

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

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

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SKYLINE INVESTMENTS INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian Dollars)

	As at		
	September 30, 2016 <i>(Unaudited)</i>	September 30, 2015 <i>(Unaudited)</i>	December 31, 2015 <i>(Audited)</i>
ASSETS			
Current			
Cash and cash equivalents	28,382	6,085	14,204
Trade receivables	17,763	3,880	4,555
Other receivables	10,017	6,453	6,416
Prepayments	2,466	1,539	1,903
Inventories	1,414	1,588	1,932
Real estate inventory	59,036	49,158	38,212
Property held for sale	18,731	34,891	32,891
Available for Sale Investments, at fair market value	--	5,164	--
Restricted bank deposits	5,423	4,662	4,149
Total current assets	143,232	113,420	104,262
Non-current			
Restricted bank deposits	949	2,303	2,243
Real estate inventory	--	8,804	25,599
Investment properties	84,452	92,563	93,158
Property, plant and equipment, at cost	140,202	110,860	146,051
Other assets	402	682	513
Deferred tax	6,946	11,087	10,032
Total non-current assets	232,951	226,299	277,596
Total Assets	376,183	339,719	381,858
LIABILITIES AND EQUITY			
Current			
Loans payable	22,548	42,704	46,596
Bonds - current maturities	972	--	--
Loans payable on property held for sale	--	12,511	12,364
Loans payable to related parties	--	6,673	6,739
Trade payables	6,826	6,751	9,551
Other payables and credit balances	14,566	9,754	14,662
Deferred revenue	5,600	4,745	6,752
Income taxes payable	3,536	39	111
Purchasers' Deposits	5,917	5,471	6,379
Total current liabilities	59,965	88,648	103,154
Non-current			
Loans payable	58,450	50,468	68,274
Bonds	42,317	--	--
Other liabilities	2,984	3,627	3,030
Deferred tax	32,037	34,109	37,616
Total non-current liabilities	135,788	88,204	108,920
Total liabilities	195,753	176,852	212,074
Shareholders' Equity			
Share capital	77,900	77,900	77,900
Warrant Certificates	519	519	519
Revaluation surplus	--	2,804	2,804
Available for Sale Investment Revaluation	--	477	--
Related Party Surplus	125	125	125
Equity settled service reserve	975	862	874
Foreign exchange translation	4,224	4,212	5,209
Retained earnings	79,455	67,691	71,120
Equity attributable to Shareholders of the Company	163,198	154,590	158,551
Non-controlling interest	17,232	8,277	11,233
Total Liabilities and Equity	376,183	339,719	381,858

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

On Behalf of the Board of Directors:

Gil Blutrigh
Chairman

Blake Lyon
CEO

Vadim Shub
CFO

Date

November 14, 2016

SKYLINE INVESTMENTS INC.
INTERIM CONSOLIDATED STATEMENTS OF INCOME

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

	FOR THREE MONTHS ENDED		FOR NINE MONTHS ENDED		FOR THE YEAR ENDED
	September 30,	September 30,	September 30,	September 30,	December 31,
	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
REVENUE					
Hospitality income	33,310	24,019	93,395	64,300	87,535
Income from investment properties	885	874	2,796	2,577	3,538
Sale of residential real estate	1,243	97	19,578	97	276
Commissions and fees	--	--	--	--	4,620
Other operation income	19	63	237	629	694
	<u>35,457</u>	<u>25,053</u>	<u>116,006</u>	<u>67,603</u>	<u>96,663</u>
EXPENSES AND COSTS					
Hospitality operating expenses	26,443	18,734	77,210	53,984	74,174
Operating expenses of investment properties	494	456	1,141	1,174	1,329
Cost of sale of residential real estate	1,270	3	18,573	16	264
Development periodic costs	424	289	1,259	844	1,050
Other operation expense	84	150	126	614	901
Depreciation	1,582	1,318	4,795	3,824	5,326
Write-down of real estate inventory to net realisable value	--	--	2,655	--	--
	<u>30,297</u>	<u>20,950</u>	<u>105,759</u>	<u>60,456</u>	<u>83,044</u>
GROSS PROFIT (LOSS)					
	<u>5,160</u>	<u>4,103</u>	<u>10,247</u>	<u>7,147</u>	<u>13,619</u>
Loss (gain) from fair value adjustments	127	165	(2,663)	(1,987)	(1,045)
Selling and marketing expenses	206	384	1,059	1,321	1,863
Administrative and general expenses	1,071	783	3,230	2,640	4,399
PROFIT FROM OPERATIONS					
	<u>3,756</u>	<u>2,771</u>	<u>8,621</u>	<u>5,173</u>	<u>8,402</u>
Financial expense	3,504	1,713	7,780	5,354	7,082
Financial income	(10)	(13)	(17)	(30)	(33)
Other expense (income)	(347)	--	(380)	--	560
Gain on bargain purchase	--	--	--	--	(8,274)
Gain on sale of investment	(8,592)	(3,219)	(8,592)	(3,219)	(3,768)
PROFIT (LOSS) BEFORE INCOME TAXES					
	<u>9,201</u>	<u>4,290</u>	<u>9,830</u>	<u>3,068</u>	<u>12,835</u>
Income tax expense	1,733	1,195	1,984	1,139	4,740
PROFIT (LOSS) FOR THE PERIOD					
	<u>7,468</u>	<u>3,095</u>	<u>7,846</u>	<u>1,929</u>	<u>8,095</u>
Attributable to:					
Shareholders of the Company	6,972	3,057	5,531	1,240	4,669
Non-controlling interest	496	38	2,315	689	3,426
	<u>7,468</u>	<u>3,095</u>	<u>7,846</u>	<u>1,929</u>	<u>8,095</u>
BASIC EARNINGS (LOSS) PER SHARE					
	<u>0.42</u>	<u>0.18</u>	<u>0.33</u>	<u>0.07</u>	<u>0.28</u>
DILUTED EARNINGS (LOSS) PER SHARE					
	<u>0.42</u>	<u>0.18</u>	<u>0.33</u>	<u>0.07</u>	<u>0.28</u>

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 NINE MONTHS ENDED		FOR THE
	September 30,	September 30,	September 30,	September 30,	YEAR ENDED
	2016	2015	2016	2015	Dec 31,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2015
					(Audited)
PROFIT (LOSS) FOR THE PERIOD	7,468	3,095	7,846	1,929	8,095
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	123
Income taxes (recovery)	--	--	--	(32)	(32)
Items that will or may be reclassified subsequently to profit or loss:					
Available for Sale Investment Revaluation, net of tax	--	477	--	477	--
Exchange differences on translation of foreign operations	355	1,032	(1,054)	2,353	3,569
OTHER COMPREHENSIVE INCOME FOR THE PERIOD net of taxes	355	1,509	(1,054)	2,921	3,660
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, net of taxes	7,823	4,604	6,792	4,850	11,755
Attributable to:					
Shareholders of the Company	7,313	4,566	4,546	4,161	8,110
Non-controlling interest	510	38	2,246	689	3,645
	7,823	4,604	6,792	4,850	11,755

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	Available for Sale Investment Revaluation	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total
FOR THREE MONTHS ENDED September 30, 2016											
<i>(Unaudited)</i>											
Balance at the beginning of the period	77,900	519	2,804	--	936	125	3,883	69,679	155,846	18,014	173,860
Profit for the period	--	--	--	--	--	--	--	6,972	6,972	496	7,468
Other comprehensive income (loss) for the period	--	--	--	--	--	--	341	--	341	14	355
Total comprehensive Income (loss) for the period	--	--	--	--	--	--	341	6,972	7,313	510	7,823
Distribution	--	--	--	--	--	--	--	--	--	(1,292)	(1,292)
Revaluation surplus, recognized net of taxes	--	--	(2,804)	--	--	--	--	2,804	--	--	--
Recognition of Share-based payment	--	--	--	--	39	--	--	--	39	--	39
Balance at the end of the period	77,900	519	--	--	975	125	4,224	79,455	163,198	17,232	180,430

	Share Capital and Premium	Warrant Certificates	Re-valuation Surplus	Available for Sale Investment Revaluation	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total
FOR THREE MONTHS ENDED September 30, 2015											
<i>(Unaudited)</i>											
Balance at the beginning of the period	77,565	519	4,246	--	1,184	125	3,180	63,192	150,011	8,239	158,250
Issuance of new shares	335	--	--	--	(335)	--	--	--	--	--	--
Profit for the period	--	--	--	--	--	--	--	3,057	3,057	38	3,095
Other comprehensive (loss) for the period	--	--	--	477	--	--	1,032	--	1,509	--	1,509
Total comprehensive Income (loss) for the period	--	--	--	477	--	--	1,032	3,057	4,566	38	4,604
Revaluation surplus, recognized net of	--	--	(1,442)	--	--	--	--	1,442	--	--	--
Recognition of Share-based	--	--	--	--	13	--	--	--	13	--	13
Balance at the end of the period	77,900	519	2,804	477	862	125	4,212	67,691	154,590	8,277	162,867

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	Available for Sale Investment Revaluation	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total
FOR NINE MONTHS ENDED September 30, 2016											
<i>(Unaudited)</i>											
Balance at the beginning of the period	77,900	519	2,804	--	874	125	5,209	71,120	158,551	11,233	169,784
Investment in subsidiary	--	--	--	--	--	--	--	--	--	5,045	5,045
Profit for the period	--	--	--	--	--	--	--	5,531	5,531	2,315	7,846
Other comprehensive income for the year	--	--	--	--	--	--	(985)	--	(985)	(69)	(1,054)
Total comprehensive income for the year	--	--	--	--	--	--	(985)	5,531	4,546	2,246	6,792
Distribution	--	--	--	--	--	--	--	--	--	(1,292)	(1,292)
Revaluation surplus, recognized net of taxes	--	--	(2,804)	--	--	--	--	2,804	--	--	--
Recognition of Share-based payment	--	--	--	--	101	--	--	--	101	--	101
Balance at the end of the period	77,900	519	--	--	975	125	4,224	79,455	163,198	17,232	180,430

	Share Capital and Premium	Warrant Certificates	Re-valuation Surplus	Available for Sale Investment Revaluation	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total
FOR NINE MONTHS ENDED September 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	718	--	--	--	(718)	--	--	--	--	--	--
Profit for the year	--	--	--	--	--	--	--	1,240	1,240	689	1,929
Other comprehensive income for the year	--	--	91	477	--	--	2,353	--	2,921	--	2,921
Total comprehensive Income for the year	--	--	91	477	--	--	2,353	1,240	4,161	689	4,850
Revaluation surplus, recognized net of taxes	--	--	(1,442)	--	--	--	--	1,442	--	--	--
Recognition of Share-based payment	--	--	--	--	42	--	--	--	42	--	42
Balance at the end of the period	77,900	519	2,804	477	862	125	4,212	67,691	154,590	8,277	162,867

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	Available for Sale Investment Revaluation	Equity Settled Service Reserve	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non- controlling Interest	Total
FOR THE YEAR ENDED FOR THE YEAR ENDED December 31, 2015											
<i>(Audited)</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	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
Balance at the end of the period	77,900	519	2,804	--	874	125	5,209	71,120	158,551	11,233	169,784

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 NINE MONTHS ENDED		FOR THE
	September 30,	September 30,	September 30,	September 30,	YEAR ENDED
	2016	2015	2016	2015	December 31,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2015
					(Audited)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES					
Operating					
Profit for the year	7,468	3,095	7,846	1,929	8,095
Add (deduct) items not involving cash:					
Depreciation and amortization	1,661	1,406	5,107	4,019	5,789
Loss (gain) from fair value adjustments	127	165	(2,663)	(1,987)	(1,045)
Gain on sale of investment	--	--	--	--	(550)
Loss (gain) on sale of investment and other property	(8,559)	(3,661)	(8,592)	(3,661)	(3,663)
Gain on bargain purchase	--	--	--	--	(8,274)
Financing costs from bonds	2,332	--	2,332	--	--
Deferred tax	(1,199)	1,482	(1,823)	1,123	5,456
Write-down of real estate inventory to net realisable value	--	--	2,655	--	--
Equity settled service reserve	39	13	101	42	54
Changes in non-cash working capital					
Trade receivables	(205)	(342)	(13,208)	439	469
Other receivables and prepayments	(1,874)	867	(2,664)	(2,405)	(2,647)
Restricted bank deposits	(207)	(696)	20	(2,391)	(1,818)
Inventories	229	73	518	(259)	(494)
Real Estate Inventory	(2,200)	(3,242)	6,800	(7,838)	(11,687)
Trade and other payables and credit balances	(725)	107	(4,690)	437	8,418
Income taxes payable	2,399	(37)	3,425	3	75
Purchasers' Deposits	1,172	(1,068)	(462)	1,569	2,477
	458	(1,838)	(5,298)	(8,980)	655
Investing					
Proceeds from asset held for sale	--	--	460	--	--
Additions to investment properties	(155)	(167)	(459)	(423)	(1,855)
Additions to property, plant and equipment	(3,156)	(2,455)	(5,990)	(4,080)	(3,704)
Proceeds from sale of property, plant and equipment	30,624	12,943	30,825	12,962	12,962
Disposition of available-for-sale Investment	--	--	--	--	5,164
Net cash used in a business acquisition (Schedule A)	--	--	--	--	(24,225)
	27,313	10,321	24,836	8,459	(11,658)
Financing					
Bank credit and other short-term loans	2,728	3,292	5,878	6,786	8,771
Issuance (Repayment) of bonds payable	41,524	--	41,524	--	--
Proceeds on loans payable	1,193	--	27,273	13,543	39,190
Repayments of loans payable	(55,855)	(13,954)	(71,855)	(16,884)	(24,742)
Distribution by a subsidiary to its non-controlling shareholders	(1,292)	--	(1,292)	--	--
Repayments of loans payable to related parties	(16)	(3,002)	(6,739)	(11,600)	(11,600)
Change in other liabilities	--	226	(46)	450	(147)
Deferred financing costs paid	184	(206)	(433)	(536)	(627)
	(11,534)	(13,644)	(5,690)	(8,241)	10,845
Foreign Exchange translation of foreign operations	(46)	(148)	330	(95)	(580)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD					
	16,191	(5,309)	14,178	(8,857)	(738)
Cash and cash equivalents, beginning of the year	12,191	11,394	14,204	14,942	14,942
CASH AND CASH EQUIVALENTS, END OF PERIOD					
	28,382	6,085	28,382	6,085	14,204
SUPPLEMENTAL CASH FLOW INFORMATION					
Interest paid	1,739	1,646	5,946	5,056	6,719
Interest received	10	13	17	30	33
Income taxes paid	221	22	221	435	(446)
<u>Significant non-cash transactions</u>					
Conversion of third party loan to equity (non-controlling interest)	--	--	5,046	--	--

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

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 NINE MONTHS ENDED		FOR THE
	September 30,	September 30,	September 30,	September 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,r	--	--	--	--	5,446
Net assets acquired	--	--	--	--	(24,225)
Change in cash from the consolidation of a company	--	--	--	--	--
Net cash used in acquisition	--	--	--	--	(24,225)

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 SEPTEMBER 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.

On July 14, 2016, following a shelf prospectus published in 2015, the Company raised approximately 123,400 NIS, net of fees (approximately \$41,500) issuing bonds series A. 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 72.5% and a minimum shareholders equity of \$100 mil. As of September 30, 2016, the Company complies with all covenants required in the deed of trust. The annual effective interest rate is 6.09%

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 \$23,520 current maturities of long term loans, bonds and short term construction debt. There is a net cash outflow from operations of \$5,298 as per the interim consolidated statements of cash flow for nine months ended September 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 September 30, 2016 the foreign exchange rate of the U.S. dollar compared to the Canadian dollar decreased by approximately 5.2%. From September 30, 2016 until the date those financial statements were published the U.S. dollar appreciated by approximately 2.7% compared to Canadian dollar.

	<u>30-Sep-16</u>	<u>30-Sep-15</u>	<u>31-Dec-15</u>
Exchange rate (CAD per 1 USD)	1.312	1.339	1.384
Average Exchange rate (CAD per 1 USD)	1.322	1.260	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 September 30, 2016	As at September 30, 2015	As at September 30, 2016	As at September 30, 2015
Loans payable	80,879	105,276	80,998	105,683
Bonds (1)	45,853	-	43,289	-
Loans payable to related parties	-	6,673	-	6,673
	126,732	111,949	124,287	112,356

(1) The Fair value is based on Tel-Aviv Stock Exchange quote (in New Israeli Shekels) for September 30, 2016 and translated to CAD using a currency NIS/CAD quote provided on Bank of Israel web site.

The Carrying amount is net of costs of 1.6 million CAD, which incurred to issue the bonds.

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 56 units to the purchasers and recognized a total revenue of \$16,794, including \$969 recognized for sale of furniture.

e. Blue Mountain Lands

In September 2016 the Company's subsidiary (60%) executed a firm agreement to sell two parcels of land size of approximately 39 acres at Blue Mountain Resort, to an unrelated third party for a total consideration of \$15,400. The Company will service the lots. See also note 7a below.

f. Pantages Hotel

On August 22, 2016 the sale of the Pantages Hotel was closed. The Company recorded a gain of \$8,105 for the three and nine month period ended September 30, 2016.

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. On October 26, 2016 conditional agreement was cancelled. The Company is in the process of negotiation with a different potential buyer, to sell the site on the similar terms. 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 valuers, 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. Bonds

During the reporting period, the Company issued bonds on Tel Aviv stock exchange in Israel. For further details, see note 1 above.

j. Contingent liabilities

The Company was served claims totaling \$2.1 million dollars in relation to certain construction projects and issued a counterclaim of \$4 million dollars. As per the Company's legal advisors, at this stage it is not possible to estimate the Company's chances of success or the likely amount of recovery.

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.

The Information regarding the provision is usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the claims. Based on Company's legal advisors, the management believes that the provisions in the financial statements are sufficient.

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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 September 30, 2016 (unaudited)					Total
	Investment properties	Development	Hospitality Canada	Hospitality USA	Other	
REVENUE						
Hospitality income	--	--	16,075	17,235	--	33,310
Income from investment properties	885	--	--	--	--	885
Sale of residential real estate	--	1,243	--	--	--	1,243
Other operation income	--	--	--	--	19	19
	885	1,243	16,075	17,235	19	35,457
EXPENSES AND COSTS						
Hospitality operating expenses	--	--	13,065	13,378	--	26,443
Operating expenses of investment properties	494	--	--	--	--	494
Cost of sale of residential real estate	--	1,270	--	--	--	1,270
Development periodic costs	--	424	--	--	--	424
Other operation expense	--	--	--	--	84	84
Depreciation	--	18	798	762	4	1,582
	494	1,712	13,863	14,140	88	30,297
SEGMENTED RESULTS	391	(469)	2,212	3,095	(69)	5,160
Loss (gain) from fair value adjustments	--	127	--	--	--	127
Selling and marketing expenses						206
Administrative and general expenses						1,071
Financial expense						3,504
Financial income						(10)
Other expense (income)						(347)
Gain on sale of investment						(8,592)
PROFIT BEFORE INCOME TAXES						9,201

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6 SEGMENTED INFORMATION (continued)

	For the three months ended September 30, 2015 (unaudited)					
	Investment properties *)	Development *)	Hospitality Canada *)	Hospitality USA *)	Other	Total
REVENUE						
Hospitality income	--	--	17,915	6,105	--	24,020
Income from investment properties	873	--	--	--	--	873
Sale of residential real estate	--	97	--	--	--	97
Other operation income	--	--	--	--	63	63
	<u>873</u>	<u>97</u>	<u>17,915</u>	<u>6,105</u>	<u>63</u>	<u>25,053</u>
EXPENSES AND COSTS						
Hospitality operating expenses	--	--	13,353	5,381	--	18,734
Operating expenses of investment properties	456	--	--	--	--	456
Cost of sale of residential real estate	--	3	--	--	--	3
Development periodic costs	--	289	--	--	--	289
Other operation expense	--	--	--	--	150	150
Depreciation	--	16	856	378	68	1,318
	<u>456</u>	<u>308</u>	<u>14,209</u>	<u>5,759</u>	<u>218</u>	<u>20,950</u>
SEGMENTED RESULTS						
	<u>417</u>	<u>(211)</u>	<u>3,706</u>	<u>346</u>	<u>(155)</u>	<u>4,103</u>
Loss (gain) from fair value adjustments	--	165	--	--	--	165
Selling and marketing expenses	--	--	--	--	--	384
Administrative and general expenses	--	--	--	--	--	783
Financial expense	--	--	--	--	--	1,713
Financial income	--	--	--	--	--	(13)
Gain on sale of investment	--	--	--	--	--	(3,219)
PROFIT BEFORE INCOME TAXES						<u>4,290</u>

*) Reclassified

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6 SEGMENTED INFORMATION (continued)

For the nine months ended September 30, 2016 (unaudited)						
	Investment properties	Development	Hospitality Canada	Hospitality USA	Other	Total
REVENUE						
Hospitality income	--	--	38,960	54,435	--	93,395
Income from investment properties	2,796	--	--	--	--	2,796
Sale of residential real estate	--	19,578	--	--	--	19,578
Other operation income	--	--	--	--	237	237
	2,796	19,578	38,960	54,435	237	116,006
EXPENSES AND COSTS						
Hospitality operating expenses	--	--	34,389	42,821	--	77,210
Operating expenses of investment properties	1,141	--	--	--	--	1,141
Cost of sale of residential real estate	--	18,573	--	--	--	18,573
Development periodic costs	--	1,259	--	--	--	1,259
Other operation expense	--	--	--	--	126	126
Depreciation	--	53	2,417	2,208	117	4,795
Write-down of real estate inventory to net realisable value	--	2,655	--	--	--	2,655
	1,141	22,540	36,806	45,029	243	105,759
SEGMENTED RESULTS	1,655	(2,962)	2,154	9,406	(6)	10,247
Loss (gain) from fair value adjustments	--	(2,663)	--	--	--	(2,663)
Selling and marketing expenses						1,059
Administrative and general expenses						3,230
Financial expense						7,780
Financial income						(17)
Other expense (income)						(380)
Gain on sale of investment						(8,592)
PROFIT BEFORE INCOME TAXES						9,830

As at September 30, 2016 (Unaudited)						
	Investment properties	Development	Hospitality Canada	Hospitality USA	Other	Total
Assets	31,137	162,295	92,192	90,373	186	376,183
Liabilities	20,080	55,196	59,547	60,758	172	195,753
	11,057	107,099	32,645	29,615	14	180,430

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6 SEGMENTED INFORMATION (continued)

	For the nine months ended September 30, 2015 (unaudited)					
	Investment properties *)	Development *)	Hospitality Canada *)	Hospitality USA *)	Other	Total
REVENUE						
Hospitality income	--	--	44,363	19,938	--	64,301
Income from investment properties	2,576	--	--	--	--	2,576
Sale of residential real estate	--	97	--	--	--	97
Other operation income	--	--	--	--	629	629
	<u>2,576</u>	<u>97</u>	<u>44,363</u>	<u>19,938</u>	<u>629</u>	<u>67,603</u>
EXPENSES AND COSTS						
Hospitality operating expenses	--	--	36,692	17,292	--	53,984
Operating expenses of investment properties	1,174	--	--	--	--	1,174
Cost of sale of residential real estate	--	16	--	--	--	16
Development periodic costs	--	844	--	--	--	844
Other operation expense	--	--	--	--	614	614
Depreciation	--	50	2,571	1,080	123	3,824
	<u>1,174</u>	<u>910</u>	<u>39,263</u>	<u>18,372</u>	<u>737</u>	<u>60,456</u>
SEGMENTED RESULTS						
	<u>1,402</u>	<u>(813)</u>	<u>5,100</u>	<u>1,566</u>	<u>(108)</u>	<u>7,147</u>
Loss (gain) from fair value adjustments	--	(1,987)	--	--	--	(1,987)
Selling and marketing expenses	--	--	--	--	--	1,321
Administrative and general expenses	--	--	--	--	--	2,640
Financial expense	--	--	--	--	--	5,354
Financial income	--	--	--	--	--	(30)
Gain on sale of investment	--	--	--	--	--	(3,219)
PROFIT BEFORE INCOME TAXES						<u>3,068</u>

	As at September 30, 2015 (Unaudited)					
	Investment properties *)	Development *)	Hospitality Canada *)	Hospitality USA *)	Other	Total
Assets	30,977	147,217	107,365	53,271	889	339,719
Liabilities	17,806	81,108	40,811	31,486	5,641	176,852
	<u>13,171</u>	<u>66,109</u>	<u>66,554</u>	<u>21,785</u>	<u>(4,752)</u>	<u>162,867</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
REVENUE						
Hospitality income	--	--	54,592	32,943	--	87,535
Income from investment properties	3,538	--	--	--	--	3,538
Sale of residential real estate	--	276	--	--	--	276
Commissions and fees	22	--	4,598	--	--	4,620
Other operation 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>
EXPENSES AND COSTS						
Hospitality operating expenses	--	--	45,673	28,500	--	74,173
Operating expenses of investment properties	1,329	--	--	--	--	1,329
Cost of sale of residential real estate	--	264	--	--	--	264
Development periodic costs	--	1,051	--	--	--	1,051
Other operation expense	--	--	--	--	901	901
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>
SEGMENTED RESULTS	<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)
PROFIT BEFORE INCOME TAXES						<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>

7 SUBSEQUENT EVENTS

a. Blue Mountain lands sale

On October 28, 2016 the Company's subsidiary (60%) executed an agreement to sell 33 residential lots at Blue Mountain resort for a total consideration of \$5,610. The Company's subsidiary (60%) will service the lots.

On November 10, 2016 the Company delivered 39 residential lots at Blue Mountain Resort, sold for \$5,850 in June 17, 2015. The Company serviced the lots.

b. Port McNicoll lands sale

Please see note 5(g) above.