

**SKYLINE INVESTMENTS INC.**  
**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED**  
**June 30, 2016**  
**and 2015**  
**(UNAUDITED)**

**SKYLINE INVESTMENTS INC.**  
**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED JUNE 30, 2016 & 2015**  
*(UNAUDITED)*

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**SKYLINE INVESTMENTS INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(in thousands of Canadian Dollars)

	<b>As at</b>		
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>December 31, 2015</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	12,191	11,394	14,204
Trade receivables	17,558	3,538	4,555
Other receivables	8,265	7,444	6,416
Prepayments	2,344	1,415	1,903
Inventories	1,643	1,661	1,932
Real estate inventory	52,156	45,916	38,212
Property held for sale	38,083	43,997	32,891
Restricted bank deposits	5,292	3,562	4,149
Total current assets	<u>137,532</u>	<u>118,927</u>	<u>104,262</u>
<b>Non-current</b>			
Restricted bank deposits	873	2,707	2,243
Real estate inventory	--	8,804	25,599
Investment properties	89,062	92,383	93,158
Property, plant and equipment, at cost	140,045	107,053	146,051
Other assets	486	569	513
Deferred tax	9,668	11,693	10,032
Available for Sale Investments, at fair market value	--	4,614	--
Total non-current assets	<u>240,134</u>	<u>227,823</u>	<u>277,596</u>
<b>Total Assets</b>	<b><u>377,666</u></b>	<b><u>346,750</u></b>	<b><u>381,858</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Loans payable	63,129	39,772	46,596
Loans payable on property held for sale	12,069	15,571	12,364
Loans payable to related parties	16	9,608	6,739
Trade payables	7,012	5,812	9,551
Other payables and credit balances	12,855	8,575	14,662
Deferred revenue	7,133	6,823	6,752
Income taxes payable	1,137	76	111
Purchasers' Deposits	4,745	6,539	6,379
Total current liabilities	<u>108,096</u>	<u>92,776</u>	<u>103,154</u>
<b>Non-current</b>			
Loans payable	56,953	59,659	68,274
Other liabilities	2,984	3,401	3,030
Deferred tax	35,773	32,664	37,616
Total non-current liabilities	<u>95,710</u>	<u>95,724</u>	<u>108,920</u>
Total liabilities	<u>203,806</u>	<u>188,500</u>	<u>212,074</u>
<b>Shareholders' Equity</b>			
Share capital	77,900	77,565	77,900
Warrant Certificates	519	519	519
Revaluation surplus	2,804	4,246	2,804
Related Party Surplus	125	125	125
Equity settled service reserve	936	1,184	874
Foreign exchange translation	3,883	3,180	5,209
Retained earnings	69,679	63,192	71,120
Equity attributable to Shareholders of the Company	<u>155,846</u>	<u>150,011</u>	<u>158,551</u>
Non-controlling interest	18,014	8,239	11,233
<b>Total Liabilities and Equity</b>	<b><u>377,666</u></b>	<b><u>346,750</u></b>	<b><u>381,858</u></b>

**Commitments, provisions, contingencies and charges**

Subsequent Events

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

On Behalf of the Board of Directors:

Gil Blutrigh  
Chairman

August 11, 2016

Date

Blake Lyon  
CEO

Vadim Shub  
CFO

**SKYLINE INVESTMENTS INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF INCOME**

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

	FOR THREE MONTHS ENDED		FOR SIX MONTHS ENDED		FOR THE YEAR ENDED
	June 30,	June 30,	June 30,	June 30,	December 31,
	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
<b>REVENUE</b>					
Sale of condominiums	4,801	--	15,637	--	--
Sale of residential houses and lots	--	--	2,698	--	276
Income from investment properties	956	851	1,911	1,703	3,538
Hospitality income	26,665	16,964	60,085	40,188	87,170
Property management fees	--	32	--	93	365
Commissions and fees	--	--	--	--	4,620
Timeshare income	31	185	218	566	694
	<b>32,453</b>	<b>18,032</b>	<b>80,549</b>	<b>42,550</b>	<b>96,663</b>
<b>EXPENSES AND COSTS</b>					
Cost of sale of condominiums	4,200	--	14,977	--	--
Operating expenses of investment properties	346	350	647	718	1,329
Hospitality operating expenses	23,666	15,629	50,767	35,250	74,174
Timeshare expenses	17	158	42	464	901
Cost of sale of residential lots	--	10	2,326	13	264
Development periodic costs	546	311	835	555	1,050
Depreciation	1,546	1,214	3,213	2,506	5,326
Write-down of real estate inventory to net realisable value	2,655	--	2,655	--	--
	<b>32,976</b>	<b>17,672</b>	<b>75,462</b>	<b>39,506</b>	<b>83,044</b>
<b>GROSS PROFIT (LOSS)</b>	<b>(523)</b>	<b>360</b>	<b>5,087</b>	<b>3,044</b>	<b>13,619</b>
Loss (gain) from fair value adjustments	(2,884)	(2,211)	(2,790)	(2,152)	(1,045)
Selling and marketing expenses	397	411	853	937	1,863
Administrative and general expenses	1,035	795	2,159	1,857	4,399
<b>PROFIT FROM OPERATIONS</b>	<b>929</b>	<b>1,365</b>	<b>4,865</b>	<b>2,402</b>	<b>8,402</b>
Financial expense	2,187	1,871	4,276	3,641	7,082
Financial income	--	--	(7)	(17)	(33)
Other expense (income)	6	--	(33)	--	560
Gain on bargain purchase	--	--	--	--	(8,274)
Gain on sale of investment	--	--	--	--	(3,768)
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>(1,264)</b>	<b>(506)</b>	<b>629</b>	<b>(1,222)</b>	<b>12,835</b>
Income tax expense	(291)	(150)	251	(56)	4,740
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(973)</b>	<b>(356)</b>	<b>378</b>	<b>(1,166)</b>	<b>8,095</b>
<b>Attributable to:</b>					
Shareholders of the Company	(3,152)	(1,015)	(1,441)	(1,817)	4,669
Non-controlling interest	2,179	659	1,819	651	3,426
	<b>(973)</b>	<b>(356)</b>	<b>378</b>	<b>(1,166)</b>	<b>8,095</b>
<b>BASIC EARNINGS (LOSS) PER SHARE</b>	<b>(0.19)</b>	<b>(0.06)</b>	<b>(0.09)</b>	<b>(0.11)</b>	<b>0.28</b>
<b>DILUTED EARNINGS (LOSS) PER SHARE</b>	<b>(0.19)</b>	<b>(0.06)</b>	<b>(0.09)</b>	<b>(0.11)</b>	<b>0.28</b>

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

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

(in thousands of Canadian Dollars)

	FOR THE THREE MONTHS ENDED		FOR SIX MONTHS ENDED		FOR THE
	June 30,	June 30,	June 30,	June 30,	YEAR ENDED
	2016	2015	2016	2015	Dec 31,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2015
					(Audited)
<b>PROFIT (LOSS) FOR THE PERIOD</b>	(973)	(356)	378	(1,166)	8,095
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items that will not be reclassified subsequently to profit or loss:</b>					
Revaluation surplus (loss) of property, plant and equipment, before income taxes	--	127	--	123	123
Income taxes (recovery)	--	(33)	--	(32)	(32)
<b>Items that will or may be reclassified subsequently to profit or loss:</b>					
Exchange differences on translation of foreign operations	145	(153)	(1,409)	1,321	3,569
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD net of taxes</b>	145	(59)	(1,409)	1,412	3,660
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, net of taxes</b>	<b>(828)</b>	<b>(415)</b>	<b>(1,031)</b>	<b>246</b>	<b>11,755</b>
<b>Attributable to:</b>					
Shareholders of the Company	(3,077)	(1,074)	(2,767)	(405)	8,110
Non-controlling interest	2,249	659	1,736	651	3,645
	<b>(828)</b>	<b>(415)</b>	<b>(1,031)</b>	<b>246</b>	<b>11,755</b>

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

**SKYLINE INVESTMENTS INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN 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
<b>FOR THREE MONTHS ENDED June 30, 2016</b>										
<i>(Unaudited)</i>										
<b>Balance at the beginning of the period</b>	77,900	519	2,804	879	125	3,808	72,831	158,866	10,720	169,586
Investment in subsidiary	--	--	--	--	--	--	--	--	5,045	5,045
Loss for the period	--	--	--	--	--	--	(3,152)	(3,152)	2,179	(973)
Other comprehensive income (loss) for the period	--	--	--	--	--	75	--	75	70	145
Total comprehensive Income (loss) for the period	--	--	--	--	--	75	(3,152)	(3,077)	2,249	(828)
Recognition of Share-based payment	--	--	--	57	--	--	--	57	--	57
<b>Balance at the end of the period</b>	<b>77,900</b>	<b>519</b>	<b>2,804</b>	<b>936</b>	<b>125</b>	<b>3,883</b>	<b>69,679</b>	<b>155,846</b>	<b>18,014</b>	<b>173,860</b>

	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
<b>FOR THREE MONTHS ENDED June 30, 2015</b>										
<i>(Unaudited)</i>										
<b>Balance at the beginning of the period</b>	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 (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	--	--	--	13	--	--	--	13	--	13
<b>Balance at the end of the period</b>	<b>77,565</b>	<b>519</b>	<b>4,246</b>	<b>1,184</b>	<b>125</b>	<b>3,180</b>	<b>63,192</b>	<b>150,011</b>	<b>8,239</b>	<b>158,250</b>

**SKYLINE INVESTMENTS 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
<b>FOR SIX MONTHS ENDED June 30, 2016</b>										
<i>(Unaudited)</i>										
<b>Balance at the beginning of the period</b>	77,900	519	2,804	874	125	5,209	71,120	158,551	11,233	169,784
Investment in subsidiary	--	--	--	--	--	--	--	--	5,045	5,045
Loss for the period	--	--	--	--	--	--	(1,441)	(1,441)	1,819	378
Other comprehensive income for the year	--	--	--	--	--	(1,326)	--	(1,326)	(83)	(1,409)
Total comprehensive income for the year	--	--	--	--	--	(1,326)	(1,441)	(2,767)	1,736	(1,031)
Recognition of Share-based payment	--	--	--	62	--	--	--	62	--	62
<b>Balance at the end of the period</b>	<b>77,900</b>	<b>519</b>	<b>2,804</b>	<b>936</b>	<b>125</b>	<b>3,883</b>	<b>69,679</b>	<b>155,846</b>	<b>18,014</b>	<b>173,860</b>

	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
<b>FOR SIX MONTHS ENDED June 30, 2015</b>										
<i>(Unaudited)</i>										
<b>Balance at the beginning of the period</b>	77,182	519	4,155	1,538	125	1,859	65,009	150,387	7,588	157,975
Issuance of new shares	383	--	--	(383)	--	--	--	--	--	--
Profit 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
<b>Balance at the end of the period</b>	<b>77,565</b>	<b>519</b>	<b>4,246</b>	<b>1,184</b>	<b>125</b>	<b>3,180</b>	<b>63,192</b>	<b>150,011</b>	<b>8,239</b>	<b>158,250</b>

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

**SKYLINE INVESTMENTS 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
<b>FOR THE YEAR ENDED FOR THE YEAR ENDED December 31, 2015</b>										
<i>(Audited)</i>										
<b>Balance at the beginning of the period</b>	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 period	--	--	--	--	--	--	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 (loss) 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
<b>Balance at the end of the period</b>	<b>77,900</b>	<b>519</b>	<b>2,804</b>	<b>874</b>	<b>125</b>	<b>5,209</b>	<b>71,120</b>	<b>158,551</b>	<b>11,233</b>	<b>169,784</b>

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

**SKYLINE INVESTMENTS INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands of Canadian Dollars)

	FOR THREE MONTHS ENDED		FOR SIX MONTHS ENDED		FOR THE
	June 30,	June 30,	June 30,	June 30,	YEAR ENDED
	2016	2015	2016	2015	December 31,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2015
					(Audited)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>					
<b>Operating</b>					
Profit (Loss) for the period	(973)	(356)	378	(1,166)	8,095
Add (deduct) items not involving cash:					
Depreciation and amortization	1,642	1,256	3,446	2,613	5,789
Loss (gain) from fair value adjustments	(2,884)	(2,211)	(2,790)	(2,152)	(1,045)
Gain on sale of investment	--	--	--	--	(550)
Loss (gain) on sale of investment and other property	6	--	(33)	--	(3,663)
Gain on bargain purchase	--	--	--	--	(8,274)
Deferred tax	(1,006)	(190)	(624)	(359)	5,456
Write-down of real estate inventory to net realisable value	2,655	--	2,655	--	--
Equity settled service reserve	57	13	62	29	54
<b>Changes in non-cash working capital</b>					
Trade receivables	(3,699)	289	(13,003)	781	469
Other receivables and prepayments	(1,011)	(2,601)	(790)	(3,272)	(2,647)
Restricted bank deposits	53	(2,264)	227	(1,695)	(1,818)
Inventories	(141)	(498)	289	(332)	(494)
Real Estate Inventory	1,533	(2,890)	9,000	(4,596)	(11,687)
Trade and other payables and credit balances	1,032	1,132	(3,965)	330	8,418
Income taxes payable	781	22	1,026	40	75
Purchasers' Deposits	(305)	2,187	(1,634)	2,637	2,477
	(2,260)	(6,111)	(5,756)	(7,142)	655
<b>Investing</b>					
Proceeds from asset held for sale	--	--	460	--	--
Additions to investment properties	(210)	(180)	(304)	(256)	(1,855)
Additions to property, plant and equipment	(2,353)	(1,035)	(2,834)	(1,625)	(3,704)
Proceeds from sale of property, plant and equipment	5	19	201	19	12,962
Disposition of available-for-sale Investment	--	--	--	--	5,164
Net cash used in a business acquisition (Schedule A)	--	--	--	--	(24,225)
	(2,558)	(1,196)	(2,477)	(1,862)	(11,658)
<b>Financing</b>					
Bank credit and other short-term loans	1,589	2,506	3,150	3,494	8,771
Proceeds on loans payable	9,979	12,405	26,080	13,543	39,190
Repayments of loans payable	(1,032)	(2,274)	(16,000)	(2,930)	(24,742)
Repayments of loans payable to related parties	(6,723)	(2,924)	(6,723)	(8,598)	(11,600)
Change in other liabilities	(1)	(47)	(46)	224	(147)
Deferred financing costs paid	88	(270)	(617)	(330)	(627)
	3,900	9,396	5,844	5,403	10,845
Foreign Exchange translation of foreign operations	176	127	376	53	(580)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>					
	(742)	2,216	(2,013)	(3,548)	(738)
Cash and cash equivalents, beginning of the year	12,933	9,178	14,204	14,942	14,942
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>12,191</b>	<b>11,394</b>	<b>12,191</b>	<b>11,394</b>	<b>14,204</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>					
Interest paid	2,183	1,759	4,207	3,410	6,719
Interest received	--	--	7	17	33
Income taxes paid	214	24	214	413	(446)
<b>Significant non-cash transactions</b>					
Conversion of third party loan to equity (non-controlling interest)	5,045	--	5,045	--	--

**SKYLINE INVESTMENTS 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 Renaissance Hotel in 2015**

	FOR THREE MONTHS ENDED		FOR SIX MONTHS ENDED		FOR THE
	June 30,	June 30,	June 30,	June 30,	YEAR ENDED
	2016	2015	2016	2015	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	--	--	--	--	942
Inventory	--	--	--	--	(109)
Property, plant and equipment	--	--	--	--	(33,401)
Deferred revenue	--	--	--	--	67
Deferred taxes	--	--	--	--	2,830
Recognized excess of net fair value acquired over cost,n	--	--	--	--	5,446
<b>Net assets acquired</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(24,225)</b>
<b>Change in cash from the consolidation of a company</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net cash used in acquisition</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(24,225)</b>

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

**SKYLINE INVESTMENTS INC.**  
**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIODS ENDED JUNE 30, 2016 & 2015**

(Unaudited) (in thousands of Canadian Dollars)

**1 NATURE OF OPERATIONS**

Skyline Investments Inc.(former- 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 \$63,129 of current maturities of long term loans and short-term loans, including \$32,313 loan for the Company's resorts in Ontario, and \$12,069 loans related to properties held for sale. Approximately \$41,000 of these liabilities was repaid following the July 13, 2016 issuance of bonds totalling 128,240 NIS (approximately \$43,200) on Tel Aviv Stock exchange. See note 7(a) below. There is a net cash outflow from operations of \$5,756 as per the interim consolidated statements of cash flow for six months ended June 30, 2016. This net cash outflow from operations, when applicable, is not expected to adversely affect the Company's business operations, since according to its past experience, financial institutions refinance the loans in addition to the fact that there are a substantial number of potential lenders.

**2 SIGNIFICANT ACCOUNTING POLICIES**

(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.

(d) Exchange rate (CAD/USD)

Results of operations and balances are affected by changes in US dollar. Since January 1, 2016 until June 30, 2016 the foreign exchange rate of the U.S. dollar compared to the Canadian dollar decreased by approximately 6.6%. From June 30, 2016 until the date those financial statements were published the U.S. dollar appreciated by approximately 1.7% compared to Canadian dollar.

	<u>30-Jun-16</u>	<u>30-Jun-15</u>	<u>31-Dec-15</u>
Exchange rate (CAD per 1 USD)	1.292	1.247	1.384
Average Exchange rate (CAD per 1 USD)	1.330	1.235	1.279

**3 SEASONALITY**

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

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**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, 2016	As at June 30, 2015	As at June 30, 2016	As at June 30, 2015
Loans payable	131,430	115,767	132,151	115,002
Loans payable to related parties	16	9,608	16	9,608
	<b>131,446</b>	<b>125,375</b>	<b>132,167</b>	<b>124,610</b>

**5 SIGNIFICANT EVENTS DURING THE PERIOD**

**a. Appointment of a new CEO and Private allocation of shares**

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.

On March 23, 2016 the Board of Directors approved a private allotment of 200,000 shares to a company controlled by the CEO, for a total consideration of 4,793 NIS (approximately \$1,638) or 23.96 NIS (approximately \$8.2) per share, reflective of the average share price during 30 days prior to the appointment. The shares were issued on May 29, 2016.

In addition, the Company approved a four year loan to a company controlled by the CEO in the amount of 4,800 NIS (\$1,640), bearing an annual interest of 3%. The shares are held in trust and used as collateral for the loan. The loan will be repaid in four equal annual installments before a release of the same proportion of the shares per installment from the trust. The issuance of the shares is treated as share-based payment - options (IFRS 2). Upon repayment of the loans, the corresponding portion of the shares will be reported in the Share Capital. The average value of this share-based compensation was determined by an independent valuator to be 4.23NIS (approximately \$1.5) per option, assuming an average share volatility of 26.4% and the expected useful life of options is between 1-5 years. The valuator applied a Binominal model.

**b. Renaissance Hotel financing**

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, as well as a minimum \$7,950 USD of equity.

**c. Warrants expiration**

All unexercised Series 1 Warrants expired, with no further rights to the holder thereof, on March 5, 2016. See note 20(c) in the consolidated financial statements as for December 31, 2015.

**d. Copeland House project, phase 1**

During the reporting period, the Company delivered 52 units to the purchasers and recognized a total revenue of \$15,637, including \$885 recognized for sale of furniture. The Company is in the process of delivering the purchasers the remaining 4 units that were sold in the project.

**e. Blue Mountain Lands**

In April 2016 the Company's subsidiary (60%) executed a conditional agreement to sell three land parcels at Blue Mountain resort to a third party for a total consideration of \$17,150. The sales are subject to a due-diligence process, which may take up to 120 days since the Subsidiary accepted offer to sell the lands, which was subsequently extended. The company reclassified back to Investment Property \$9,500 that were previously included in the "Property Held for Sale" since June 30, 2015, as per the requirements of IFRS 5, since the deals have not firmed up by June 30, 2016. See note 7(c).

**f. Pantages Hotel**

In June 2016 the Company's subsidiary (100%) executed a conditional agreement to sell the Pantages Hotel to a third party, for a total consideration of \$34,000. On July 18, 2016 the buyer waived conditions and the closing is expected to August 18, 2016. As of June 30, 2016 the Pantages hotel is presented as held for sale in an amount of \$21,430

**g. Port McNicoll**

In June 2016, the Company's subsidiary (100%) executed a conditional agreement to sell the major portion of the Port McNicoll site to a third party for a total consideration of \$41,360 payable in 120 equal installments, bearing 2% interest. The sale is subject to a 150 day due-diligence process. The site's carrying cost of \$44,546 was reported as part of "investment Property" (\$18,882) as per IAS 40 and "Real Estate inventory" (\$25,664) per IAS 2. Since the fair value of expected consideration, as determined by independent valutors, was estimated at \$39,661, the Company recognized an impairment of an investment property asset and a write-down of inventory in a cumulative amount of \$4,885, and reclassified \$16,652, following the impairment, from "investment property" to "Property Held for Sale". The real estate inventory portion of the site is presented as part of the current assets.

**h. Lakeside Lodge project at Deerhurst resort - financing**

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

**i. Contingent liability**

In May 2016, a former employee served the Company with a statement of claim related to the termination of his employment. The claim totaled to approximately \$500. As of June 30, 2016, the Company's legal advisors are studying the claim.

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**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 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 three months ended June 30, 2016 (unaudited)					Total
	Investment properties	Development	Hospitality Canada	Hospitality USA	Other	
<b>REVENUE</b>						
Sale of condominiums	--	4,801	--	--	--	4,801
Income from investment properties	956	--	--	--	--	956
Hospitality income	--	--	10,060	16,605	--	26,665
Timeshare income	--	--	--	--	31	31
	<u>956</u>	<u>4,801</u>	<u>10,060</u>	<u>16,605</u>	<u>31</u>	<u>32,453</u>
<b>EXPENSES AND COSTS</b>						
Cost of sale of condominiums	--	4,200	--	--	--	4,200
Operating expenses of investment properties	346	--	--	--	--	346
Hospitality operating expenses	--	--	10,289	13,377	--	23,666
Timeshare expenses	--	--	--	--	17	17
Development periodic costs	--	546	--	--	--	546
Depreciation	--	17	822	703	4	1,546
Write-down of real estate inventory to net realisable value	--	2,655	--	--	--	2,655
	<u>346</u>	<u>7,418</u>	<u>11,111</u>	<u>14,080</u>	<u>21</u>	<u>32,976</u>
<b>SEGMENTED RESULTS</b>	<u>610</u>	<u>(2,617)</u>	<u>(1,051)</u>	<u>2,525</u>	<u>10</u>	<u>(523)</u>
Loss (gain) from fair value adjustments	--	(2,884)	--	--	--	(2,884)
Selling and marketing expenses						397
Administrative and general expenses						1,035
Financial expense						2,187
Other expense (income)						6
<b>PROFIT BEFORE INCOME TAXES</b>						<u>(1,264)</u>

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**6 SEGMENTED INFORMATION (continued)**

	For the three months ended June 30, 2015 (unaudited)					Total
	Investment properties *)	Development *)	Hospitality Canada *)	Hospitality USA *)	Other	
<b>REVENUE</b>						
Income from investment properties	851	--	--	--	--	851
Hospitality income	--	--	10,963	6,001	--	16,964
Property management fees	--	--	32	--	--	32
Timeshare income	--	--	--	--	185	185
	<u>851</u>	<u>--</u>	<u>10,995</u>	<u>6,001</u>	<u>185</u>	<u>18,032</u>
<b>EXPENSES AND COSTS</b>						
Operating expenses of investment properties	350	--	--	--	--	350
Hospitality operating expenses	--	--	10,634	4,995	--	15,629
Timeshare expenses	--	--	--	--	158	158
Cost of sale of residential lots	--	10	--	--	--	10
Development periodic costs	--	311	--	--	--	311
Depreciation	--	17	785	412	--	1,214
	<u>350</u>	<u>338</u>	<u>11,419</u>	<u>5,407</u>	<u>158</u>	<u>17,672</u>
<b>SEGMENTED RESULTS</b>						
	<u>501</u>	<u>(338)</u>	<u>(424)</u>	<u>594</u>	<u>27</u>	<u>360</u>
Loss (gain) from fair value adjustments	--	(2,211)	--	--	--	(2,211)
Selling and marketing expenses	--	--	--	--	--	411
Administrative and general expenses	--	--	--	--	--	795
Financial expense	--	--	--	--	--	1,871
<b>PROFIT BEFORE INCOME TAXES</b>						<u>(506)</u>

\*) Reclassified

**SKYLINE INVESTMENTS INC.**  
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**6 SEGMENTED INFORMATION (continued)**

	For the six months ended June 30, 2016 (unaudited)					
	Investment properties	Development	Hospitality Canada	Hospitality USA	Other	Total
<b>REVENUE</b>						
Sale of condominiums	--	15,637	--	--	--	15,637
Sale of residential houses and lots	--	2,698	--	--	--	2,698
Income from investment properties	1,911	--	--	--	--	1,911
Hospitality income	--	--	22,885	37,200	--	60,085
Timeshare income	--	--	--	--	218	218
	<u>1,911</u>	<u>18,335</u>	<u>22,885</u>	<u>37,200</u>	<u>218</u>	<u>80,549</u>
<b>EXPENSES AND COSTS</b>						
Cost of sale of condominiums	--	14,977	--	--	--	14,977
Operating expenses of investment properties	647	--	--	--	--	647
Hospitality operating expenses	--	--	21,324	29,443	--	50,767
Timeshare expenses	--	--	--	--	42	42
Cost of sale of residential lots	--	2,326	--	--	--	2,326
Development periodic costs	--	835	--	--	--	835
Depreciation	--	35	1,619	1,446	113	3,213
Write-down of real estate inventory to net realisable value	--	2,655	--	--	--	2,655
	<u>647</u>	<u>20,828</u>	<u>22,943</u>	<u>30,889</u>	<u>155</u>	<u>75,462</u>
<b>SEGMENTED RESULTS</b>	<u>1,264</u>	<u>(2,493)</u>	<u>(58)</u>	<u>6,311</u>	<u>63</u>	<u>5,087</u>
Loss (gain) from fair value adjustments	--	(2,790)	--	--	--	(2,790)
Selling and marketing expenses						853
Administrative and general expenses						2,159
Financial expense						4,276
Financial income						(7)
Other expense (income)						(33)
<b>PROFIT BEFORE INCOME TAXES</b>						<u>629</u>

	As at June 30, 2016 (Unaudited)					
	Investment properties	Development	Hospitality Canada	Hospitality USA	Other	Total
Assets	34,762	155,784	96,815	90,082	223	377,666
Liabilities	20,441	61,030	61,813	60,304	218	203,806
	<u>14,321</u>	<u>94,754</u>	<u>35,002</u>	<u>29,778</u>	<u>5</u>	<u>173,860</u>

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**6 SEGMENTED INFORMATION (continued)**

For the six months ended June 30, 2015 (unaudited)						
	Investment properties *)	Development *)	Hospitality Canada *)	Hospitality USA *)	Other	Total
<b>REVENUE</b>						
Income from investment properties	1,703	--	--	--	--	1,703
Hospitality income	--	--	26,355	13,833	--	40,188
Property management fees	--	--	93	--	--	93
Timeshare income	--	--	--	--	566	566
	<u>1,703</u>	<u>--</u>	<u>26,448</u>	<u>13,833</u>	<u>566</u>	<u>42,550</u>
<b>EXPENSES AND COSTS</b>						
Operating expenses of investment properties	718	--	--	--	--	718
Hospitality operating expenses	--	--	23,339	11,911	--	35,250
Timeshare expenses	--	--	--	--	464	464
Cost of sale of residential lots	--	13	--	--	--	13
Development periodic costs	--	555	--	--	--	555
Depreciation	--	34	1,715	702	55	2,506
	<u>718</u>	<u>602</u>	<u>25,054</u>	<u>12,613</u>	<u>519</u>	<u>39,506</u>
<b>SEGMENTED RESULTS</b>						
	<u>985</u>	<u>(602)</u>	<u>1,394</u>	<u>1,220</u>	<u>47</u>	<u>3,044</u>
Loss (gain) 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)
<b>LOSS BEFORE INCOME TAXES</b>						<u>(1,222)</u>

As at June 30, 2015 (Unaudited)						
	Investment properties *)	Development *)	Hospitality Canada *)	Hospitality USA *)	Other	Total
Assets	30,798	148,231	114,704	51,005	2,012	346,750
Liabilities	17,865	81,650	50,106	33,286	5,593	188,500
	<u>12,933</u>	<u>66,581</u>	<u>64,598</u>	<u>17,719</u>	<u>(3,581)</u>	<u>158,250</u>

\*) Reclassified

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**6 SEGMENTED INFORMATION (continued)**

	For the year ended December 31, 2015 (Audited)					
	Investment properties	Development	Hospitality Canada	Hospitality USA	Other	Total
<b>REVENUE</b>						
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
	<u>3,560</u>	<u>276</u>	<u>59,190</u>	<u>32,943</u>	<u>694</u>	<u>96,663</u>
<b>EXPENSES AND COSTS</b>						
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 lots	--	264	--	--	--	264
Development periodic costs	--	1,051	--	--	--	1,051
Depreciation	--	70	3,409	1,745	102	5,326
	<u>1,329</u>	<u>1,385</u>	<u>49,082</u>	<u>30,245</u>	<u>1,003</u>	<u>83,044</u>
<b>SEGMENTED RESULTS</b>						
	<u>2,231</u>	<u>(1,109)</u>	<u>10,108</u>	<u>2,698</u>	<u>(309)</u>	<u>13,619</u>
Loss (gain) from fair value adjustments	(491)	(554)	--	--	--	(1,045)
Selling and marketing expenses						1,863
Administrative and general expenses						4,399
Financial expense						7,082
Financial income						(33)
Other expense (income)						560
Gain on bargain purchase						(8,274)
Gain on sale of investment						(3,768)
<b>PROFIT BEFORE INCOME TAXES</b>						<u>12,835</u>

	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
	<u>14,182</u>	<u>76,257</u>	<u>53,566</u>	<u>25,788</u>	<u>(9)</u>	<u>169,784</u>

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**6 SEGMENTED INFORMATION (continued)**

**(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 allow 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.

**7 SUBSEQUENT EVENTS**

**a. Bonds issued - series A**

On July 13, 2016, following a shelf prospectus published in 2014, the Company raised 128,240 NIS (approximately \$43,200, gross, before fees). The raised amount will bear an annual nominal interest of 5.2% payable semi-annually. The first interest payment is due on January 15, 2017. The principal is payable on semi-annual basis, while the first principal is due on July 15, 2017. Each principal payment is 2.5% of the raised amount, while the last payment, due on January 15, 2023, will be the remaining 72.5% of the raised amount. The Deerhurst Resort (excluding the surrounding lands) is a collateral for the raised amount. Per the main covenants of the deed of trust, the Company to maintain a maximal LTV of 75% and a minimum shareholders equity of \$100 mil. To the date of raise the LTV is 64%.

**b. Horseshoe Valley and Deerhurst Resorts loan**

The loan balance of \$32,313, as of June 30, 2016, was repaid on July 21, 2016. For more details see note 17 (i) in the consolidated financial statements as for December 31, 2015.

**c. Blue Mountain Lands**

The Company is in the process of renegotiating the terms of one of the three parcels of land conditionally sold in April 2016 (previously included at \$9,500 in "Property Held for Sale") at Blue Mountain Resort with both the original purchaser and another third party. See note 5(e). As of the date of publishing these financial statements, there is no guarantee these renegotiations will be concluded with a new/renewed agreement of purchase and sale.