

**SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIODS ENDED
June 30, 2015
and 2014
(UNAUDITED)**



DESTINATION COMMUNITIES

**SKYLINE INTERNATIONAL DEVELOPMENT INC.
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015 & 2014
(UNAUDITED)**

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SKYLINE INTERNATIONAL DEVELOPMENT INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

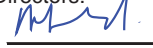
(in thousands of Canadian Dollars)


| | As at | | |
|--|-----------------------|-----------------------|-----------------------|
| | June 30, 2015 | June 30, 2014 | December 31, 2014 |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Audited)</i> |
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | 11,394 | 14,424 | 14,942 |
| Trade receivables | 3,538 | 5,011 | 4,319 |
| Other receivables | 7,444 | 4,290 | 4,760 |
| Prepayments | 1,415 | 1,158 | 827 |
| Inventories | 1,661 | 1,286 | 1,329 |
| Real estate inventory | 45,916 | 47,211 | 41,320 |
| Property held for sale | 43,997 | - | - |
| Restricted bank deposits | 3,562 | - | - |
| Total current assets | <u>118,927</u> | <u>73,380</u> | <u>67,497</u> |
| Non-current | | | |
| Restricted bank deposits | 2,707 | 3,040 | 4,574 |
| Real estate inventory | 8,804 | - | 8,804 |
| Investment properties | 92,383 | 96,763 | 105,944 |
| Property, plant and equipment, at cost | 107,053 | 94,448 | 104,451 |
| Property, plant and equipment, at fair value | -- | 28,254 | 28,206 |
| Other assets | 569 | 335 | 366 |
| Deferred tax | 11,693 | 10,965 | 10,908 |
| Available for Sale Investments, at fair market value | 4,614 | 3,669 | 4,614 |
| Total non-current assets | <u>227,823</u> | <u>237,474</u> | <u>267,867</u> |
| Total Assets | <u>346,750</u> | <u>310,854</u> | <u>335,364</u> |
| LIABILITIES AND EQUITY | | | |
| Current | | | |
| Loans payable | 39,772 | 11,317 | 7,684 |
| Loans payable on property held for sale | 15,571 | -- | -- |
| Loans payable to related parties | 9,608 | 11,701 | 11,616 |
| Trade payables | 5,812 | 6,092 | 5,458 |
| Other payables and credit balances | 8,575 | 8,930 | 10,055 |
| Deferred revenue | 6,823 | 6,612 | 5,598 |
| Income taxes payable | 76 | -- | 36 |
| Purchasers Deposits | 6,539 | 150 | 3,902 |
| Total current liabilities | <u>92,776</u> | <u>44,802</u> | <u>44,349</u> |
| Non-current | | | |
| Loans payable | 59,659 | 79,592 | 91,813 |
| Loans payable to related parties | -- | 6,359 | 6,359 |
| Other liabilities | 3,401 | 285 | 3,177 |
| Deferred tax | 32,664 | 29,104 | 31,691 |
| Total non-current liabilities | <u>95,724</u> | <u>115,340</u> | <u>133,040</u> |
| Total liabilities | <u>188,500</u> | <u>160,142</u> | <u>177,389</u> |
| Shareholders' Equity | | | |
| Share capital | 77,565 | 76,988 | 77,182 |
| Warrant Certificates | 519 | 519 | 519 |
| Revaluation surplus | 4,246 | 4,173 | 4,155 |
| Related Party Surplus | 125 | 125 | 125 |
| Equity settled service reserve | 1,184 | 1,452 | 1,538 |
| Foreign exchange translation | 3,180 | 766 | 1,859 |
| Retained earnings | 63,192 | 61,586 | 65,009 |
| Equity attributable to Shareholders of the Company | <u>150,011</u> | <u>145,609</u> | <u>150,387</u> |
| Non-controlling interest | 8,239 | 5,103 | 7,588 |
| Total Liabilities and Equity | <u>346,750</u> | <u>310,854</u> | <u>335,364</u> |

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

On Behalf of the Board of Directors:


Gil Blutrach
 Chairman


Michael Sneyd
 CEO


Vadim Shub
 CFO

August 12, 2015

Date

SKYLINE INTERNATIONAL DEVELOPMENT INC.
INTERIM CONSOLIDATED STATEMENTS OF INCOME

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

| | FOR THE THREE MONTHS ENDED | | FOR THE SIX MONTHS ENDED | | FOR THE YEAR ENDED |
|---|----------------------------|----------------|--------------------------|----------------|--------------------|
| | June 30, | | June 30, | | December 31, |
| | 2015 | 2014 | 2015 | 2014 | 2014 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| REVENUE | | | | | |
| Sale of condominiums | -- | -- | -- | 119 | 185 |
| Sale of residential condos and lots | -- | 2,873 | -- | 3,048 | 3,914 |
| Income from investment properties | 851 | 785 | 1,703 | 1,545 | 3,183 |
| Hospitality income | 16,964 | 14,708 | 40,188 | 31,896 | 71,101 |
| Property management fees | 32 | 26 | 93 | 43 | 343 |
| Timeshare income | 185 | 537 | 566 | 785 | 1,474 |
| Other revenue | -- | 1 | -- | 1 | 125 |
| | 18,032 | 18,930 | 42,550 | 37,437 | 80,325 |
| EXPENSES AND COSTS | | | | | |
| Cost of sale of condominiums | -- | -- | -- | 158 | 207 |
| Operating expenses of investment properties | 350 | 348 | 718 | 658 | 1,256 |
| Hospitality operating expenses | 15,629 | 14,325 | 35,250 | 29,899 | 62,211 |
| Timeshare expenses | 158 | 532 | 464 | 624 | 1,364 |
| Cost of sale of residential condos and lots | 10 | 2,877 | 13 | 3,011 | 3,998 |
| Development periodic costs | 311 | 694 | 555 | 827 | 1,047 |
| Depreciation | 1,214 | 1,460 | 2,506 | 2,949 | 5,410 |
| | 17,672 | 20,236 | 39,506 | 38,126 | 75,493 |
| GROSS PROFIT | | | | | |
| | 360 | (1,306) | 3,044 | (689) | 4,832 |
| Gain (Loss) from fair value adjustments | 2,211 | (3) | 2,152 | 5,087 | 13,891 |
| Selling and marketing expenses | 411 | 412 | 937 | 1,618 | 3,212 |
| Administrative and general expenses | 795 | 815 | 1,857 | 1,840 | 3,390 |
| PROFIT FROM OPERATIONS | | | | | |
| | 1,365 | (2,536) | 2,402 | 940 | 12,121 |
| Financial expense | 1,871 | 1,545 | 3,641 | 3,376 | 6,555 |
| Financial income | -- | (35) | (17) | (38) | (180) |
| PROFIT BEFORE INCOME TAXES | | | | | |
| | (506) | (4,046) | (1,222) | (2,398) | 5,746 |
| Income tax expense | (150) | (1,004) | (56) | (686) | 1,550 |
| PROFIT FOR THE PERIOD | | | | | |
| | (356) | (3,042) | (1,166) | (1,712) | 4,196 |
| Attributable to: | | | | | |
| Shareholders of the Company | (1,015) | (3,059) | (1,817) | (1,734) | 1,689 |
| Non-controlling interest | 659 | 17 | 651 | 22 | 2,507 |
| | (356) | (3,042) | (1,166) | (1,712) | 4,196 |
| BASIC EARNINGS PER SHARE | | | | | |
| | (0.06) | (0.19) | (0.11) | (0.10) | 0.10 |
| DILUTED EARNINGS PER SHARE | | | | | |
| | (0.06) | (0.19) | (0.11) | (0.10) | 0.10 |

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

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

| | FOR THE THREE MONTHS ENDED | | FOR THE SIX MONTHS ENDED | | FOR THE |
|---|----------------------------|-------------|--------------------------|-------------|------------|
| | June 30, | | June 30, | | YEAR ENDED |
| | 2015 | 2014 | 2015 | 2014 | Dec 31, |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | 2014 |
| | | | | | (Audited) |
| PROFIT FOR THE PERIOD | (356) | (3,042) | (1,166) | (1,712) | 4,196 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Revaluation surplus of property, plant and equipment, before income taxes | 127 | (13) | 123 | (25) | (53) |
| Income taxes | (33) | 3 | (32) | 6 | 16 |
| Items that will or may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences on translation of foreign operations | (153) | (252) | 1,321 | (87) | 1,006 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD net of taxes | (59) | (262) | 1,412 | (106) | 969 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, net of taxes | (415) | (3,304) | 246 | (1,818) | 5,165 |
| Attributable to: | | | | | |
| Non-controlling interest | 659 | 17 | 651 | 22 | 2,507 |
| Shareholders of the Company | (1,074) | (3,321) | (405) | (1,840) | 2,658 |
| | (415) | (3,304) | 246 | (1,818) | 5,165 |

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

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

(in thousands of Canadian Dollars)

| | Share Capital | Warrant Certificates | Re-valuation Surplus | Equity Settled Service Reserve | Related Party Surplus | Foreign Exchange translation | Retained Earnings | Total shareholders' equity | Non-controlling Interest | Total |
|---|---------------|----------------------|----------------------|--------------------------------|-----------------------|------------------------------|-------------------|----------------------------|--------------------------|----------------|
| FOR THE THREE MONTHS ENDED June 30, 2015 | | | | | | | | | | |
| <i>(Unaudited)</i> | | | | | | | | | | |
| Balance at the beginning of the period | 77,565 | 519 | 4,152 | 1,171 | 125 | 3,333 | 64,207 | 151,072 | 7,580 | 158,652 |
| Loss for the period | -- | -- | -- | -- | -- | -- | (1,015) | (1,015) | 659 | (356) |
| Other comprehensive income (loss) for the period | -- | -- | 94 | -- | -- | (153) | -- | (59) | -- | (59) |
| Total comprehensive Income (loss) for the period | -- | -- | 94 | -- | -- | (153) | (1,015) | (1,074) | 659 | (415) |
| Recognition of Share-based payment | -- | -- | -- | 13 | -- | -- | -- | 13 | -- | 13 |
| Balance at the end of the period | <u>77,565</u> | <u>519</u> | <u>4,246</u> | <u>1,184</u> | <u>125</u> | <u>3,180</u> | <u>63,192</u> | <u>150,011</u> | <u>8,239</u> | <u>158,250</u> |
| FOR THE THREE MONTHS ENDED June 30, 2014 | | | | | | | | | | |
| <i>(Unaudited)</i> | | | | | | | | | | |
| Balance at the beginning of the period | 77,260 | 527 | 4,183 | 1,779 | 125 | 1,018 | 64,645 | 149,537 | 5,086 | 154,623 |
| Issuance of new shares | (272) | (8) | -- | -- | -- | -- | -- | (280) | -- | (280) |
| Loss for the period | -- | -- | -- | -- | -- | -- | (3,059) | (3,059) | 17 | (3,042) |
| Other comprehensive (loss) for the period | -- | -- | (10) | -- | -- | (252) | -- | (262) | -- | (262) |
| Total comprehensive Income (loss) for the period | -- | -- | (10) | -- | -- | (252) | (3,059) | (3,321) | 17 | (3,304) |
| Recognition of Share-based payment | -- | -- | -- | (327) | -- | -- | -- | (327) | -- | (327) |
| Balance at the end of the period | <u>76,988</u> | <u>519</u> | <u>4,173</u> | <u>1,452</u> | <u>125</u> | <u>766</u> | <u>61,586</u> | <u>145,609</u> | <u>5,103</u> | <u>150,712</u> |

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

(in thousands of Canadian Dollars)

| | Share Capital and Premium | Warrant Certificates | Re- valuation Surplus | Equity Settled Service Reserve | Related Party Surplus | Foreign Exchange translation | Retained Earnings | Total shareholders' equity | Non- controlling Interest | Total |
|---|---------------------------------|-------------------------|-----------------------------|---|-----------------------------|------------------------------------|----------------------|----------------------------------|---------------------------------|----------------|
| FOR THE SIX MONTHS ENDED June 30, 2015 | | | | | | | | | | |
| <i>(Unaudited)</i> | | | | | | | | | | |
| Balance at the beginning of the period | 77,182 | 519 | 4,155 | 1,538 | 125 | 1,859 | 65,009 | 150,387 | 7,588 | 157,975 |
| Issuance of new shares | 383 | -- | -- | (383) | -- | -- | -- | -- | -- | -- |
| Loss for the year | -- | -- | -- | -- | -- | -- | (1,817) | (1,817) | 651 | (1,166) |
| Other comprehensive income for the year | -- | -- | 91 | -- | -- | 1,321 | -- | 1,412 | -- | 1,412 |
| Total comprehensive Income for the year | -- | -- | 91 | -- | -- | 1,321 | (1,817) | (405) | 651 | 246 |
| Recognition of Share-based payment | -- | -- | -- | 29 | -- | -- | -- | 29 | -- | 29 |
| Balance at the end of the period | 77,565 | 519 | 4,246 | 1,184 | 125 | 3,180 | 63,192 | 150,011 | 8,239 | 158,250 |
| FOR THE SIX MONTHS ENDED June 30, 2014 | | | | | | | | | | |
| <i>(Unaudited)</i> | | | | | | | | | | |
| Balance at the beginning of the period | 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 | 18,419 | 519 | -- | -- | -- | -- | -- | 18,938 | -- | 18,938 |
| Loss for the period | -- | -- | -- | -- | -- | -- | (1,734) | (1,734) | 22 | (1,712) |
| Other comprehensive income for the year | -- | -- | (19) | -- | -- | (87) | -- | (106) | -- | (106) |
| Total comprehensive income for the period | -- | -- | (19) | -- | -- | (87) | (1,734) | (1,840) | 22 | (1,818) |
| Recognition of Share-based payment | -- | -- | -- | (251) | -- | -- | -- | (251) | -- | (251) |
| Balance at the end of the period | 76,988 | 519 | 4,173 | 1,452 | 125 | 766 | 61,586 | 145,609 | 5,103 | 150,712 |

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

| | Share Capital and Premium | Warrant Certificates | Re- valuation Surplus | Equity Settled Service Reserve | Related Party Surplus | Foreign Exchange translation | Retained Earnings | Total shareholders' equity | Non- controlling Interest | Total |
|---|---------------------------------|-------------------------|-----------------------------|---|-----------------------------|------------------------------------|----------------------|----------------------------------|---------------------------------|----------------|
| FOR THE YEAR ENDED December 31, 2014 | | | | | | | | | | |
| <i>(Audited)</i> | | | | | | | | | | |
| Balance at the beginning of the period | 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 period | -- | -- | -- | -- | -- | -- | 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 period | <u>77,182</u> | <u>519</u> | <u>4,155</u> | <u>1,538</u> | <u>125</u> | <u>1,859</u> | <u>65,009</u> | <u>150,387</u> | <u>7,588</u> | <u>157,975</u> |

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

SKYLINE INTERNATIONAL DEVELOPMENT INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian Dollars)

| | FOR THE THREE MONTHS ENDED | | FOR SIX MONTHS ENDED | | FOR THE |
|---|----------------------------|----------------|----------------------|---------------|---------------|
| | June 30, | | June 30, | | YEAR ENDED |
| | 2015 | 2014 | 2015 | 2014 | December 31, |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES | | | | | |
| Operating | | | | | |
| Loss | (356) | (3,042) | (1,166) | (1,712) | 4,196 |
| Add (deduct) items not involving cash: | | | | | |
| Depreciation and amortization | 1,256 | 1,471 | 2,613 | 3,242 | 5,819 |
| Loss (Gain) from fair value adjustments | (2,211) | 3 | (2,152) | (5,087) | (13,891) |
| Deferred tax | (190) | (936) | (359) | (575) | 2,707 |
| Equity settled service reserve | 13 | (327) | 29 | (251) | (165) |
| Changes in non-cash working capital | | | | | |
| Trade receivables | 289 | (1,223) | 781 | (1,279) | (596) |
| Other receivables and prepayments | (2,601) | 251 | (3,272) | 417 | (107) |
| Restricted bank deposits | (2,264) | 1,600 | (1,695) | 3,054 | 1,520 |
| Inventories | (498) | 443 | (332) | 635 | 756 |
| Real Estate Inventory | (2,890) | 1,290 | (4,596) | 1,274 | (1,639) |
| Trade and other payables and credit balances | 1,132 | (95) | 330 | (512) | 1,514 |
| Income taxes payable | 22 | (555) | 40 | (889) | (786) |
| Purchasers Deposits | 2,187 | (298) | 2,637 | (185) | 562 |
| | (6,111) | (1,418) | (7,142) | (1,868) | (110) |
| Investing | | | | | |
| Investment in available for sale assets | -- | (212) | -- | (212) | (1,157) |
| Dispositions (Additions) to investment properties | (180) | 18 | (256) | (58) | (316) |
| Additions to property, plant and equipment | (1,035) | (3,202) | (1,625) | (5,451) | (8,279) |
| Proceeds from sale of property, plant and equipment | 19 | -- | 19 | -- | -- |
| Proceeds of loans given to purchasers | -- | -- | -- | -- | 318 |
| Net cash used in a business acquisition (Schedule A) | -- | -- | -- | -- | (2,672) |
| | (1,196) | (3,396) | (1,862) | (5,721) | (12,106) |
| Financing | | | | | |
| Bank credit and other short-term loans | 2,506 | 464 | 3,494 | 573 | (1,024) |
| Proceeds on loans payable | 12,405 | 90 | 13,543 | 495 | 10,701 |
| Repayments of loans payable | (2,274) | (2,275) | (2,930) | (3,037) | (4,443) |
| Repayments of loans payable to related parties | (2,924) | -- | (8,598) | (203) | (531) |
| Change in tenants' deposits | (47) | 113 | 224 | 119 | 151 |
| Deferred financing costs paid | (270) | (188) | (330) | (450) | (586) |
| Common shares issued | -- | (280) | -- | 18,938 | 19,132 |
| | 9,396 | (2,076) | 5,403 | 16,435 | 23,400 |
| Foreign Exchange translation of foreign operations | 127 | -- | 53 | -- | (1,820) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD | 2,216 | (6,890) | (3,548) | 8,846 | 9,364 |
| Cash and cash equivalents, beginning of the year | 9,178 | 21,314 | 14,942 | 5,578 | 5,578 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | 11,394 | 14,424 | 11,394 | 14,424 | 14,942 |
| SUPPLEMENTAL CASH FLOW INFORMATION | | | | | |
| Interest paid | 1,759 | 1,424 | 3,410 | 3,136 | 6,071 |
| Interest received | -- | 35 | 17 | 38 | 180 |
| Income taxes paid | 24 | 555 | 413 | 890 | 909 |

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

SKYLINE INTERNATIONAL DEVELOPMENT INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian Dollars)

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

| | FOR THE THREE MONTHS ENDED | | FOR SIX MONTHS ENDED | | FOR THE |
|---|----------------------------|--------------------|----------------------|--------------------|------------------|
| | June 30, | | June 30, | | YEAR ENDED |
| | 2015 | 2014 | 2015 | 2014 | December 31, |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Working Capital, net of cash and cash equivalents | -- | -- | -- | -- | 292 |
| Inventory | -- | -- | -- | -- | (164) |
| Property, plant and equipment | -- | -- | -- | -- | (7,198) |
| Deferred revenue | -- | -- | -- | -- | 1,538 |
| Other Long term Liabilities | -- | -- | -- | -- | 2,860 |
| Net assets consolidated | -- | -- | -- | -- | (2,672) |
| Net cash used in acquisition of Bear Valley Resort | -- | -- | -- | -- | (2,672) |

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

SKYLINE INTERNATIONAL DEVELOPMENT INC.
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015 & 2014

(Unaudited) (in thousands of Canadian Dollars)

1 NATURE OF OPERATIONS

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

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

The Company is 66.15% 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.

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

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

In Company's management opinion, it is typical that 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 \$39,772 of current maturities of long term loans and short-term loans, including \$33,793 loan for the Company's resorts in Ontario, maturing in May 2016, \$15,571 loans related to properties held for sale, and \$9,608 loans payable to related parties. There is a net cash outflow from operations of \$7,142 as per the interim consolidated statements of cash flow for six months ended June 30, 2015. This net cash outflow from operations, when applicable, is not expected to adversely affect the Company's business operations, since according to its past experience, financial institutions refinance the loans in addition to the fact that there are a substantial number of potential lenders.

2 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The significant accounting policies and methods of computation adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements.

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

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

3 SEASONALITY AND CHANGES IN FOREIGN EXCHANGE

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

The Company has a foreign exchange impact from the US dollar. Since January 1, 2015 until June 30, 2015 the foreign exchange rate of the U.S. dollar compared to the Canadian dollar increased by 7.5%. From July 1, 2015 until the date those financial statements were published the foreign exchange difference on the U.S. dollar compared to the Canadian dollar increased by 3.9%.

4 FAIR VALUE MEASUREMENT

Categories of assets and liabilities subject to fair value measurement

The estimated fair values of loans payable are as follows:

| | Fair value | | Carrying amount | |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|
| | As at June 30, 2015 | As at June 30, 2014 | As at June 30, 2015 | As at June 30, 2014 |
| Loans payable | 115,767 | 90,124 | 115,002 | 90,909 |
| Loans payable to related parties | 9,608 | 18,060 | 9,608 | 18,060 |
| | 125,375 | 108,184 | 124,610 | 108,969 |

**SKYLINE INTERNATIONAL DEVELOPMENT INC.
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5 SIGNIFICANT EVENTS DURING THE PERIOD

Purchase remaining 40% of Blue Mountain Village, Collingwood Ontario

On February 26, 2014, the Company reached an agreement with a third unrelated party to acquire the third party's 40% share in Blue Mountain Village assets for \$15,400 net of \$6,000 obligations to a financial institution and become a 100% owner of the asset. The parties agreed to complete the transaction within 90 days, subject to conditions precedent customary to this type of transaction including securing by the Company the required financing and release of the vendor from its obligations. Since the original agreement, reached on February 26, 2014, the Company continued negotiations with the third party, and on October 2014 the parties agreed on the amending term sheet. This term sheet was canceled in June, 2015.

Exercise of 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 June 30, 2015 the amount of outstanding options is 536,360.

Expiration of Options

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

Sale of assets

During the first six months of 2015, following the Board of Directors decisions, the Management of the company commenced an execution of the plans to dispose of some of the Company's real estate properties, including hotels and developable lands, locating buyers and actively marketing for sale. The Management believes the transactions will be completed within one year. As a result of this, the following assets and their corresponding liabilities were reclassified as held for sale and have been excluded from the property, plant and equipment and investment properties in accordance with IFRS 5 (see also note 8):

The book value of the assets that were classified from investment property is: \$16,157

The book value of the hotels that were classified property, plant and equipment, at fair value is: \$27,840

'On May 7, 2015, the Company, entered into irrevocable agreement of purchase and sale to sell its real estate holdings at one of its hospitality properties, which is presented as "held for sale", to an unrelated third party for a total consideration of \$12,950. As per the agreement, on May 11, 2015, the buyer paid an irrevocable advance of \$1,000. As of June 30, 2015 the balance of loan mortgaged on the property is \$2,915, which is presented in the current liabilities. On July 8, 2015 the sale was closed.

During May 2015 a Company's subsidiary (60%) signed on agreements of purchase and sale with third, unrelated, parties ("the Buyers) to sale lands at the Blue Mountain Resort. On June 17, 2015 the Buyers waived the conditions and the sales became firm.

Asset acquisition

On June 25, 2015, a Company's subsidiary signed a purchase and sale agreement with a third, unrelated party, to acquire a hotel in downtown Cleveland, Ohio US for a total consideration of \$24,400 (\$18,650 USD). On June 30, 2015 the Company paid a non-refundable deposit of \$620, on behalf of its subsidiary. On August 7, 2015 the subsidiary waived the due diligence conditions and paid additional non refundable deposit of \$1,000 USD. The closing is expected in October 2015.

The acquired hotel building is 873,000 sqf (approximately 81,000 square meters), includes 491 rooms, 34 meeting rooms and 304 parking stalls.

6 SEGMENTED INFORMATION

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

(a) General business segments

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

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

| | For the three months ended June 30, 2015 (unaudited) | | | | |
|---|--|--------------|---------------|------------|---------------|
| | Investment properties | Development | Hospitality | Other | Total |
| REVENUE | | | | | |
| Income from investment properties | 851 | -- | -- | -- | 851 |
| Hospitality income | -- | -- | 16,964 | -- | 16,964 |
| Property management fees | -- | -- | 32 | -- | 32 |
| Timeshare income | -- | -- | -- | 185 | 185 |
| | <u>851</u> | <u>--</u> | <u>16,996</u> | <u>185</u> | <u>18,032</u> |
| EXPENSES AND COSTS | | | | | |
| Operating expenses of investment properties | 350 | -- | -- | -- | 350 |
| Hospitality operating expenses | -- | -- | 15,629 | -- | 15,629 |
| Timeshare expenses | -- | -- | -- | 158 | 158 |
| Cost of sale of residential condos and lots | -- | 10 | -- | -- | 10 |
| Development periodic costs | -- | 311 | -- | -- | 311 |
| Depreciation | -- | 17 | 1,197 | -- | 1,214 |
| | <u>350</u> | <u>338</u> | <u>16,826</u> | <u>158</u> | <u>17,672</u> |
| SEGMENTED RESULTS | | | | | |
| | <u>501</u> | <u>(338)</u> | <u>170</u> | <u>27</u> | <u>360</u> |
| Gain (Loss) from fair value adjustments | 2,211 | -- | -- | -- | 2,211 |
| Selling and marketing expenses | -- | -- | -- | -- | 411 |
| Administrative and general expenses | -- | -- | -- | -- | 795 |
| Financial expense | -- | -- | -- | -- | 1,871 |
| LOSS BEFORE INCOME TAXES | | | | | <u>(506)</u> |

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6 SEGMENTED INFORMATION (continued)

| | For the three months ended June 30, 2014 (unaudited) | | | | |
|---|--|--------------|---------------|-------------|-----------------------|
| | Investment properties | Development | Hospitality | Other | Total |
| REVENUE | | | | | |
| Sale of residential condos and lots | -- | 2,873 | -- | -- | 2,873 |
| Income from investment properties | 785 | -- | -- | -- | 785 |
| Hospitality income | -- | -- | 14,708 | -- | 14,708 |
| Property management fees | -- | -- | 27 | -- | 27 |
| Timeshare income | -- | -- | -- | 537 | 537 |
| | <u>785</u> | <u>2,873</u> | <u>14,735</u> | <u>537</u> | <u>18,930</u> |
| EXPENSES AND COSTS | | | | | |
| Operating expenses of investment properties | 348 | -- | -- | -- | 348 |
| Hospitality operating expenses | -- | -- | 14,325 | -- | 14,325 |
| Timeshare expenses | -- | -- | -- | 532 | 532 |
| Cost of sale of residential condos and lots | -- | 2,877 | -- | -- | 2,877 |
| Development periodic costs | -- | 694 | -- | -- | 694 |
| Depreciation | -- | 51 | 1,311 | 98 | 1,460 |
| | <u>348</u> | <u>3,622</u> | <u>15,636</u> | <u>630</u> | <u>20,236</u> |
| SEGMENTED RESULTS | 437 | (749) | (901) | (93) | (1,306) |
| Gain (Loss) from fair value adjustments | (3) | -- | -- | -- | (3) |
| Selling and marketing expenses | | | | | 412 |
| Administrative and general expenses | | | | | 815 |
| Financial expense | | | | | 1,545 |
| Financial income | | | | | (35) |
| LOSS BEFORE INCOME TAXES | | | | | <u>(4,046)</u> |

SKYLINE INTERNATIONAL DEVELOPMENT INC.
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6 SEGMENTED INFORMATION (continued)

| | For the six months ended June 30, 2015 (unaudited) | | | | |
|---|--|--------------|---------------|------------|-----------------------|
| | Investment properties | Development | Hospitality | Other | Total |
| REVENUE | | | | | |
| Income from investment properties | 1,703 | -- | -- | -- | 1,703 |
| Hospitality income | -- | -- | 40,188 | -- | 40,188 |
| Property management fees | -- | -- | 93 | -- | 93 |
| Timeshare income | -- | -- | -- | 566 | 566 |
| | <u>1,703</u> | <u>--</u> | <u>40,281</u> | <u>566</u> | <u>42,550</u> |
| EXPENSES AND COSTS | | | | | |
| Operating expenses of investment properties | 718 | -- | -- | -- | 718 |
| Hospitality operating expenses | -- | -- | 35,250 | -- | 35,250 |
| Timeshare expenses | -- | -- | -- | 464 | 464 |
| Cost of sale of residential condos and lots | -- | 13 | -- | -- | 13 |
| Development periodic costs | -- | 555 | -- | -- | 555 |
| Depreciation | -- | 34 | 2,417 | 55 | 2,506 |
| | <u>718</u> | <u>602</u> | <u>37,667</u> | <u>519</u> | <u>39,506</u> |
| SEGMENTED RESULTS | 985 | (602) | 2,614 | 47 | 3,044 |
| Gain (Loss) from fair value adjustments | 2,152 | -- | -- | -- | 2,152 |
| Selling and marketing expenses | -- | -- | -- | -- | 937 |
| Administrative and general expenses | -- | -- | -- | -- | 1,857 |
| Financial expense | -- | -- | -- | -- | 3,641 |
| Financial income | -- | -- | -- | -- | (17) |
| LOSS BEFORE INCOME TAXES | | | | | <u>(1,222)</u> |

| | As at June 30, 2015 (Unaudited) | | | | |
|-------------|------------------------------------|-------------|----------------|----------------|----------------|
| | Investment properties | Development | Hospitality | Other | Total |
| Assets | 106,583 | 72,446 | 165,709 | 2,012 | 346,750 |
| Liabilities | 47,602 | 71,913 | 63,392 | 5,593 | 188,500 |
| | <u>58,981</u> | <u>533</u> | <u>102,317</u> | <u>(3,581)</u> | <u>158,250</u> |

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

6 SEGMENTED INFORMATION (continued)

| | For the six months ended June 30, 2014 (unaudited) | | | | |
|---|--|--------------|---------------|------------|----------------|
| | Investment properties | Development | Hospitality | Other | Total |
| REVENUE | | | | | |
| Sale of condominiums | -- | 119 | -- | -- | 119 |
| Sale of residential condos and lots | -- | 3,048 | -- | -- | 3,048 |
| Income from investment properties | 1,545 | -- | -- | -- | 1,545 |
| Hospitality income | -- | -- | 31,896 | -- | 31,896 |
| Property management fees | -- | -- | 44 | -- | 44 |
| Timeshare income | -- | -- | -- | 785 | 785 |
| | <u>1,545</u> | <u>3,167</u> | <u>31,940</u> | <u>785</u> | <u>37,437</u> |
| EXPENSES AND COSTS | | | | | |
| Cost of sale of condominiums | -- | 158 | -- | -- | 158 |
| Operating expenses of investment properties | 658 | -- | -- | -- | 658 |
| Hospitality operating expenses | -- | -- | 29,899 | -- | 29,899 |
| Timeshare expenses | -- | -- | -- | 624 | 624 |
| Cost of sale of residential condos and lots | -- | 3,011 | -- | -- | 3,011 |
| Development periodic costs | -- | 827 | -- | -- | 827 |
| Depreciation | -- | 103 | 2,725 | 121 | 2,949 |
| | <u>658</u> | <u>4,099</u> | <u>32,624</u> | <u>745</u> | <u>38,126</u> |
| SEGMENTED RESULTS | | | | | |
| | <u>887</u> | <u>(932)</u> | <u>(684)</u> | <u>40</u> | <u>(689)</u> |
| Gain (Loss) from fair value adjustments | 5,087 | -- | -- | -- | 5,087 |
| Selling and marketing expenses | -- | -- | -- | -- | 1,618 |
| Administrative and general expenses | -- | -- | -- | -- | 1,840 |
| Financial expense | -- | -- | -- | -- | 3,376 |
| Financial income | -- | -- | -- | -- | (38) |
| LOSS BEFORE INCOME TAXES | | | | | <u>(2,398)</u> |

| | As at June 30, 2014 (Unaudited) | | | | |
|-------------|------------------------------------|--------------|---------------|----------------|----------------|
| | Investment properties | Development | Hospitality | Other | Total |
| Assets | 76,000 | 62,914 | 169,537 | 2,403 | 310,854 |
| Liabilities | 176 | 59,197 | 96,019 | 4,750 | 160,142 |
| | <u>75,824</u> | <u>3,717</u> | <u>73,518</u> | <u>(2,347)</u> | <u>150,712</u> |

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6 SEGMENTED INFORMATION (continued)

For the year ended December 31, 2014
(Audited)

| | Investment properties | Development | Hospitality | Other | Total |
|---|-----------------------|----------------|---------------|--------------|---------------|
| REVENUE | | | | | |
| Sale of condominiums | -- | 185 | -- | -- | 185 |
| Sale of residential condos and lots | -- | 3,914 | -- | -- | 3,914 |
| Income from investment properties | 3,183 | -- | -- | -- | 3,183 |
| Hospitality income | -- | -- | 71,101 | -- | 71,101 |
| Property management fees | 42 | -- | 301 | -- | 343 |
| Timeshare income | -- | -- | -- | 1,474 | 1,474 |
| Other revenue | 125 | -- | -- | -- | 125 |
| | <u>3,350</u> | <u>4,099</u> | <u>71,402</u> | <u>1,474</u> | <u>80,325</u> |
| EXPENSES AND COSTS | | | | | |
| Cost of sale of condominiums | -- | 207 | -- | -- | 207 |
| Operating expenses of investment properties | 1,256 | -- | -- | -- | 1,256 |
| Hospitality operating expenses | -- | -- | 62,211 | -- | 62,211 |
| Timeshare expenses | -- | -- | -- | 1,364 | 1,364 |
| Cost of sale of residential condos and lots | -- | 3,998 | -- | -- | 3,998 |
| Development periodic costs | -- | 1,047 | -- | -- | 1,047 |
| Depreciation | -- | 157 | 5,104 | 149 | 5,410 |
| | <u>1,256</u> | <u>5,409</u> | <u>67,315</u> | <u>1,513</u> | <u>75,493</u> |
| | 2,094 | (1,310) | 4,087 | (39) | 4,832 |
| SEGMENTED RESULTS | | | | | |
| Gain (Loss) from fair value adjustments | 13,891 | -- | -- | -- | 13,891 |
| Selling and marketing expenses | | | | | 3,212 |
| Administrative and general expenses | | | | | 3,390 |
| Financial expense | | | | | 6,555 |
| Financial income | | | | | (180) |
| PROFIT BEFORE INCOME TAXES | | | | | <u>5,746</u> |

As at December 31, 2014

(Audited)

| | Investment properties | Development | Hospitality | Other | Total |
|-------------|-----------------------|--------------|----------------|----------------|----------------|
| Assets | 104,217 | 61,542 | 166,714 | 2,891 | 335,364 |
| Liabilities | 46,631 | 60,170 | 64,697 | 5,891 | 177,389 |
| | <u>57,586</u> | <u>1,372</u> | <u>102,017</u> | <u>(3,000)</u> | <u>157,975</u> |

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6 SEGMENTED INFORMATION (continued)

(c) Timeshare Operations

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

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

SVOC sells Club Points out of the inventory of the points issued by the trustee of SVCMA (see below) to third parties. The placing of real estate to the trustee and issuance of points are intended to mirror actual sales.

As of June 30, 2015, SVOC sold 561,803 points and had an inventory of 543,197 points available. Prospective club members have 10 days from the date of signing an agreement to withdraw from the agreement. Any deposit not withdrawn after the 10 days is forfeited or can be refunded at the discretion of management. Remaining balances not paid are recorded as deferred revenue until the transaction closes.

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

7 PROPERTY PLANT AND EQUIPMENT

The Company and its subsidiaries are required, from time to time, to provide appraisals of its various properties as part of compliance with the terms of loans with various financial institutions. These properties are reported under item “Property, plant and equipment, at cost” are not measured at fair value in the company’s consolidated financial statements. In its annual financial statements for the year ended December 31, 2014 the Company disclosed the appraised value of the following assets:

| Property | Appraised value | Reported net book value as for June 30, 2015 | Appraisal date | Input Level | Basis of Valuation |
|--|-----------------|--|----------------|-------------|---|
| Horseshoe Valley Resort, Barrie, Ontario, Canada | \$ 52,400 | \$ 37,740 | December, 2014 | Level 3 | Discounted Cash Flow using the Income Capitalization Approach |
| Deerhurst Resort, Huntsville, Ontario, Canada | \$ 65,900 | \$ 22,471 | December, 2014 | Level 3 | Discounted Cash Flow using the Income Capitalization Approach |
| Hyatt Regency Arcade Hotel, Cleveland, Ohio, USA | \$ 49,351 | \$ 33,662 | March, 2015 | Level 3 | Discounted Cash Flow using the Income Capitalization Approach |

The appraisers used inputs and made assumptions customary to this type of appraisals in relation to:

Discount rates, Number of stabilized room inventory, Capitalization rates, Future occupancy rates, Future average daily room rates, Future correlation between non-room sources of revenue and room revenue, Future productivity levels etc.

8 SUBSEQUENT EVENTS

1. Regarding the sale of Cosmopolitan Hotel, located in Downtown Toronto see note 5.
2. Regarding the acquisition of a Hotel in Cleveland, Ohio, USA see note 5.