the vendor from its obligations. Since the original agreement, reached on February 26, 2014, the Company continued negotiation with the third party. For further information regarding the agreement as described above and binding term sheet signed on October 15, 2014 see note 8 below.

**Public Placement**

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

On February 28, 2014, the company filed its prospectus and was issued receipt to sell its securities to the public on the Tel Aviv Stock Exchange (TASE). On March 13, 2014 the Company concluded its Initial Public Offering (IPO) and listed its shares on TASE, issuing 1,759,250 common shares (10.65%) and 703,700 warrants in consideration of \$22,450 (69,754 New Israeli Shekels (NIS)) or net amount of approximately \$19,045 (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).

**Deerhurst Resort, Village Centre Development**

During 2012 the Company engaged various consultants, planners, and together with the Huntsville municipality held a number of public meetings and consultations regarding the development of the lands surrounding its Deerhurst Resort. These activities concluded in November 2013 with completion of the master plan for the lands.

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

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

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

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

**Employee Stock Option**

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

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

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

**Exercise of Options**

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

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

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

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

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE & NINE MONTHS ENDED SEPTEMBER 30, 2014 & 2013**

(Unaudited) (in thousands of Canadian Dollars)

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

**Blue Mountain Resort Lands**

During July, 2014 the Company signed on a sale agreement of 9 lots in the Blue Mountain resort for a consideration of \$860. The closing was on September 24, 2014. Those lots were accounted on their fair value in the Company's books in the amount of \$675.

During the third quarter 2014, the company hired an independent valuer for the Blue Mountain Lands, which suggested that the fair value should be adjusted. As a result, the Blue Mountain Lands were increased by \$6,280.

**6 SEGMENTED INFORMATION**

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

**(a) General business segments**

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

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

	For the three months ended September 30, 2014 (unaudited)				
	Investment properties	Development	Hospitality	Other	Total
<b>REVENUE</b>					
Sale of condominiums	--	66	--	--	66
Sale of residential condos and lots	--	860	--	--	860
Income from investment properties	818	--	--	--	818
Hospitality income	--	--	22,026	--	22,026
Property management fees	--	--	20	--	20
Timeshare income	--	--	--	367	367
Other revenue	--	89	--	--	89
	<u>818</u>	<u>1,015</u>	<u>22,046</u>	<u>367</u>	<u>24,246</u>
<b>EXPENSES AND COSTS</b>					
Cost of sale of condominiums	--	49	--	--	49
Operating expenses of investment properties	390	--	--	--	390
Hospitality operating expenses	--	--	16,793	--	16,793
Timeshare expenses	--	--	--	375	375
Cost of sale of residential condos and lots	--	848	--	--	848
Development periodic costs	--	215	--	--	215
Depreciation	--	155	1,426	113	1,694
	<u>390</u>	<u>1,267</u>	<u>18,219</u>	<u>488</u>	<u>20,364</u>
<b>SEGMENTED RESULTS</b>	<u>428</u>	<u>(252)</u>	<u>3,827</u>	<u>(121)</u>	<u>3,882</u>
Gain (loss) from fair value adjustments					6,642
Selling and marketing expenses					785
Administrative and general expenses					1,558
Financial expense					1,463
Financial income					(29)
<b>PROFIT BEFORE INCOME TAXES</b>					<u>6,747</u>



**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE & NINE MONTHS ENDED SEPTEMBER 30, 2014 & 2013**

(Unaudited) (in thousands of Canadian Dollars)

**6 SEGMENTED INFORMATION (continued)**

	For the three months ended September 30, 2013 (unaudited)				Total
	Investment properties	Development	Hospitality	Other	
<b>REVENUE</b>					
Sale of condominiums	--	122	--	--	122
Sale of residential condos and lots	--	3,151	--	--	3,151
Income from investment properties	681	--	--	--	681
Hospitality income	--	--	22,290	--	22,290
Property management fees	17	--	308	--	325
Other revenue	--	2	--	--	2
	<u>698</u>	<u>3,275</u>	<u>22,598</u>	<u>--</u>	<u>26,571</u>
<b>EXPENSES AND COSTS</b>					
Cost of sale of condominiums	--	69	--	--	69
Operating expenses of investment properties	289	--	--	--	289
Hospitality operating expenses	--	--	18,958	--	18,958
Cost of sale of residential condos and lots	--	3,277	--	--	3,277
Development periodic costs	--	496	141	--	637
Depreciation	--	47	1,004	--	1,051
	<u>289</u>	<u>3,889</u>	<u>20,103</u>	<u>--</u>	<u>24,281</u>
	<u><b>409</b></u>	<u><b>(614)</b></u>	<u><b>2,495</b></u>	<u><b>--</b></u>	<u><b>2,290</b></u>
<b>SEGMENTED RESULTS</b>					
Gain (loss) from fair value adjustments					11
Selling and marketing expenses					108
Administrative and general expenses					1,312
Financial expense					1,991
Financial income					(36)
Other expense					(4)
Loss (gain) on sale of investment					(1,155)
<b>PROFIT BEFORE INCOME TAXES</b>					<u><b>85</b></u>

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE & NINE MONTHS ENDED SEPTEMBER 30, 2014 & 2013**

(Unaudited) (in thousands of Canadian Dollars)

**6 SEGMENTED INFORMATION (continued)**

	For the nine months ended September 30, 2014 (unaudited)				
	Investment properties	Development	Hospitality	Other	Total
<b>REVENUE</b>					
Sale of condominiums	--	185	--	--	185
Sale of residential condos and lots	--	3,908	--	--	3,908
Income from investment properties	2,363	--	--	--	2,363
Hospitality income	--	--	53,922	--	53,922
Property management fees	--	--	63	--	63
Timeshare income	--	--	--	1,152	1,152
Other revenue	--	90	--	--	90
	<u>2,363</u>	<u>4,183</u>	<u>53,985</u>	<u>1,152</u>	<u>61,683</u>
<b>EXPENSES AND COSTS</b>					
Cost of sale of condominiums	--	207	--	--	207
Operating expenses of investment properties	1,048	--	--	--	1,048
Hospitality operating expenses	--	--	46,692	--	46,692
Timeshare expenses	--	--	--	999	999
Cost of sale of residential condos and lots	--	3,859	--	--	3,859
Development periodic costs	--	1,042	--	--	1,042
Depreciation	--	258	4,151	234	4,643
	<u>1,048</u>	<u>5,366</u>	<u>50,843</u>	<u>1,233</u>	<u>58,490</u>
	<u>1,315</u>	<u>(1,183)</u>	<u>3,142</u>	<u>(81)</u>	<u>3,193</u>
<b>SEGMENTED RESULTS</b>					
Gain (loss) from fair value adjustments					11,729
Selling and marketing expenses					2,403
Administrative and general expenses					3,398
Financial expense					4,839
Financial income					(67)
<b>PROFIT BEFORE INCOME TAXES</b>					<u>4,349</u>

	As at September 30, 2014 (Unaudited)				
	Investment properties	Development	Hospitality	Other	Total
Assets	101,730	58,773	155,929	2,789	319,221
Liabilities	39,018	56,474	62,126	5,531	163,149
Shareholders' Equity	<u>62,712</u>	<u>2,299</u>	<u>93,803</u>	<u>(2,742)</u>	<u>156,072</u>

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE & NINE MONTHS ENDED SEPTEMBER 30, 2014 & 2013**

(Unaudited) (in thousands of Canadian Dollars)

**6 SEGMENTED INFORMATION (continued)**

	For the nine months ended September 30, 2013 (unaudited)				
	Investment properties	Development	Hospitality	Other	Total
<b>REVENUE</b>					
Sale of condominiums	--	9,265	--	--	9,265
Sale of residential condos and lots	--	5,617	--	--	5,617
Income from investment properties	1,485	--	--	--	1,485
Hospitality income	--	--	56,324	--	56,324
Property management fees	17	--	694	--	711
Other Revenue	14	2	--	--	16
	<u>1,516</u>	<u>14,884</u>	<u>57,018</u>	<u>--</u>	<u>73,418</u>
<b>EXPENSES AND COSTS</b>					
Cost of sale of condominiums	--	7,153	--	--	7,153
Operating expenses of investment properties	468	--	--	--	468
Hospitality operating expenses	--	--	51,491	--	51,491
Cost of sale of residential condos and lots	--	5,805	--	--	5,805
Development periodic costs	--	1,325	240	--	1,565
Depreciation	--	57	3,612	--	3,669
	<u>468</u>	<u>14,340</u>	<u>55,343</u>	<u>--</u>	<u>70,151</u>
<b>SEGMENTED RESULTS</b>					
	<u>1,048</u>	<u>544</u>	<u>1,675</u>	<u>--</u>	<u>3,267</u>
Gain (loss) from fair value adjustments					17,106
Selling and marketing expenses					503
Administrative and general expenses					4,213
Financial expense					5,267
Financial income					(344)
Other expense					(4)
Loss (gain) on sale of investment					(1,155)
<b>PROFIT BEFORE INCOME TAXES</b>					<u>11,893</u>

	As at September 30, 2013 (Unaudited)				
	Investment properties	Development	Hospitality	Other	Total
Assets	99,419	55,051	151,663	5	306,138
Liabilities	46,392	56,216	70,485	(4)	173,089
Shareholders' Equity	<u>53,027</u>	<u>(1,165)</u>	<u>81,178</u>	<u>9</u>	<u>133,049</u>



**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE & NINE MONTHS ENDED SEPTEMBER 30, 2014 & 2013**

(Unaudited) (in thousands of Canadian Dollars)

**6 SEGMENTED INFORMATION (continued)**

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

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

**SKYLINE INTERNATIONAL DEVELOPMENT INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE & NINE MONTHS ENDED SEPTEMBER 30, 2014 & 2013**

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

**6 SEGMENTED INFORMATION (continued)**

**(c) Timeshare Operations**

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

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

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

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

**7 RECLASSIFICATION**

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

**8 SUBSEQUENT EVENTS**

- a.** On October 15, 2014 the Company signed a binding term sheet with a third party which replaces the original agreement signed on February 26, 2014 (see note 5 above). The principal terms are described below:
1. The third party will purchase 248,139 shares of the Company at \$12.09 per share (equal to the IPO issuance price) for a total consideration of \$3,000. This represents 1.48% 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 complement the difference between the market price of the 248,139 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 \$8,805, the third party will pay \$5,870.
  4. The Company will purchase some of the third party's share of development lands for \$3,720 in cash.
  5. The Company will sell 9% of Skyline Blue Mountain Village (SBMV) to the third party in exchange for \$720 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 closing date is set for January 25, 2015 or any time, prior to this, 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.
- b.** On November 13, 2014, the Board of Directors approved the compensation paid to Mr. Mark Goodman, a director and a related party, according to the same terms as the external directors.

**c. Company's intention to issue a "shelf" prospectus**

As part of the company's capital management, on November 13, 2014 the company's Board of Directors authorized the management to file a shelf prospectus in Israel. This shelf prospectus will enable the company fast-tracked access to the capital market in Israel, responding to its frequently changing conditions, and achieving best possible terms of capital funding. The shelf prospectus will be based on September 2014 financial statements. It has two (or possibly three) year life and can be utilized by the company starting March 2015. Since shelf prospectus addresses better the Company's capital funding needs, the Board of directors decided to pursue filing it instead of the regular bond-raising prospectus as previously reported on September 7, 2014. The deadline to file the shelf prospectus is February 27, 2015.