SKYLINE

DESTINATION COMMUNITIES

SKYLINE INTERNATIONAL DEVELOPMENT INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
December 31, 2015
and 2014
(AUDITED)

SKYLINE DESTINATION COMMUNITIES

SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 & 2014
(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, 2015 and 2014, the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2015, 2014 and 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Skyline International Development Inc. as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years ended December 31, 2015, 2014 and 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Schwartz Levitsky Feldman llp

Toronto, Ontario, Canada
March 28, 2016

Chartered Accountants
Licensed Public Accountants

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SKYLINE DESTINATION COMMUNITIES

SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian Dollars)

	Notes	As at December 31, 2015 (Audited)	December 31, 2014 (Audited)
ASSETS			
Current			
Cash and cash equivalents	3	14,204	14,942
Trade receivables	4	4,555	4,319
Other receivables	5	6,416	4,760
Prepayments		1,903	827
Inventories	7	1,932	1,329
Real estate inventory	8	38,212	41,320
Property held for sale	9	32,891	-
Restricted bank deposits	6	4,149	-
Total current assets		104,262	67,497
Non-current			
Restricted bank deposits	6	2,243	4,574
Real estate inventory	8	25,599	8,804
Investment properties	10	93,158	105,944
Property, plant and equipment, at cost	11	146,051	104,451
Property, plant and equipment, at fair value	11	--	28,206
Other assets	12	513	366
Deferred tax	13	10,032	10,908
Available for Sale Investments, at fair market value	14	--	4,614
Total non-current assets		277,596	267,867
Total Assets		**381,858**	**335,364**
LIABILITIES AND EQUITY			
Current			
Loans payable	15	46,596	7,684
Loans payable on property held for sale		12,364	-
Loans payable to related parties	18	6,739	11,616
Trade payables		9,551	5,458
Other payables and credit balances	16	14,662	10,055
Deferred revenue		6,752	5,598
Income taxes payable		111	36
Purchasers' Deposits		6,379	3,902
Total current liabilities		103,154	44,349
Non-current			
Loans payable	17	68,274	91,813
Loans payable to related parties	18	--	6,359
Other liabilities		3,030	3,177
Deferred tax	13	37,616	31,691
Total non-current liabilities		108,920	133,040
Total liabilities		212,074	177,389
Shareholders' Equity			
Share capital	20	77,900	77,182
Warrant Certificates		519	519
Revaluation surplus		2,804	4,155
Related Party Surplus		125	125
Equity settled service reserve	20	874	1,538
Foreign exchange translation		5,209	1,859
Retained earnings		71,120	65,009
Equity attributable to Shareholders of the Company		158,551	150,387
Non-controlling interest	20	11,233	7,588
Total Liabilities and Equity		**381,858**	**335,364**

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

On Behalf of the Board of Directors:

Gil Blutrich	**Blake Lyon**	**Vadim Shub**
Chairman	CEO	CFO

March 28, 2016

Date

SKYLINE DESTINATION COMMUNITIES

SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED STATEMENTS OF INCOME

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

	Notes	FOR THE YEAR ENDED December 31, 2015 (Audited)	December 31, 2014 (Audited)	December 31, 2013 (Audited)
REVENUE				
Sale of condominiums		--	185	9,269
Sale of residential houses and lots		276	3,914	6,657
Income from investment properties	22	3,538	3,183	2,362
Hospitality income	23	87,170	71,101	72,176
Property management fees		365	343	1,032
Commissions and fees		4,620	--	--
Timeshare income	35	694	1,474	45
Other revenue		--	125	41
		96,663	80,325	91,582
EXPENSES AND COSTS				
Cost of sale of condominiums	26	--	207	7,221
Operating expenses of investment properties	24	1,329	1,256	1,005
Hospitality operating expenses	25	74,174	62,211	67,304
Timeshare expenses		901	1,364	33
Cost of sale of residential condos and lots	26	264	3,998	7,472
Development periodic costs		1,050	1,047	1,706
Depreciation	27	5,326	5,410	5,303
		83,044	75,493	90,044
GROSS PROFIT		**13,619**	**4,832**	**1,538**
Gain from fair value adjustments	10	(1,045)	(13,891)	(21,567)
Selling and marketing expenses		1,863	3,212	1,459
Administrative and general expenses	28	4,399	3,390	6,053
PROFIT FROM OPERATIONS		**8,402**	**12,121**	**15,593**
Financial expense	30	7,082	6,555	7,178
Financial income	30	(33)	(180)	(566)
Other expense		560	--	95
Gain on bargain purchase	11 (a)	(8,274)	--	--
Gain on sale of investment	11(c) & 14	(3,768)	--	(1,155)
PROFIT BEFORE INCOME TAXES		**12,835**	**5,746**	**10,041**
Income tax expense	31 & 13	4,740	1,550	2,102
PROFIT FOR THE YEAR		**8,095**	**4,196**	**7,939**
Attributable to:				
Shareholders of the Company		4,669	1,689	2,858
Non-controlling interest	20	3,426	2,507	5,081
		8,095	4,196	7,939
BASIC EARNINGS PER SHARE	37	**0.28**	**0.10**	**0.20**
DILUTED EARNINGS PER SHARE		**0.28**	**0.10**	**0.20**

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

SKYLINE DESTINATION COMMUNITIES

SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of Canadian Dollars)

	FOR THE YEAR ENDED		
	Dec 31, 2015 *(Audited)*	**Dec 31, 2014** *(Audited)*	**Dec 31, 2013** *(Audited)*
PROFIT FOR THE YEAR	8,095	4,196	7,939
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus (loss) of property, plant and equipment, before income taxes	123	(53)	387
Income taxes (recovery)	(32)	16	40
Items that will or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	3,569	1,006	853
OTHER COMPREHENSIVE INCOME FOR THE YEAR net of taxes	3,660	969	1,280
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, net of taxes	**11,755**	**5,165**	**9,219**
Attributable to:			
Shareholders of the Company	8,110	2,658	4,138
Non-controlling interest	3,645	2,507	5,081
	11,755	**5,165**	**9,219**

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

SKYLINE DESTINATION COMMUNITIES

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

FOR THE YEAR ENDED December 31, 2015 *(Audited)*

	Share Capital and Premium	Warrant Certificates	Re-valuation Surplus	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total
Balance at the beginning of the year	77,182	519	4,155	1,538	125	1,859	65,009	150,387	7,588	157,975
Issuance of new shares	718	--	--	(718)	--	--	--	--	--	--
Profit for the year	--	--	--	--	--	--	4,669	4,669	3,426	8,095
Other comprehensive income for the year	--	--	91	--	--	3,350	--	3,441	219	3,660
Total comprehensive income for the year	--	--	91	--	--	3,350	4,669	8,110	3,645	11,755
Revaluation surplus, recognized net of taxes	--	--	(1,442)	--	--	--	1,442	--	--	--
Recognition of Share-based payment	--	--	--	54	--	--	--	54	--	54
Balance at the end of the year	77,900	519	2,804	874	125	5,209	71,120	158,551	11,233	169,784

FOR THE YEAR ENDED December 31, 2014 *(Audited)*

	Share Capital and Premium	Warrant Certificates	Re-valuation Surplus	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total
Balance at the beginning of the year	57,988	581	4,192	1,703	125	853	63,320	128,762	5,081	133,843
Cancellation of warrants	581	(581)	--	--	--	--	--	--	--	--
Issuance of new shares	18,613	519	--	--	--	--	--	19,132	--	19,132
Profit for the year	--	--	--	--	--	--	1,689	1,689	2,507	4,196
Other comprehensive income for the year	--	--	(37)	--	--	1,006	--	969	--	969
Total comprehensive Income for the year	--	--	(37)	--	--	1,006	1,689	2,658	2,507	5,165
Recognition of Share-based payment	--	--	--	(165)	--	--	--	(165)	--	(165)
Balance at the end of the year	77,182	519	4,155	1,538	125	1,859	65,009	150,387	7,588	157,975

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

	Share Capital and Premium	Warrant Certificates	Re-valuation Surplus	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equty	Non-controlling Interest	Total
					FOR THE YEAR ENDED December 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 (loss) 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
Balance at the end of the year	57,988	581	4,192	1,703	125	853	63,320	128,762	5,081	133,843

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

SKYLINE DESTINATION COMMUNITIES

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

	FOR THE YEAR ENDED		
	December 31, 2015	**December 31, 2014**	**December 31, 2013**
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES	*(Audited)*	*(Audited)*	*(Audited)*
Operating			
Profit for the year	8,095	4,196	7,939
Add (deduct) items not involving cash:			
Depreciation and amortization	5,789	5,819	6,369
Gain from fair value adjustments	(1,045)	(13,891)	(21,567)
Gain on sale of investment	(550)	--	(1,155)
Gain on sale of investment and other property	(3,663)	--	--
Gain on bargain purchase	(8,274)	--	--
Deferred tax	5,456	2,707	2,444
Equity settled service reserve	54	(165)	631
Changes in non-cash working capital			
Trade receivables	469	(596)	206
Other receivables and prepayments	(2,647)	(107)	1,055
Restricted bank deposits	(1,818)	1,520	(1,675)
Inventories	(494)	756	(226)
Real Estate Inventory	(11,687)	(1,639)	7,494
Deposits on properties	--	--	1,151
Trade and other payables and credit balances	8,418	1,514	1,459
Income taxes payable	75	(786)	219
Purchasers' Deposits	2,477	562	(1,818)
	655	(110)	2,526
Investing			
Investment in available-for-sale assets	--	(1,157)	(501)
Additions to investment properties	(1,855)	(316)	(21,410)
Proceeds from sale of investment properties	--	--	19
Net proceeds from sale of assets (Schedule A)	--	--	3,173
Additions to property, plant and equipment	(3,704)	(8,279)	(5,316)
Proceeds from sale of property, plant and equipment	12,962	--	--
Disposition of available-for-sale Investment	5,164	--	--
Proceeds of loans given to purchasers	--	318	21,500
Net cash used in a business acquisition (Schedule B)	(24,225)	(2,672)	--
	(11,658)	(12,106)	(2,535)
Financing			
Bank credit and other short-term loans	8,771	(1,024)	(3,463)
Proceeds on loans payable	39,190	10,701	31,984
Repayments of loans payable	(24,742)	(4,443)	(13,660)
Repayments of loans payable to related parties	(11,600)	(531)	(21,828)
Change in other liabilities	(147)	151	(458)
Deferred financing costs paid	(627)	(586)	(267)
Common shares issued	--	19,132	9,000
	10,845	23,400	1,308
Foreign Exchange translation of foreign operations	(580)	(1,820)	--
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	**(738)**	**9,364**	**1,299**
Cash and cash equivalents, beginning of the year	14,942	5,578	4,279
CASH AND CASH EQUIVALENTS, END OF YEAR	**14,204**	**14,942**	**5,578**
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid	6,719	6,071	6,346
Interest received	33	180	566
Income taxes paid	(446)	910	228

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

SKYLINE DESTINATION COMMUNITIES

SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian Dollars)

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

	FOR THE YEARS ENDED		
	December 31, 2015 (Audited)	December 31, 2014 (Audited)	December 31, 2013 (Audited)
Consideration received	--	--	3,154
Working Capital, net of cash and cash equivalents	--	--	(128)
Property, Plant and Equipment	--	--	9,469
Loans payable	--	--	(4,267)
Deferred revenue	--	--	(100)
Investment in Shares	--	--	(2,956)
Cash and cash equivalent balances disposed of	--	--	(19)
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 Renaissance Hotel in 2015 and Bear Valley Resort in 2014

	FOR THE YEAR ENDED		
	December 31, 2015 (Audited)	December 31, 2014 (Audited)	December 31, 2013 (Audited)
Working Capital, net of cash and cash equivalents	942	292	--
Inventory	(109)	(164)	--
Property, plant and equipment	(33,401)	(7,198)	--
Deferred revenue	67	1,538	--
Deferred taxes	2,830	--	--
Other Long term Liabilities	--	2,860	--
Recognized excess of net fair value acquired over cost,net of tax	5,446	--	--
Net assets acquired	(24,225)	(2,672)	--
Net cash used in acquisition	(24,225)	(2,672)	--

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

SKYLINE INTERNATIONAL DEVELOPMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(in thousands of Canadian Dollars)

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 150 King Street West, Suite 2108, Toronto, Ontario, Canada.

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

The Company is 66.15% owned by Skyline Canada-Israel Ltd, 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 management's 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 $46,596 of current maturities of long term loans and short-term loans, including $33,650 loan for the Company's resorts in Ontario, maturing in May 2016, $12,364 loans related to properties held for sale, and $6,739 loans payable to related parties. There is a net cash inflow from operations of $655 as per the consolidated statements of cash flow for the year ended December 31, 2015. A net cash outflow from operations, when applicable, is not expected to adversely affect the Company's business operations, since according to its past experience, financial institutions refinance the loans in addition to the fact that there are a substantial number of potential lenders.

2 SIGNIFICANT ACCOUNTING POLICIES

Definitions:

The **Company**- Skyline International Development Inc.
Parent Company- Skyline Canada-Israel Ltd.
The **Group** - the Company and its subsidiaries (see note 38)
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, 2014 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. Investment properties are revalued annually. Some of the property, plant and equipment was measured at fair value in 2014. It has been subsequently sold or reclassified as asset held-for-sale.

The consolidated financial statements of the Company for the years ended December 31, 2015 and 2014 were approved by the Board of Directors on March 28, 2016.

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

New and revised IFRS's in effect in 2015:

Amendment to IAS 19 Employee Benefits, annual improvements 2010-2012 & 2011-2013 cycles.
The above amendments and improvements have had no impact on the Company's financial statements.

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

IFRS 16, "Leases"

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

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

IFRS 15, "Revenue from Contracts with Customers"

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 beginning on or after January 1, 2018. 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 currently evaluating the impact of this standard on the financial statements.

IFRS 9 (2014) Financial Instruments

IFRS 9 Financial Instruments issued in July 2014 finalizes the new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. It replaces IAS 39 and all previous versions of IFRS 9.

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

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

This IFRS is effective for annual periods beginning on or after January 1, 2018 and earlier adoption is permitted.
The Company is currently evaluating the impact of this standard on the financial statements.

The 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 1 Disclosure Initiative
- Additional guidance on how to apply the concept of materiality in practice

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

The Company chose not to adopt the above amendments early and those will come into effect in 2016.

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 and contingent liabilities

Considerable judgement is used in measuring and recognizing provisions and the exposure to contingent liabilities. Judgement is necessary to determine the likelihood that a pending litigation or other claim will succeed, or a liability will arise and to quantify the possible range of the final settlement. In case of legal claims, the Company relies on its legal advisors to determine the likelihood of the outcome. See note 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). Assumptions details 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 the subsidiaries the Company controls and its interests in unincorporated joint ventures and co-ownerships held and controlled by certain of the Company's subsidiaries.

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

Joint operations are those businesses in which the Company has a long-term interest and is able to exercise joint control with its partners under a contractual arrangement. The financial statements of the joint operations are line by line 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 on the consolidated statements of cash flows includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statements of financial position.

Trade Receivables

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

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 allow buyers to construct custom houses on their own. Land not expected to be developed in the next operational cycle is included in non-current inventory.

(in thousands of Canadian Dollars)

Property, Plant and Equipment

The Company follows the principles of IAS 16 - "Property, plant and equipment". The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition. External costs and internal costs are capitalized to the extent they enhance the future economic benefit of the asset. During 2015, the Company sold one of the assets and reclassified another asset to property held for sale; both were previously accounted for using the revaluation model as per IAS 16.31.All the remaining items are currently recorded at historical cost.

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, 2015 consists of two main groups: resorts and hotels in Cleveland, USA.

The main characteristics of the USA hotels are:
- the entire hotels constitutes a single real estate unit;
- they reside in historic buildings, and can be 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 hotels are managed by a third party brand or franchise network under long term management agreements; and
- maintenance is the responsibility of the hotels, target customers are groups, leisure or business people.

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 at cost, as property, plant and equipment.

Other Assets

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

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

Impairment of 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.

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

As per IFRS 5, Non-current asset and / or a group of assets held for sale, as well as the liabilities related to these assets must be available for immediate sale in its present condition, the management must be committed to a plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated. The sale should be expected to qualify for recognition as completed in one year from the date of classification and must be highly probable. These assets cease to be amortized from the date of such classification and presented separately as current assets at the lower of their carrying amount or fair value less costs to sell. Assets that were previously booked at investment property and measured as fair value. Financial liabilities relating to those items are measured at amortized cost.

Share-based payments

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

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a 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 principal sources of revenues and recognition of these revenues for financial statement purposes are as follows:

Revenue from resort operations is recognized when services are provided.

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

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

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

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

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 in other liabilities.

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

Percentage participation rent is recognized after the minimum sales level has been achieved in accordance with each lease.

Interest income from a financial asset is recognized when it is probable that the economic benefit will flow to the Company and the amount of income can be reasonably measured. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

Borrowing costs

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

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

Employee benefits

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

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

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

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

Income Taxes

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

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

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

Earnings per share

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

Foreign Exchange

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

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Canadian dollars, the presentation currency, using exchange rates prevailing at the end of each reporting period (1 USD = 1.384 CAD). Income and expense items are translated at the average exchange rates for that period (1 USD = 1.2785 CAD). With respect to the Renaissance Hotel in Cleveland, Ohio, revenues and expenses were translated using the average date from acquisition (October 28, 2015) to December 31, 2015 (1 USD = 1.35 CAD). Exchange differences are recognized in other comprehensive income, accumulated in equity and attributed to non-controlling interests as appropriate.

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

3 CASH AND CASH EQUIVALENTS

	Range of Interest	December 31, 2015 (Audited)	December 31, 2014 (Audited)
Cash and cash equivalents	0.2% - 0.50%	13,933	14,671
Short-term bank deposits	0.50%	271	271
		14,204	14,942

4 TRADE RECEIVABLES

	2015	2014
Due from guests and clients	4,497	4,237
Deferred rent	116	140
Less - Allowance for doubtful accounts	(58)	(58)
	4,555	4,319

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

	2015	2014
Balance 1 January	58	204
Adjustment to allowance	--	(146)
Period ending balance	58	58

5 OTHER RECEIVABLES

	2015	2014
Government institutions	515	357
Deposit receivables (a)	5,215	3,846
Other receivables	686	557
	6,416	4,760

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 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, 2015, also include $563 (2014 - $563) against which letters of guarantee have been issued in favour of local authorities of the Township where various land development activities are being conducted.

7 INVENTORIES

	December 31, 2015 (Audited)	December 31, 2014 (Audited)
Food & beverage	837	604
Retail	885	475
Other inventory	210	250
	1,932	1,329

SKYLINE INTERNATIONAL DEVELOPMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian Dollars)

8 REAL ESTATE INVENTORY

		December 31, 2015 (Audited)	2014 (Audited)
Serviced parcels of land	(a) & (b)	9,438	9,130
Undeveloped land inventory	(a)	--	17,745
Real estate under construction	(b) & (c)	17,306	3,758
Parcels of land under construction	(b) & (c)	11,468	10,687
Current real estate inventory		38,212	41,320
Long term real estate inventory	(a)	25,599	8,804
		63,811	50,124

(a) Port McNicoll, Ontario

During 2011 the Company designated portions of the lands in Port McNicoll as inventory and began commercial development with intent of selling land as condo units, residential lots, detached houses, townhomes, and commercial areas. The fair value of this land was determined by an appraisal, prepared by an independent qualified appraiser on the date of designation. In 2015, the Company reviewed its portfolio of the lands and real estate projects and determined that $25,599 ($8,804 in 2014) of the inventory is a long term inventory as it is expected to be developed over a period greater than its regular business cycle.

(b) 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 on the date of designation. In addition, the company is promoting its new development condo project - the Lakeside Lodge at Deerhurst Resort. As of December 31, 2015 approximately 42% of the project was pre-sold (this per-sale rate represents approximately $22 million of the projected revenue).

(c) 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. The first phase of Copeland house project is expected to be completed the first quarter of 2016.

(d) Blue Mountain Lands

In May 2015, Skyline Blue Mountain Development Inc., a subsidiary of the Company (60%), entered into an agreement of purchase and sale with an arm's length third party to sell two parcels of land at the Blue Mountain Resort for a total consideration of $8,000. The transactions became firm in June, 2015. At the purchaser's request the Company undertook to service one of the parcels , as such these lands are included in the real estate inventory. The sale of the second parcel, fair market value of which is as is $1,960, was concluded in February 2016. See note 9.

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

	December 31, 2015 (Audited)	2014 (Audited)
Port McNicoll (a)	27,436	28,315
Deerhurst (b)	16,258	16,096
Horseshoe Valley (c)	17,761	5,705
Blue Mountain Lands (d)	2,000	--
Other	356	8
	63,811	50,124

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

(f) Charges

See note 21 (c) for additional details.

9 PROPERTY HELD FOR SALE

In April 2015, Management launched a sales program for the purpose of selling some of the Company's properties that are best positioned for disposition. As a result certain properties became classified as held for sale in the Company's financial statements. Management intends to use the proceeds from disposition of these properties, in part, to look for new investment opportunities.

Following this decision, and the offer the Company accepted, to sell the Cosmopolitan Hotel in downtown Toronto (the sale was closed on July 8, 2015), the Company classified the Pantages Hotel as property held for sale in June 2015, in accordance with IFRS 5. The corresponding financial liabilities totaling $12,364 have been classified as current accordingly . In addition, The Company management classified some of the lands at the Blue Mountain resort to Property Held for Sale.
The properties that are classified as held for sale are expected to be sold in one year.

Property held for sale is allocated as follows:

	December 31, 2015 (Audited)	2014 (Audited)
Pantages Complex	21,431	--
Blue Mountain Lands	11,460	--
	32,891	--

(in thousands of Canadian Dollars)

10 INVESTMENT PROPERTIES

	December 31, 2015 (Audited)	December 31, 2014 (Audited)
Balance as at the beginning of the year	105,944	92,282
Expenditures subsequent to acquisition	1,855	316
Net gain from fair value adjustments	1,046	13,891
Foreign Exchange translation	470	130
Transfer to property held for sale	(14,157)	--
Transfer to Inventory	(2,000)	(675)
Balance as at the end of the year	93,158	105,944

The fair value model has been used for all the investment properties, and the valuations were performed in December 2015 and December 2014 by independent valuators, who have recent experience in the valuation of properties in the relevant locations. The valuators applied a combination of direct comparison approach and discounted cash flow method when applicable in determining the fair value of the investment properties.

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

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

	Property	Appraiser	Basis of Valuation	December 31, 2015 (Audited) Fair Value	December 31, 2015 (Audited) Cumulative Cost
1	Development Land at 1101 Horseshoe Valley Road, County of Simcoe, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method (1)	16,354	12,658
2	Waterfront Development at Port McNicoll, County of Simcoe, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method (1)	18,882	6,617
3	Development land at 1235 Deerhurst Drive, Huntsville, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method (1)	15,480	5,842
4	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 Arcade, Cleveland, Ohio		Income Capitalization Approach Method	2,924	2,927
6	Blue Mountain, retail	Cushman & Wakefield Ltd.	Income Capitalization Approach Method (2)	25,950	20,195
7	Blue Mountain, lands	CHS Realty Advisors Inc.	Direct Comparison Approach Method (1)	9,889	1,067

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

(2) The appraiser used a cap rate of 6.75% and a vacancy rate of 4%.

(in thousands of Canadian Dollars)

10 INVESTMENT PROPERTIES (continued)

			December 31, 2014 (Audited)	
Property	**Appraiser**	**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	18,882	5,088
3 Development land at 1235 Deerhurst Drive, Huntsville, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method	15,480	5,740
4 Commercial and Rural Land at Port McNicoll, County of Simcoe, Ontario	Cushman & Wakefield Ltd.	Direct Comparison Approach Method	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	25,460	20,043
8 Blue Mountain, lands	Avison Young Commercial Real Estate (Ontario) Inc.	Direct Comparison Approach Method (3)	20,955	962

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

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 $1,045 ($13,891 in 2014).

(a) Transfer to property held for sale

See note 8 (d).

(b) Assets under finance lease

The net carrying amount of assets under finance lease included in Investment Properties is $Nil ($Nil - 2014).

(c) Charges

See note 21 (c).

(in thousands of Canadian Dollars)

SKYLINE
DESTINATION COMMUNITIES

11 PROPERTY, PLANT AND EQUIPMENT

	Resort lands & buildings	Hotel Land	Hotel Buildings & improvements	Furniture & equipment	Total
			For the year ended December 31, 2015 (Audited)		
Gross carrying amount as at the beginning of the year	85,003	1,149	38,021	40,030	164,203
Accumulated depreciation as at the beginning of the year	(3,440)	--	(11,492)	(16,614)	(31,546)
Acquisitions (a)	--	--	33,401	--	33,401
Expenditures subsequent to acquisitions	3,049	--	288	367	3,704
Foreign Exchange translation	--	--	9,509	--	9,509
Transfer to property held for sale (c)	--	--	(18,734)	--	(18,734)
Disposal	--	(1,149)	(8,027)	--	(9,176)
Depreciation	(692)	--	(722)	(3,896)	(5,310)
Balance as at the end of the year	83,920	--	42,244	19,887	146,051
Balance as at the end of the year:					
For items measured at fair value	--	--	--	--	--
For items measured at cost	83,920	--	42,244	19,887	146,051

	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

(in thousands of Canadian Dollars)

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Acquisitions

December 31, 2015

Renaissance Hotel, Cleveland, Ohio, USA

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

As per IFRS 3, the Company recorded a gain from bargain purchase in the amount of $8,274 before tax and $5,446 net of tax.

December 31, 2014

Bear Valley Resort, California, USA

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.

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. Given the closing of the transaction was close to December 31, 2014, and the requirement to assess the value of the liability based on the limited information, the company used provisional numbers as related to the determination of the total consideration of $7,198 and a corresponding provisional liability of $2,860, which were subsequently reviewed after more reliable information became available and no changes were made, as per IFRS 3.45. Actual net cash paid amounted to $2,672. The provisional liability is amortized on straight-line basis over 10 years.

(b) Assets under finance lease

The net carrying amount of assets under finance lease, which are included in Furniture & Equipment as of December 31, 2015 is $1,499 ($1,830 in December 31, 2014).

(c) Held for Sale and Sold

During 2015 Pantages and Cosmopolitan Hotels, located in Downtown Toronto, were classified as property held for sale, in accordance with IFRS 5. On July 8, 2015, the Company successfully completed the agreement of purchase and sale to sell its real estate holdings of the Cosmopolitan Hotel located in downtown Toronto to an arm's length third party for a total consideration of $12,950. The Company recognized $3,219 in the statements of income in addition to the revaluation income of $1,962 (before taxes) that were recorded in the other comprehensive income. (see also note 9)

(d) The tables summarize the details of Valuations of major items of Property, Plant and Equipment (in 2015 the Cosmopolitan Hotel was sold and the Pantages Hotel was classified as property held for sale):

	Property	December 31, 2014 (Audited)			
		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 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.

(in thousands of Canadian Dollars)

11 PROPERTY, PLANT AND EQUIPMENT (continued)

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

Following the business combination with the acquisition of Renaissance Hotel operations , certain carrying amounts of items of Property, Plant and Equipment were recognized at their fair market value , as required by IFRS 3. The major assumptions in the fair value determination are as following:

Property	Appraised value	Reported net book value as for December 31, 2015	Appraisal date	Input Level	Basis of Valuation	Major inputs/projections used in fair value measurement
Renaissance Hotel and Parking garage, Cleveland, Ohio, USA	$ 35,154	$ 34,943	July, 2015	Level 3	Discounted Cash Flow using the Income Capitalization Approach and sales comparison approch	The stabilized annual NOI* is 6 million USD Discount rate of: 15% Stabilized occupancy rate: 60% Capitalization rate: 10.00% Number of stabilized room inventory after completion of renovation: 491

* NOI is defined as Profit from Operations before Depreciation. The Company management believes that there was no significant change in the value of these assets from the date of valuation.

(f) 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)

12 OTHER ASSETS

	December 31, 2015 (Audited)	December 31, 2014 (Audited)
Deferred financing and leasing expenses	283	290
Long-term deposit	423	335
Accumulated depreciation of deferred expenses	(193)	(259)
	513	366

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 not deductible to the payer. According to the FAPI (Foreign Accrual Property Income) rules, a Canadian resident company may be liable for tax in Canada on undistributed passive income of a foreign affiliate company, but can receive relief for foreign tax imposed on this income. Generally, dividends paid by a Canadian resident company to a foreign resident are subject to withholding tax of 25%. Reduced withholding tax rates may apply under the relevant tax treaty (if applicable). 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	Carry forward Losses	Depreciation temporary differences	Other	Total
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	--	15	--	--		15
Amounts carried to income statement	(3,729)	12	1,742	349	200	(1,426)
Balance as of December 31, 2014	(20,190)	(1,857)	13,394	(12,363)	233	(20,783)
Carried to foreign currency translation reserve	--	--	252	(1,783)		(1,531)
Amounts carried to other comprehensive income	--	(32)	--	--		(32)
Amounts carried to income statement	(480)	956	(544)	(5,231)	61	(5,238)
Balance as of December 31, 2015	(20,670)	(933)	13,102	(19,377)	294	(27,584)

The deferred taxes are calculated at tax rates ranging between 12.50% and 39.83% - see note d below. The realization of deferred tax assets is dependent on the existence of sufficient taxable income in the subsequent years.

(in thousands of Canadian Dollars)

13 DEFERRED TAX (continued)

Deferred taxes are presented as follows

	December 31, 2015 (Audited)	December 31, 2014 (Audited)
Within non-current assets	10,032	10,908
Within non-current liabilities	(37,616)	(31,691)
	(27,584)	(20,783)

(d) Tax rates

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

Non-capital profit tax rates	2015	2014
Ontario	26.50%	26.50%
Ohio, USA	34.10%	34.10%
California, USA:	39.83%	39.83%
Alberta	26.00%	25.00%
Capital gain tax rates		
Ontario	13.25%	13.25%
Ohio, USA	34.10%	34.10%
California, USA:	39.83%	39.83%
Alberta	13.00%	12.50%

(e) Non-capital losses

The Company has non-capital losses carried forward for US and Canadian tax purposes of $48,949 as at December 31, 2015, which expire at various dates extending to December 31, 2035 (December 31, 2014 - $50,559).

14 AVAILABLE FOR SALE INVESTMENTS

The Company's 9.07% investment in the King Edward Hotel was classified as "Available for Sale" in August 2013 and measured at fair market value as per IAS 39. On October 29, 2015 the Company sold its stake (9.07%) in King Edward Realty Inc., which owns the King Edward Hotel in downtown Toronto, Ontario, Canada for a total consideration of $5,164 and as a result recorded a gain of $550 (before taxes). There is no mortgage or loan associated with that investment.

15 LOANS PAYABLE

	December 31, 2015 (Audited)	December 31, 2014 (Audited)
Short term loans	9,282	510
Current maturities of long term loans	37,314	7,174
	46,596	7,684

See note 17 for further details.

16 OTHER PAYABLES AND CREDIT BALANCES

		December 31, (Audited) 2015	December 31, (Audited) 2014
Provision for completion costs		1,113	1,281
Government institutions		439	729
Deferred revenue		56	--
Employees and payroll institutions		2,554	1,675
Due to hotel unit owners		273	335
Due to related parties	see note 18	1,237	1,199
Accrued expenses		7,970	3,891
Other		1,020	945
		14,662	10,055

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)

17 LOANS PAYABLE

The management decided to amend the way of presentation of the note, as it believes that the way it was previously presented did not contribute to the financial statements reader.

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

As of December 31, 2015

	Annual interest rate	Balance	Balance less current maturities (1)
Loan from financing institution in Canadian dollar (*)	5.24%	84,780	27,155
US dollar loan from financing institution in CAD (**)	5.84%	21,715	21,111
US dollar loan in CAD from the Partner in Renaissance (***)	6.00%	20,414	20,414
Finance lease	4.75-9%	1,499	768
		128,408	69,448
Deferred financing cost			(1,174)
Loans payable non-current			68,274

(1) Current maturities include loan balances for properties held for sale
(*) Annual weighted average interest rate as for December 31, 2015. The interest rate is mainly variable
(**) Annual weighted average interest rate as for December 31, 2015. The interest rate is fixed
(***) Annual interest rate as for December 31, 2015. The interest rate is fixed

The Prime rate in Canada, as of December 31, 2015 is 2.7%

As of December 31, 2014

	Annual interest rate	Balance	Balance less current maturities
Loan from financing institution in Canadian dollar (*)	5.49%	80,405	73,803
US dollar loan from financing institution in CAD (**)	5.87%	18,652	18,202
Finance lease	4.75-8.8%	1,831	1,199
		100,888	93,204
Deferred financing cost			(1,391)
Loans payable non-current			91,813

(*) Annual weighted average interest rate as for December 31, 2014. The interest rate is mainly variable
(**) Annual weighted average interest rate as for December 31, 2014. The interest rate is fixed

The Prime rate in Canada, as of December 31, 2014 is 3%

(in thousands of Canadian Dollars)

17 LOANS PAYABLE (continued)

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

Period ending December 31,	2016	58,960
	2017	28,129
	2018	20,126
	2019	3,894
	2020	1,079
	2021 and Thereafter	15,046
		127,234

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

The amount of $102,927 of the loans are secured by charges registered to the Company's assets totaling $335,911. $93,158 of the assets are measured at fair value, $209,862 are measured at cost and $32,891 are held for sale and measured as per IFRS 5.

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

(e) Line of Credit

The Company has a line of Credit in place that was renewed in December 2014 at $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. As of December 31, 2015 the undrawn facility available was $11,300.

(f) Lakeside Lodge Financing:

The Company secured a $30,000 construction financing facility for a construction of a condominium project at Deerhurst Resort. The loan is conditional to achievement of certain milestones including, among other, sales in an amount of at least $26,779 and 15% of the gross purchase price deposits.

(g) Renaissance:

Loan in the amount of $14,750 US ($20,414 CAD), from Company's Partner in the Renaissance Hotel Cleveland is unsecured and bears an fixed rate interest of 6%. This loan is expected to be replaced with a loan from a financial institution. (see note 39)

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

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

(i) 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, 2015 the Company was in compliance with these covenants, having a LtV ratio of 0.28 and DSCR ratio of 7.57. The loan will mature in April 2016, therefore the Company classified it to current liabilities. The Company approached several banking institution for refinancing the loan. See note 39(d).

(j) Blue Mountain Retail

On April 15, 2013, the Company completed the partial acquisition of the retail complex at the Blue Mountain Village (see note 10a). 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, 2015, the property had a DSCR of 1.44.

(k) 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, 2015 is 3.52).

(l) In November 2013, the Company secured construction financing with one of its financiers at Horseshoe in the amount of $12,300. As for December 31, 2015 the Company used $7,383.

(m) As at December 31, 2015 the Company was compliant with its covenant obligations, including maintaining capital and financing profitability ratios.

SKYLINE INTERNATIONAL DEVELOPMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian Dollars)

18 RELATED PARTIES

(a) Liabilities	Interest rate	December 31, 2015	2014
		(Audited)	(Audited)
Loans from shareholders of the parent company	4%	6,498	12,110
Interest accrued on the loans to above related parties		241	5,865
Less - current portion		(6,739)	(11,616)
Long term liabilities		--	6,359
Bonus and salary due to a shareholder of a parent company and director - see note 16		1,273	1,436
Payments on account of loans, see note 16		--	(96)
Other current balance, see note 16		(36)	(141)
Current portion of loans from shareholders		6,739	11,616
Short term liabilities		7,976	12,815
		7,976	19,174
Loans from key person included in the above	4%	143	252

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

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

In 2015, the Company repaid $11,600 of the loans from shareholders (in 2014, $531).

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

(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, 2015	2014	2013
	(Audited)	(Audited)	(Audited)
Compensation, bonus and benefits.	1,286	211	1,535
Employee stock option expense recognized on conditionally granted options. See note 20 (g) for additional details.	54	(221)	408
Management fee earned from the President (see (e) below)	-	17	45

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

SKYLINE INTERNATIONAL DEVELOPMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(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**	2015	2014
		(Audited)	(Audited)
Financial assets at fair value through profit or loss			
Cash and cash equivalents	Level 1	14,204	14,942
Financial Assets Available for Sale			
Available for Sale Investments	Level 2	--	4,614
Loans and receivables			
Trade receivables	Level 2	4,555	4,319
Other receivables	Level 2	6,416	4,760
Restricted bank deposits	Level 1	6,392	4,574
		31,567	33,209
Held-to-maturity investments			
Long-term deposit	Level 2	423	335
		31,990	33,544
Financial liabilities			
Financial liabilities measured at amortized cost:			
Current:			
Loans payable	Level 2	46,596	7,684
Loans payable on property held for sale	Level 2	12,364	--
Loans payable to related parties	Level 2	6,739	11,616
Trade payables	Level 2	9,551	5,458
Other payables and credit balances	Level 2	14,662	10,055
Purchasers' Deposits	Level 2	6,379	3,902
		96,291	38,715
Non-current:			
Loans payable	Level 2	68,274	91,813
Loans payable to related parties	Level 2	--	6,359
Other liabilities	Level 2	3,030	3,177
		71,304	101,349
		167,595	140,064

(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,	
	2015	2014	2015	2014
	(Audited)	(Audited)	(Audited)	(Audited)
Loans payable	128,763	89,523	127,234	99,497
Loans payable to related parties	6,739	17,975	6,739	17,975
	135,502	107,498	133,973	117,472

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

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

The economic and market conditions, existing at December 2015, 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.

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 2015 and 2014 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.

<u>Fair value of other financial assets and liabilities</u>
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 2014 (see note 20c).

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

(b) Issued and Paid-in

		For the years ended December 31, 2015 (Audited)	2014 (Audited)
16,531,360 common shares at December 31, 2015 (2014 - 16,523,620)		--	--
		--	--
Share Capital	(c) - (f)	77,900	77,182
		77,900	77,182
Equity settled service reserve	see (g) below	874	1,538

(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.

(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.

(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) Employees' Stock Options

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	6,170	6,960	530,970
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	Weighted Average Exercise Price
Beginning Balance December 31, 2014	102,460	6,170	6,960	530,970	646,560	$ 12.68
Forfeited during the year	-	-	-	-	-	$ (12.94)
Exercised during the year	-	(3,100)	(4,640)	-	(7,740)	$ 0.001
Expired during the year	(102,460)	-	-	(163,320)	(265,780)	-
Outstanding options at December 31, 2015	**-**	**3,070**	**2,320**	**367,650**	**373,040**	12.75

** 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)

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

On January 23, 2015 one of the Company's employees exercised 3,100 options and was issued 3,100 common shares (The price of the Company's share on the exercise date was $6.89 dollars per share). On March 1, 2015 one of the Company's employees exercised 2,320 options and was issued 2,320 common shares (The price of the Company's share on the exercise date was $7.13 dollars per share). On April 16, 2015 one of the Company's employees exercised 2,320 options and was issued 2,320 common shares (The price of the Company's share on the exercise date was $7.01 dollars per share). As for December 31, 2015 the amount of outstanding options is 373,040.

The Company recognized $54 service costs which are included in administrative and general expenses. (an income of $165 - 2014 and an expense of $631 recorded in 2013).

Expiration of Options

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

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

(h) Non-controlling Interest

Skyline Blue Mountain Village Inc., Collingwood Ontario ("SBMV")

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

Summarized financial information	2015 (Audited)	2014 (Audited)
Assets	51,771	48,866
Liabilities	30,781	29,901
Net Income	1,946	6,267
Cash flow from operations	2,218	488
Cash flow from Investing activities	(528)	25
Cash flow from financing activities	9	134

Skyline Cleveland Renaissance, LLC, Ohio, USA ("SCRL")

The proportion of ownership by NCI is 50%.

Summarized financial information	2015 (Audited)	2014 (Audited)
Assets	39,799	--
Liabilities	33,992	--
Net Income	5,368	--
Cash flow from operations	531	--
Cash flow from Investing activities	(24,225)	--
Cash flow from financing activities	19,393	--

The current profit allocation to NCI is $3,426 and accumulated NCI at the end of the year is $11,014 for both SBMV and SCRL see note 38.

(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:

2016	304
2017	342
2018	320
Thereafter	16
	982

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

(b) 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 a company under his control is entitled to an annual compensation in the amount of $350 CAD and an annual bonus performance driven up to a maximum amount of $375 CAD.
b) An annual compensation to the president or a company under his control for the years 2015, 2014 and 2013 in the amount of $300 CAD was also approved as well as bonuses for the year 2013 in the amount of $75 CAD, respectively . As a result of that approval, the company recorded in 2014 a reduction of $814 CAD in the administrative and general expenses due to the elimination of provisions previously recorded. The payment of these amounts is pending approval of the Company's Compensation committee.

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. The claim that totaled to $1,861 on October 28, 2015 was dismissed without costs. See note 39a.

(e) Letters of Guarantee

The company has various letters of guarantee approximating $2,970 as of December 31, 2015 ($2,356 - 2014).

SKYLINE INTERNATIONAL DEVELOPMENT INC.
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22 INCOME FROM INVESTMENT PROPERTIES

	For the years ended December 31,		
	2015 (Audited)	2014 (Audited)	2013 (Audited)
Basic Rent	2,702	2,369	1,984
Other	836	814	378
	3,538	3,183	2,362

23 HOSPITALITY INCOME

	For the years ended December 31,		
	2015 (Audited)	2014 (Audited)	2013 (Audited)
Room Revenue	38,608	31,580	32,952
Food & beverage revenue	24,181	20,709	21,384
Ski Revenue	12,900	8,164	6,889
Other Hospitality Revenue	11,481	10,648	10,951
	87,170	71,101	72,176

24 OPERATING EXPENSES OF INVESTMENT PROPERTIES

	For the years ended December 31,		
	2015 (Audited)	2014 (Audited)	2013 (Audited)
Operating expenses	1,019	949	682
Non-recovered expenses of investment properties	7	9	100
Property tax	303	298	223
	1,329	1,256	1,005

(in thousands of Canadian Dollars)

25 HOSPITALITY OPERATING EXPENSES

	For the years ended December 31,		
	2015	2014	2013
	(Audited)	(Audited)	(Audited)
Room department	12,028	11,395	12,068
Cost of food & beverage	17,459	14,099	15,721
Resort administrative and general expenses	9,512	7,347	8,506
Resort marketing and sales	6,235	5,258	6,348
Resort maintenance and repairs	5,550	4,126	5,054
Cost of Ski services	5,362	3,551	3,331
Cost of Golf services	1,972	2,162	2,352
Cost of Property tax, utilities, and Insurance	8,494	7,480	6,209
Other	7,562	6,793	7,715
	74,174	62,211	67,304

26 COST OF SALE OF RESIDENTIAL CONDOS AND LOTS

	For the years ended December 31,		
	2015	2014	2013
	(Audited)	(Audited)	(Audited)
Cost of sale of condominiums	--	207	7,221
Cost of sale Development projects	150	2,853	5,313
Revaluation component included in cost of sale	114	1,145	2,159
	264	3,998	7,472
	264	4,205	14,693

27 DEPRECIATION

See note 2 Significant Accounting Policies under "Property, Plant and Equipment"
Depreciation expense includes depreciation of the Company's items of property plant and equipment.
In 2014, the Company reassessed the remainder of the useful life of its major resort assets, this reassessment increased the useful life of major assets and as a result of that reduced amortization expenses. This change will be accounted for on a prospective basis.

28 ADMINISTRATIVE AND GENERAL EXPENSES

		For the years ended December 31,		
		2015	2014	2013
		(Audited)	(Audited)	(Audited)
Salaries		1,135	979	1,108
Recognition of Share-based payment	Note 20 (g)	54	(165)	631
Compensation, benefits and bonus to key management personnel		1,286	211	1,535
Office Rent and Insurance		293	529	699
Legal, audit and consulting		1,186	1,413	1,587
Communication, Computer support and office		411	383	411
Depreciation of property, plant and equipment		34	40	82
		4,399	3,390	6,053

In 2015 office rent includes $168 of operating lease payments recognised as an expense ($442 - 2014).

29 SHARE-BASED PAYMENT

During 2015 the Company recognized an expense of $54 in share-based compensation, see notes 20 and 28. During 2014 and 2013 the company recognized a gain of $165 and a loss of $631 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	2015	2014	2013
	(Audited)	(Audited)	(Audited)
Interest on long-term loans	6,111	5,874	6,655
Amortization of deferred financing charges	479	368	239
Interest on short-term loans	347	161	189
Bank charges	145	152	95
Total expenses	7,082	6,555	7,178
Income	(33)	(180)	(566)
Included in financial expense (income) are balances related to:			
Related parties	363	484	1,144

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,		
	2015	2014	2013
	(Audited)	(Audited)	(Audited)
Ontario:	26.5%	26.5%	26.5%
Alberta:	26.0%	25.0%	25.0%
Ohio, USA:	34.1%	34.1%	34.1%
California, USA:	39.8%	39.8%	--

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

Current Income Tax	(53)	198	1,016
Deferred Income tax	5,238	1,426	1,671
Prior year taxes (recovery) and refunds	(445)	(74)	(585)
	4,740	1,550	2,102

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

Profit before income taxes	12,835	5,746	10,041
Ontario Statutory tax rate	26.5%	26.5%	26.5%
Tax calculated using statutory tax rate	3,401	1,523	2,661
Increase (decrease) in taxes resulting from:			
Prior year taxes	(36)	(74)	(585)
Changes in tax rates	--	--	13
Difference in tax rate applicable to income of foreign subsidiaries	773	31	30
Allowance for tax loss non recoverability	725	--	--
Difference in tax rate applicable on capital gain	(143)	--	(137)
Difference in tax rate on fair value adjustments	19	14	9
Non-Deductible expense (recovery)	21	(38)	178
Other	(20)	94	(67)
Income tax expense	4,740	1,550	2,102

(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 subsidiaries that are not wholly owned:

	For the years ended December 31, 2015 (Audited)	2014 (Audited)
Balance sheets		
Current assets	190	1,997
Non-current assets	58	510
	248	2,507
Current liabilities	87	87
Non-current liabilities	--	601
	87	688

	For the years ended December 31, 2015 (Audited)	2014 (Audited)	2013 (Audited)
Income statements			
Revenue	--	180	10,933
Expenses	(86)	(427)	(9,339)
Earnings (loss) from operations	(86)	(247)	1,594
Statements of cash flows			
Cash flows resulting from (used in):			
Operating activities	86	247	(4,032)
Financing activities	--	--	79

See note 38 for a full list of co-ownership interests

(in thousands of Canadian Dollars)

33 EMPLOYEE BENEFITS

Employee benefits included in the functional expenses reported in notes 24 and 25 amount to $4,676 for the year ended December 31, 2015 ($3,720 - 2014 and $4,936 - 2013)

	For the years ended December 31,		
Wages, Salaries and benefits included in:	2015	2014	2013
	(Audited)	(Audited)	(Audited)
Hospitality operating expenses	33,454	30,648	33,061
Development periodic costs	319	220	827
Timeshare expenses	448	2,209	677
Administrative and general expenses	2,421	1,190	2,643
	36,642	34,267	37,208

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, foreign exchange 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, 2015 and 2014, 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, 2015, 57% (2014: 52%) 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, 2015 (2014: +/- 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, 2015	409	(409)	409	(409)
Year ended December 31, 2014	362	(362)	362	(362)

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, 2015, this amount is limited to $31,491

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,	
	2015 (Audited)	2014 (Audited)
Cash and cash equivalents	14,204	14,942
Trade receivables	4,555	4,319
Other receivables	6,416	4,760
Restricted bank deposits	6,392	4,574
Long-term deposit	423	335
	31,990	28,930

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, 2015 ($ Nil - 2014).

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, 2015, the Company's liabilities have contractual maturities as summarized below:

	Current	year 2	year 3	year 4	year 5	6 years & later
Loans payable	58,960	28,129	20,126	3,894	1,079	15,046
Trade payables	9,551	--	--	--	--	--
Other payables and credit balances	14,662	--	--	--	--	--
Purchasers' Deposits	6,379	--	--	--	--	--
Loans payable to related parties	6,739	--	--	--	--	--
Interest on loans payable	4,203	2,676	1,985	1,322	1,241	2,584
Interest on loans payable to related parties	130	--	--	--	--	--
Other liabilities	--	--	3,030	--	--	--
	100,624	30,805	25,141	5,216	2,320	17,630

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, 2015, $41,757, or 31.2%, (2014: $18,215 , or 15.3%,) of the Company's indebtedness for borrowed money was denominated in US dollars.

SKYLINE INTERNATIONAL DEVELOPMENT INC.
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34 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

(in thousands of Canadian Dollars)

34 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

	December 31, 2014		
	Canada	USA	Total
	(Audited)	(Audited)	(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

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in exchange rate of +/- 5% at December 31, 2015 (2014: +/- 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, 2015		December 31, 2014	
	(Audited)		(Audited)	
	+5%	**-5%**	**+5%**	**-5%**
Assets	650	(650)	322	(322)
Liabilities	(2,689)	2,689	(1,209)	1,209
Equity	(2,039)	2,039	(887)	887
Profit for the year	(1,346)	1,346	(586)	586
Loans from financial institutions	2,106	(2,106)	933	(933)

SKYLINE INTERNATIONAL DEVELOPMENT INC.
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34 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	December 31, 2015 (Audited)		
	Within twelve months	More than twelve months	Total
Assets:			
Cash and cash equivalents	14,204	-	14,204
Trade receivables	4,555	-	4,555
Other receivables	2,713	3,703	6,416
Prepayments	1,903	-	1,903
Inventories	23,527	42,216	65,743
Restricted bank deposits	4,149	2,243	6,392
Property held for sale	32,891	-	32,891
Investment properties	-	93,158	93,158
Property, plant and equipment	-	146,051	146,051
Other assets	-	513	513
Deferred tax	-	10,032	10,032
Total Assets	83,942	297,916	381,858
Liabilities:			
Loans payable	46,596	-	46,596
Loans payable on property held for sale	12,364	-	12,364
Loans payable to related parties	6,739	-	6,739
Trade payables	9,551	-	9,551
Other payables and credit balances	14,662	-	14,662
Deferred revenue	6,752	-	6,752
Income taxes payable	111	-	111
Purchasers' Deposits	2,676	3,703	6,379
Loans payable	-	68,274	68,274
Other liabilities	-	3,030	3,030
Deferred tax	-	37,616	37,616
Total Liabilities	99,451	112,623	212,074
Total assets, net of total liabilities	(15,509)	185,293	169,784

(in thousands of Canadian Dollars)

34 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

	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

f) Capital Management Policies and Procedures

The Company' s capital management objectives are:

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

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

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

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

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

	December 31, 2015 (Audited)	2014 (Audited)
Shareholders' equity	158,551	150,387
Loans payable to related parties	6,739	17,975
Cash and cash equivalents	(14,204)	(14,942)
Capital	151,086	153,420
Loans payable	127,234	99,497
Overall Financing	278,320	252,917
Loan to overall financing ratio	46%	39%

(in thousands of Canadian Dollars)

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.

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

Development and investment properties segments: Effective 2015, the management of the company manages the lands, regardless of their accounting classification, as one operating segment. Therefore, chief operation decision maker decided to review and analyze the all the lands (both accounted for IAS 40 and IAS 2) under the development segment.

(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 including lands accounted as per IAS 40.
3. Hospitality Canada -	Includes the acquisition, ownership, management and sale of hotels, portion of hotels and extended stay operations in Canada.
4. Hospitality USA -	Includes the acquisition, ownership, management and sale of hotels, portion of hotels and extended stay operations in USA.
5. Other -	Other

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

For the year ended December 31, 2015
(Audited)

	Investment properties	Development	Hospitality Canada	Hospitality USA	Other	Total
REVENUE						
Sale of residential houses and lots	--	276	--	--	--	276
Income from investment properties	3,538	--	--	--	--	3,538
Hospitality income	--	--	54,227	32,943	--	87,170
Property management fees	--	--	365	--	--	365
Commissions and fees	22	--	4,598	--	--	4,620
Timeshare income	--	--	--	--	694	694
	3,560	276	59,190	32,943	694	96,663
EXPENSES AND COSTS						
Operating expenses of investment properties	1,329	--	--	--	--	1,329
Hospitality operating expenses	--	--	45,673	28,500	--	74,173
Timeshare expenses	--	--	--	--	901	901
Cost of sale of residential condos and lots	--	264	--	--	--	264
Development periodic costs	--	1,051	--	--	--	1,051
Depreciation	--	70	3,409	1,745	102	5,326
	1,329	1,385	49,082	30,245	1,003	83,044
SEGMENTED RESULTS	**2,231**	**(1,109)**	**10,108**	**2,698**	**(309)**	**13,619**
Gain from fair value adjustments	(491)	(554)	--	--		**(1,045)**
Selling and marketing expenses						**1,863**
Administrative and general expenses						**4,399**
Financial expense						**7,082**
Financial income						**(33)**
Other expense						**560**
Gain on bargain purchase						**(8,274)**
Gain on sale of investment						**(3,768)**
Profit before income taxes						**12,835**

As at December 31, 2015
(Audited)

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

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35 SEGMENTED INFORMATION (continued).

For the year ended December 31, 2014
(Audited)

	Investment properties *)	Development *)	Hospitality Canada *)	Hospitality USA *)	Other	Total
REVENUE						
Sale of condominiums	--	185	--	--	--	185
Sale of residential houses and lots	--	3,914	--	--	--	3,914
Income from investment properties	3,183	--	--	--	--	3,183
Hospitality income	--	--	55,180	15,921	--	71,101
Property management fees	42	--	301	--	--	343
Timeshare income	--	--	--	--	1,474	1,474
Other revenue	125	--	--	--	--	125
	3,350	4,099	55,481	15,921	1,474	80,325
EXPENSES AND COSTS						
Cost of sale of condominiums	--	207	--	--	--	207
Operating expenses of investment properties	1,256	--	--	--	--	1,256
Hospitality operating expenses	--	--	50,006	12,205	--	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	4,162	942	149	5,410
	1,256	5,409	54,168	13,147	1,513	75,493
SEGMENTED RESULTS	**2,094**	**(1,310)**	**1,313**	**2,774**	**(39)**	**4,832**
*) Gain from fair value adjustments	(2,460)	(11,431)	--	--	--	**(13,891)**
Selling and marketing expenses						**3,212**
Administrative and general expenses						**3,390**
Financial expense						**6,555**
Financial income						**(180)**
Profit before income taxes						**5,746**

As at December 31, 2014
(Audited)

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

*) Reclassified

SKYLINE INTERNATIONAL DEVELOPMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian Dollars)

35 SEGMENTED INFORMATION (continued)

	For the year ended December 31, 2013 (Audited)					
	Investment properties *)	Development *)	Hospitality Canada *)	Hospitality USA *)	Other	Total
REVENUE						
Sale of condominiums	--	9,269	--	--	--	9,269
Sale of residential houses and lots	--	6,657	--	--	--	6,657
Income from investment properties	2,362	--	--	--	--	2,362
Hospitality income	--	--	58,203	13,973	--	72,176
Property management fees	--	--	1,032	--	--	1,032
Timeshare expenses	--	--	--	--	45	45
Other revenue	39	2	--	--	--	41
	2,401	15,928	59,235	13,973	45	91,582
EXPENSES AND COSTS						
Cost of sale of condominiums	--	7,221	--	--	--	7,221
Operating expenses of investment properties	1,005	--	--	--	--	1,005
Hospitality operating expenses	--	--	56,343	10,961	--	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	3,904	1,079	44	5,303
	1,005	16,675	60,247	12,040	77	90,044
SEGMENTED RESULTS	**1,396**	**(747)**	**(1,012)**	**1,933**	**(32)**	**1,538**
*) Gain from fair value adjustments	(2,975)	(18,592)	--	--	--	**(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 on sale of investment						**(1,155)**
Profit before income taxes						**10,041**

	As at December 31, 2013 (Audited)					
	Investment properties *)	Development *)	Hospitality Canada *)	Hospitality USA *)	Other	Total
Assets	27,931	117,073	114,899	35,108	1,371	296,382
Liabilities	17,843	72,942	47,114	22,089	2,551	162,539
	10,088	**44,131**	**67,785**	**13,019**	**(1,180)**	**133,843**

*) Reclassified

(c) Timeshare Operations

During late 2013, the Company began developing a "time-share" operation marketed as Skyline Vacation Club through a newly incorporated subsidiary Skyline Vacation Ownership Corporation ("SVOC") so as to optimize the usage of the resort and hotel properties and services within the Group to the public. The SVOC is presented as part of Other.

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. The financial institution has limited recourse against SVC in case the buyers default on their loans.

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

(in thousands of Canadian Dollars)

36 SIGNIFICANT BUSINESS ACQUISITIONS

2015 Acquisitions

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

(b) The total consideration transferred included the following:

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

(c) Recognized as of the acquisition date, of assets acquired and liabilities assumed:

		$
	Property Plant & Equipment	33,401
	Investment Property	--
	Accounts receivable and other receivable	705
	Inventory	109
	Prepayments	85
	Accounts payables	(1,732)
	Deferred revenue	(67)
	Recognized excess of net fair value acquired over cost,net of tax	(5,446)
	Deferred taxes	(2,830)
	Cash used in acquisition of operation	**24,225**
less:	Cash & cash equivalents, assumed	--
	Net cash used in acquisition of operation	24,225

Property, plant and equipment includes the following:	$
Hotel Building, land and FF&E	24,300
Parking garage	9,101
	33,401

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

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

(in thousands of Canadian Dollars)

36 SIGNIFICANT BUSINESS ACQUISITIONS (continued)

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) Final amounts, recognized as of the acquisition date, of assets acquired and liabilities assumed:

		$
	Property, plant and 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

37 EARNINGS PER SHARE

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

	For the years ended December 31,		
	2015 (Audited)	2014 (Audited)	2013 (Audited)
Profit for the period attributable to Shareholders of the Company	4,669	1,689	2,858
Net earnings	4,669	1,689	2,858
Weighted number of common shares - basic	16,530,121	16,179,235	14,435,290
Weighted-average effect of dilutive			
Shareholder rights issuance		-	20,980
Employee stock option plan	6,629	15,305	71,350
Weighted-average number of common shares - diluted see note below	16,536,750	16,194,540	14,527,620
Net earnings per common share (in Canadian dollars):			
Basic	0.28	0.10	0.20
Diluted	0.28	0.10	0.20

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38 INVESTMENT IN SUBSIDIARIES

	Percentage of ownership December 31, 2015 (Audited)	2014	Incorporated in	Amounts given to (from) subsidiaries in the form of: loans	guarantees*	Net Investment, equity method
Consolidated (active)						
Skyline Hotels and Resorts Inc. ("SHR")	100%	100%	Canada	1,347	1,500	(1,938)
Skyline Horseshoe Valley Inc. ("SHV")	100%	100%	Canada	24,989	25,000	7,065
Skyline Utility Services Inc. ("SUS")	100%	100%	Canada	1,432	--	(621)
Skyline Properties Inc ("SPI")	100%	100%	Canada	--	--	460
Skyline Esplanade Corporation ("SEC")	100%	100%	Canada	3,970	30,000	(1,341)
Pantages Hotel Operations:				2,976		3,018
Skyline Executive Properties Inc ("SEPI")	100%	100%	Canada	--	8,982	--
2029861 Ontario Ltd. ("2029861")	100%	100%	Canada	--	4,000	--
Cosmopolitan Hotel Operations:				(2,185)		2,249
Skyline (Port McNicoll) Development Inc("Port")	100%	100%	Canada	22,510	13,000	17,328
Skylife Club Inc. ("SCI")	100%	100%	Canada	4,355	15,000	(1,026)
Skyline (Port McNicoll) Land Inc ("LPort")	100%	100%	Canada	1,555	500	1,858
Skyline Marine Inc ("SMI")	0%	100%	Canada	17	--	694
Skyline Deerhurst Resort Inc ("DHR")	100%	100%	Canada	4,717	12,000	14,185
Skyline Executive Acquisition Inc. ("SEAI")	100%	100%	Canada	605	5,800	4,883
Skyline Hospitality Technologies Inc. ("SHTI")	100%	100%	Canada	668	--	(100)
Skyline Cleveland Acquisitions Inc. ("SCAI")	100%	100%	USA	(4,993)	17,023	17,417
Skyline Cleveland Renaissance LLC. ("SCRL")	50%	0%	USA		--	5,807
Skyline Cleveland Renaissance Inc. ("SCRI")	100%	0%	USA	5,938		5,807
Skyline Bear Valley Inc ("SBVI")	100%	100%	USA	4,295	--	249
Skyline USA Inc. ("SUSA")	100%	100%	Canada	945	17,023	23,224
Skyline Blue Mountain Village Inc. ("SBMV")	60%	60%	Canada	(17,739)	18,400	(11,020)
Skyline Blue Mountain Retail Inc. ("SBMR")	60%	60%	Canada	20,103	--	5,212
Skyline Blue Mountain Development Inc. ("SBMD")	60%	60%	Canada	2,177	--	15,784
Skyline Vacation Ownership Club Inc. ("SVOC")	100%	100%	Canada	5,368	--	(5,384)
Investment available for sale						
King Edward Realty Inc. ("SKE")	0%	9%	Canada	(693)	--	626

* Other than guarantees of equipment leases, car leases or other such leases
The guarantee of $37,000 to the financial institution for the loan cross collateralized by Horseshoe Resort and Deerhurst Resort assets.

39 SUBSEQUENT EVENTS

(a) As of the date of approval of this financial statements, a number of claimants filed their appeal amounted to approximately 1 million CAD. Based on Company's legal advisors, the management believes that it is more likely than not the appeals will be rejected.

(b) On February 16, 2016, the Company's Board of Directors appointed Mr. Blake D. Lyon as a new CEO of the Company effective February 17, 2016, following the end of service term of Mr. Michael Sneyd. The appointment is subject to shareholders general meeting approval.

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

(d) In March 2016, a lender agreed to extend the remaining balance of a loan totalling $33,650 by six months, until the end of October 2016. See note 17 (i).

(e) All unexercised Series 1 Warrants expired, with no further rights to the holder thereof, on March 5, 2016. See note 20(c).

40 RECLASSIFICATION OF PREVIOUS YEAR FIGURES

Certain comparative figures for 2014 and 2013 have been reclassified, with respect to loans and segmented information (see notes 17 and 35).