SKYLINE INVESTMENTS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

December 31, 2017

and 2016

SKYLINE INVESTMENTS INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

CONTENTS

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Independent Auditors' Report

To the shareholders of Skyline Investments Inc. (formerly: Skyline International Development Inc.)

We have audited the accompanying consolidated financial statements of Skyline Investments Inc. (formerly Skyline International Development Inc.), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Skyline Investments Inc. as at December 31, 2017 and its financial performance and its cash flows for the year ended December 31, 2017 in accordance with International Financial Reporting Standards.

Other matter

The financial statements of Skyline Investments Inc. (formerly: Skyline International Development Inc.) as of December 31, 2016 and for each of the years in the two year period ended December 31, 2016 were audited by another auditor who expressed an unmodified audit report on those financial statements on March 23, 2017

Brightman Almagor Zohar & Co.
Certified Public Accountants
Member of Deloitte Touche Tohmatsu Limited

Tel Aviv, 23 March, 2018

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SKYLINE INVESTMENTS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian Dollars)

	Notes	As at December 31, 2017	December 31, 2016	
ASSETS				
Current				
Cash and cash equivalents	3	25,897	29,837	
Trade receivables	4	6,159	17,264	
Other receivables	5	12,113	8,898	**)
Prepayments		3,288	2,331	
Inventories	7	2,027	1,780	
Real estate inventory	8	61,008	58,651	
Property held for sale	9	--	18,357	
Loans to purchasers - current maturity	14	7,287	5,565	**)
Restricted bank deposits	6	5,175	3,054	
Total current assets		122,954	145,737	
Non-current				
Financial derivative		3,675	--	
Investment properties	10	92,983	90,783	
Property, plant and equipment, at cost	11	3,235	3,920	
Property, plant and equipment, at fair value	11	443,355	271,612	
Loans to purchasers	14	32,968	--	
Other assets	12	2,544	381	
Deferred tax	13	7,832	6,368	
Restricted bank deposits	6	4,593	952	
Total non-current assets		591,185	374,016	
Total Assets		**714,139**	**519,753**	
LIABILITIES AND EQUITY				
Current				
Loans payable	17	33,919	26,449	
Bonds - current maturities	15	2,450	1,105	
Trade payables		10,456	8,025	
Other payables and credit balances	16	20,730	15,485	
Deferred revenue		7,519	6,910	
Income taxes payable		--	972	*)
Purchasers' deposits		9,930	6,698	
Total current liabilities		85,004	65,644	
Non-current				
Loans payable	17	174,816	61,125	
Bonds	15	105,277	42,306	
Other liabilities		1,189	2,577	
Deferred tax	13	51,856	60,729	*)
Total non-current liabilities		333,138	166,737	
Total liabilities		418,142	232,381	
Equity				
Equity attributable to Shareholders of the Company	20	255,020	245,968	
Non-controlling interest	20	40,977	41,404	*)
Equity		295,997	287,372	
Total Liabilities and Equity		**714,139**	**519,753**	

*) See note 2

**) Reclassified

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

On Behalf of the Board of Directors:

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

March 23, 2018

Date

SKYLINE INVESTMENTS INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands of Canadian dollars, except per share amounts)

	Notes	FOR THE YEAR ENDED December 31, 2017	FOR THE YEAR ENDED December 31, 2016		FOR THE YEAR ENDED December 31, 2015	
REVENUE						
Hospitality income	22	118,123	118,502		87,535	
Income from investment properties		3,671	3,695		3,538	
Sale of residential real estate		30,694	25,551		276	
Commissions and fees	11(a)	--	--		4,620	
Other operating income		75	246		694	
		152,563	147,994		96,663	
EXPENSES AND COSTS						
Hospitality operating expenses	23	98,709	99,799		74,174	
Operating expenses of investment properties		1,079	1,577		1,329	
Cost of sale of residential real estate	24	26,403	27,991		1,314	
Other operating expense		113	85		901	
		126,304	129,452		77,718	
		26,259	**18,542**		**18,945**	
Selling and marketing expenses		480	1,463		1,863	
Administrative and general expenses	26	5,572	4,895		4,399	
OPERATING INCOME BEFORE DEPRECIATION, VALUATION ADJUSTMENTS AND OTHER INCOME		**20,207**	**12,184**		**12,683**	
Depreciation	25	11,415	6,635		5,326	
Gain from fair value adjustments	10	(6,715)	(7,095)		(1,045)	
Gain on bargain purchase	11(a)	--	--		(8,274)	
Loss (gain) on sale of investments	11(c)	17	(8,574)		(3,768)	
Other expense		1,111	869		560	
PROFIT FROM OPERATIONS		**14,379**	**20,349**		**19,884**	
Financial expense	27	11,089	10,332		7,082	
Financial income	27	(3,119)	(211)		(33)	
PROFIT BEFORE INCOME TAXES		**6,409**	**10,228**		**12,835**	
Income tax (recovery) expense	28 & 13	(2,212)	2,191	*)	3,229	*)
PROFIT FOR THE PERIOD		**8,621**	**8,037**		**9,606**	
Attributable to:						
Shareholders of the Company		6,066	3,910		4,669	
Non-controlling interest	20	2,555	4,127	*)	4,937	*)
		8,621	8,037		9,606	
BASIC EARNINGS PER SHARE	20	**0.37**	**0.23**		**0.28**	
DILUTED EARNINGS PER SHARE		**0.36**	**0.23**		**0.28**	

*) See note 2

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

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

	FOR THE YEAR ENDED December 31, 2017	FOR THE YEAR ENDED December 31, 2016	FOR THE YEAR ENDED December 31, 2015
PROFIT FOR THE PERIOD	8,621	8,037 *)	9,606 *)
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	(1,801)	132,221	123
Income taxes	6,116	(27,769) *)	(32)
Items that will or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(3,017)	(306)	3,569
OTHER COMPREHENSIVE INCOME FOR THE YEAR net of taxes	1,298	104,146	3,660
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, net of taxes	**9,919**	**112,183**	**13,266**
Attributable to:			
Shareholders of the Company	10,346	87,277	8,110
Non-controlling interest	(427)	24,906 *)	5,156 *)
	9,919	**112,183**	**13,266**

*) See note 2

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

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

	Share Capital and Premium	Warrant Certificates	Re-valuation Surplus	Share based Compensation Surplus	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest	Total
	FOR THE YEAR ENDED December 31, 2017									
Balance at the beginning of the year	77,900	519	83,749	1,014	125	4,827	77,834	245,968	41,404	287,372
Options that expired	879	--	--	(879)	--	--	--	--	--	--
Profit for the year	--	--	--	--	--	--	6,066	6,066	2,555	8,621
Other comprehensive income for the year	--	--	5,720	--	--	(1,440)	--	4,280	(2,982)	1,298
Total comprehensive income for the year	--	--	5,720	--	--	(1,440)	6,066	10,346	(427)	9,919
Dividend	--	--	--	--	--	--	(1,829)	(1,829)	--	(1,829)
Recognition of revaluation surplus of property plant and equipment, net of taxes to retained earnings	--	--	(1,687)	--	--	--	1,687	--	--	--
Recognition of Share-based payment	--	--	--	535	--	--	--	535	--	535
Balance at the end of the year	78,779	519	87,782	670	125	3,387	83,758	255,020	40,977	295,997

	Share Capital and Premium	Warrant Certificates	Re-valuation Surplus	Share based Compensation Surplus	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest *)	Total
	FOR THE YEAR ENDED December 31, 2016									
Balance at the beginning of the year	77,900	519	2,804	874	125	5,209	71,120	158,551	12,744	171,295
Investment in subsidiary	--	--	--	--	--	--	--	--	5,045	5,045
Profit for the year	--	--	--	--	--	--	3,910	3,910	4,127 *)	8,037 *)
Other comprehensive income for the year	--	--	83,749	--	--	(382)	--	83,367	20,779	104,146
Total comprehensive Income for the year	--	--	83,749	--	--	(382)	3,910	87,277	24,906	112,183
Distribution	--		--	--	--	--	--	--	(1,291)	(1,291)
Revaluation surplus, recognized net of taxes	--	--	(2,804)	--	--	--	2,804	--	--	--
Recognition of Share-based payment	--	--	--	140	--	--	--	140	--	140
Balance at the end of the year	77,900	519	83,749	1,014	125	4,827	77,834	245,968	41,404	287,372

*) See note 2

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

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

	Share Capital and Premium	Warrant Certificates	Re-valuation Surplus	Share based Compensation Surplus	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non-controlling Interest *)	Total
	FOR THE YEAR ENDED December 31, 2015									
Balance at the beginning of the year	77,182	519	4,155	1,538	125	1,859	65,009	150,387	7,588	157,975
Issuance of shares	718	--	--	(718)	--	--	--	--	--	--
Profit for the year	--	--	--	--	--	--	4,669	4,669	4,937 *)	9,606 *)
Other comprehensive income for the year	--	--	91	--	--	3,350	--	3,441	219	3,660
Total comprehensive Income for the year	--	--	91	--	--	3,350	4,669	8,110	5,156	13,266
Revaluation surplus, recognized net of taxes	--	--	(1,442)	--	--	--	1,442	--	--	--
Recognition of Share-based payment	--	--	--	54	--	--	--	54	--	54
Balance at the end of the year	77,900	519	2,804	874	125	5,209	71,120	158,551	12,744	171,295

*) See note 2

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

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

	FOR THE YEAR ENDED December 31, 2017	FOR THE YEAR ENDED December 31, 2016		FOR THE YEAR ENDED December 31, 2015	
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES					
Cash Flow from Operating Activities					
Profit for the year	8,621	8,037	*)	9,606	*)
Add (deduct) items not involving cash:					
Depreciation and amortization	13,190	7,552		5,789	
Gain from fair value adjustments	(6,715)	(7,095)		(1,045)	
Gain on sale of investment and other property	--	(8,574)		(4,213)	
Gain on bargain purchase, before tax	--	--		(8,274)	
Financing costs from bonds including foreign exchange	6,674	3,040		--	
Financing income from financial derivative	(3,675)	--		--	
Deferred tax, net	(1,784)	207	*)	3,945	*)
Write-down (up) of real estate inventory to net realizable value	(355)	2,993		--	
Share based compensation	535	140		54	
Changes in non-cash working capital					
Trade receivables	11,540	(12,709)		469	
Other receivables, prepayments and others	(3,048)	(6,975)		(2,647)	
Restricted bank deposits	(2,512)	2,386		(1,818)	
Inventories	(218)	152		(494)	
Real Estate Inventory	(14,615)	8,817		(11,687)	
Trade and other payables and credit balances	2,944	(1,905)		8,418	
Income taxes payable	(972)	1,556		75	
Purchasers' deposits	3,232	319		2,477	
	12,842	(2,059)		655	
Cash Flow from Investing Activities					
Proceeds from asset sold	3,447	460		--	
Additions to investment properties	(2,371)	(671)		(1,855)	
Investment in restricted long term deposit	(3,250)	--		--	
Additions to property, plant and equipment	(22,043)	(12,509)		(3,704)	
Proceeds from sale of property, plant and equipment	76	30,847		12,962	
Disposition of available-for-sale Investment	--	--		5,164	
Net cash used in a business acquisition (Schedule A)	(176,443)	--		(24,225)	
	(200,584)	18,127		(11,658)	
Cash Flow from Financing Activities					
Bank credit and other short-term loans	3,816	8,792		8,771	
Issuance of bonds payable	62,731	41,461		--	
Repayment of bonds payable	(1,133)	--		--	
Proceeds on loans payable	138,566	29,719		38,563	
Repayments of loans payable	(18,158)	(72,385)		(24,742)	
Distribution by a subsidiary to its non-controlling shareholders	--	(1,291)		--	
Dividend Distribution	(1,829)	--		--	
Repayments of loans payable to related parties	--	(6,739)		(11,600)	
Change in other liabilities	(460)	(453)		(147)	
	183,533	(896)		10,845	
Foreign Exchange translation of foreign operations	269	461		(580)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**(3,940)**	**15,633**		**(738)**	
Cash and cash equivalents, beginning of the year	29,837	14,204		14,942	
CASH AND CASH EQUIVALENTS, END OF YEAR	**25,897**	**29,837**		**14,204**	
SUPPLEMENTAL CASH FLOW INFORMATION					
Interest paid	7,057	6,564		6,719	
Interest received	307	211		33	
Income taxes paid	1,706	248		(446)	
Significant non-cash transactions					
Conversion of third party loan to equity (non-controlling interest)	--	5,045		--	
Loans to Purchasers	33,915	--		--	

*) See note 2

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

SKYLINE INVESTMENTS INC.
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 13 Courtyard Hotels Portfolio in 2017 and the Renaissance Hotel in 2015

	FOR THE YEAR ENDED December 31, 2017	FOR THE YEAR ENDED December 31, 2016	FOR THE YEAR ENDED December 31, 2015
Working capital, net of cash and cash equivalents	(4,337)	--	942
Inventory	(29)	--	(109)
Property, plant and equipment	(172,077)	--	(33,401)
Deferred revenue	--	--	67
Deferred taxes	--	--	2,830
Gain on bargain purchase, net of tax	--	--	5,446
Net assets acquired	(176,443)	--	(24,225)
Net cash used in acquisition	(176,443)	--	(24,225)

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

1 NATURE OF OPERATIONS

Skyline Investments Inc. (formerly Skyline International Development Inc.) (the "Company") was incorporated on December 4, 1998 under the Ontario Business Corporations Act, and its registered office is located at 150 King Street West, Suite 2108, Toronto, Ontario, Canada.

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

The Company is 66.13% owned by Skyline Canada-Israel Ltd, a majority of shares of which are owned by Mishorim Real Estate Investments Ltd (former: Mishorim Development Corporation Ltd.), a public company whose shares are traded on the Tel-Aviv Stock Exchange.

On March 13, 2014 the Company listed its shares on the Tel Aviv Stock Exchange. See note 20 (c).

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

On February 26, 2018, the Company published a shelf prospectus on the Tel Aviv Stock Exchange.

2 SIGNIFICANT ACCOUNTING POLICIES

A. The basis for the presentation of the financial statements:

(1) The format for the preparation of the financial statements:

These financial statements have been prepared in accordance with the International Financial Reporting Standards as issued by IASB (hereinafter - "The IFRS standards). These standards include:

a. International Financial Reporting Standards (IFRS).
b. International Accounting Standards (IAS).
c. Clarifications to the International Financial Reporting Standards (IFRIC) and to the International Accounting Standards (SIC).

Furthermore, the financial statements have been prepared in accordance with the provisions of the Securities Regulations (Annual financial statements) – 2010.

In December 2017 the Company has changed retrospectively its income statement presentation to a more relevant and useful manner due to complexity of analysts and user of the financial statements to understand and analyze the results of operations, specifically after the company's change in accounting policy regarding revaluation model of fixed assets in December 2016.

The management's opinion that the new presentation manner is more relevant and useful and also aligning with other companies which are implementing the revaluation model of IAS 16. The updated manner of presentation is also consistent with the method of reviewing the operational results by the CODM.

B. The principal considerations, estimates and assumptions in the preparation of the financial statements:

(1) The principle considerations in the preparation of the financial statements:

In the process of the implementation of the principal accounting policies in the financial statements, the Company has exercised judgment and has considered considerations in respect of the following matters, which have the most significant impact on the amounts that have been recognized in the financial statements:

The testing of the acquisition of a "Business" or "Investment Property":

When buying an asset, the Company exercises discretion in assessing whether it comes to purchasing a business or asset for the purpose of determining the accounting treatment of the transaction. To determine whether a company is a business asset, the Company is examining, among other things, the nature of the processes that exist at the company, including the extent and nature management, security, cleaning and maintenance services provided to renters. Transactions in which the acquired company is a business, the transaction is accounted for as business combinations as described in note 2D.

By contrast, transactions in which the acquired company is not a business are accounted as a group of assets and liabilities, such transactions cost of acquisition, including transaction costs, is allocated in proportion to the identifiable assets and liabilities acquired, based on their relative fair values at the acquisition date. In the latter case, no goodwill is recognized at the date of acquisition.

(2) Estimates and assumptions in the preparation of the financial statements:

When preparing the financial statements, the management is required to make use of estimates, assessments and assumptions, which affect the implementation of the accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The estimates and the assumptions on which they are based are reviewed routinely. Changes in the accounting estimates are reflected in the period in which the change is made in the estimate.

The following are the principal assumptions that have been made in the financial statements in connection with uncertainties at the reporting date and the critical estimates that have been made by the Company where a significant change in the estimates and the assumptions could change the values at which assets and liabilities are stated in the financial statements in the coming reporting year:

(2) Estimates and assumptions in the preparation of the financial statements (Cont.):

i. Investment property:

The Company follows the principles of IAS 40 - "Investment properties". Investment properties are land or buildings held to earn rental income or for capital appreciation or both. The initial cost of investment properties is their purchase cost, together with any incidental costs of acquisition. External costs and internal costs are capitalized to the extent they enhance the future economic benefit of the asset.

After initial recognition, the Company measures all of the investment properties at their fair values. A gain or loss arising from a change in the fair value is recognized in profit or loss for the period in which it arises. The fair value of investment property reflects market conditions at the Statement of Financial Position date.

The fair value of investment property is based on a valuation by an independent valuator who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

In the case of mixed use investment property and property held for use in production of goods or services ("Owner-occupied property"), the Company classifies the leased component as investment property, and the owner-occupied portion at cost, as property, plant and equipment.

ii. Provisions and contingent liabilities

Considerable judgement is used in measuring and recognizing provisions and the exposure to contingent liabilities. Judgement is necessary to determine the likelihood that a pending litigation or other claim will succeed, or a liability will arise and to quantify the possible range of the final settlement. In case of legal claims, the Company relies on its legal advisors to determine the likelihood of the outcome

iii. Stock options

Assumptions, such as volatility, expected life of an award, risk free interest rate, forfeiture rate, and dividend yield, are used in the underlying calculation of fair values of the Company's stock options. Fair value is determined using the i) the OPTIONS XL Binomial and Trinomial Lattice with Exercise Behavior model (for Directors and Employees), and ii) OPTIONS XL Trinomial Lattice with Exercise Behavior model: Vesting Tranche Fair Value (for Executives).

iv. Income taxes:
Income tax liabilities must be estimated for the Company, including an assessment of the accounting for temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Management's judgement is required for the calculation of current and deferred taxes. See note 13 and 28.

(3) Revaluation of property plant and equipment:

The Company accounts for its hotels and resorts using the IAS 16.31 Revaluation model, as the management believes it would provide a more relevant information to the reader, and the values of these properties can be measured reliably. The changes in revaluation are recognized through other comprehensive income. The fair values of the above mentioned assets, are based on valuations by independent valuators who hold recognized and relevant professional qualifications and have recent experience in the location and category of the property, plant and equipment being valued. The fair value of the hotels is estimated based on the estimated cash flows from the property and the comparison approach. Hotels are revalued on the basis of the evidence available in the market, using comparable prices adjusted to specific market factors such as property type, location and condition.
Items of Property, Plant and Equipment other than the above mentioned assets, are measured at cost net of accumulated amortization.

C. Consolidated financial statements:

The consolidated financial statements include the financial statements of the companies in which the Company has control (subsidiary companies). Control exists where the Company has the power to influence the investee entity, exposure or rights to variable yields as a result of its involvement in the investee entity as well as the ability to use its power in order to influence the amount of the yields that will derive from the investee entity. The impact of potential voting rights is only taken into account in the testing for control if they are substantive. The consolidation of the financial statements is performed as from the time at which control is achieved and up to the time at which the control ceases.

Significant mutual balances and transactions and the incomes and losses deriving from transactions between the Company and the subsidiary companies have been eliminated in full in the consolidated financial statements.

The non-controlling interests in respect of subsidiary companies represent the equity in the subsidiary companies that cannot be attributed directly or indirectly to the parent company. The non-controlling interests are presented separately under the Company's equity. The profit or loss and each component of other comprehensive income are attributed to the Company and to the non-controlling interests.

C. Consolidated financial statements (Cont.):

The acquisition of non-controlling interests by the Company is recorded against a decrease / increase in equity (a capital reserve in respect of transactions with non-controlling interests), which is calculated as the difference between the consideration that has been paid by the Company and the amount of the portion of the non-controlling interests that have been acquired, which was de-recognized at the time of the acquisition (where the non-controlling interests included part of the other comprehensive income, the Company re-attributes the cumulative amounts that have been recognized under other comprehensive income between the shareholders in the Company and the non-controlling interests).

Losses are attributed to non-controlling interests even if as a result of this the balance of the non-controlling interests in the consolidated statement of financial position is negative.

When subsidiary company, under the contractual arrangements, generates losses, the losses are divide between the Company and the non-controlling interests according to their holdings in subsidiary.

D. Business combinations:

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquire and the equity interests issued by the Company in exchange for control of the acquire. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value (In accordance with IFRS 3), except for certain types of assets measured in accordance with the relevant standards.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquirer's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquire is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

E. Foreign currency:

In preparing the financial statements of each individual Company entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange on the dates of the transactions. The functional currency for the Company and its Canadian subsidiaries is Canadian dollars.

The functional currency of the Company's US subsidiaries is the US dollar. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in in the statement of profit and loss in the period for which they arise.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into Canadian dollars, the presentation currency, using exchange rates prevailing at the end of each reporting period (1 USD = 1.2545 CAD). Income and expense items are translated at the average exchange rates for that period (1 USD = 1.2986 CAD). Exchange differences are recognized in other comprehensive income, accumulated in equity and attributed to non-controlling interests as appropriate.

F. Cash and cash equivalents:

Cash and cash equivalents on the consolidated statements of cash flows includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statements of financial position.
Cash whose use has been restricted by the Company in respect of credit agreements, or whose use has been restricted to a specific use under another agreement, are classified by the Company as restricted cash in the statement of financial position.

G. Short-term deposits:

Short-term deposits in financial entities, whose original period exceeds three months at the time of the investment in them or in respect of which a restriction applies in respect of their use and which do not meet the definition of cash equivalents. The deposits are presented in accordance with the terms under which they were deposited and their expected redemption times.

H. The period of the operating cycle:

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

I. Financial instruments:

A financial asset or a financial liability is recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and the control is transferred. A financial liability is derecognized when the Company's obligations are extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Fair Value of Financial Instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that could be achieved in an arm's length transaction at the reporting date

(1) Financial assets:

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held to maturity investments; and
- available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a Company of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within 'Finance expenses', 'Finance income' or 'other expense', except for impairment of trade receivables which is presented within 'administrative and general expenses'.

Loans and Receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less any provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's trade and most other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment individually when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in Companys, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified Company. Impairment of trade receivables are presented within 'administrative and general expenses'.

Financial Assets at Fair Value Through Profit or Loss:

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated as at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which hedge accounting requirements apply.

Assets in this category are measured at fair value with any gains or losses arising from remeasurement are recognized in profit or loss. Gains or losses on derivative financial instruments are based on changes in fair value determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-Maturity Investments:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-For-Sale Financial Assets:

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Available-for-sale financial assets are measured at fair value or at cost less any impairment charges, if their fair value cannot be estimated reliably. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'finance income'. Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Derivative Financial Instruments:

A specific accounting treatment is required for derivatives designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All other derivative financial instruments are accounted for at fair value through profit or loss.

(2) Financial Liabilities

The Company's financial liabilities include loans payable, bonds, trade and other payables and tenant deposits.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with any gains or losses arising on remeasurement recognized in profit or loss.

All derivative financial instruments that are not designated and effective as a hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'financial expense' or 'financial income'.

J. Trade Receivables:

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

K. Inventory and Real Estate Inventory:

The Company follows the principles of IAS 2 - Inventories. Inventory comprises of serviced parcels of land, condominiums, land held for current development, food and beverage, and retail goods held for sale in the ordinary course of business of the Company. Inventory is measured at the lower of cost and net realizable value. Cost comprises of all costs of purchase and other costs incurred in bringing the property to its present location and condition, as well as the fair market value of investment property item transferred to inventory, on the transfer date. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value for inventory may not equal fair value less costs to sell.

Parcels of land are subdivided into lots, sellable on a standalone basis.

Serviced parcels of land sold to retail customers typically include full infrastructure such as connection to the utilities such as hydro, gas, sewage and water, and roads. Serviced lots allow buyers to construct custom houses on their own. Land not expected to be developed in the next operational cycle is included in non-current inventory.

L. Property, Plant and Equipment:

The Company follows the principles of IAS 16 - "Property, plant and equipment". The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition. External costs and internal costs are capitalized to the extent they enhance the future economic benefit of the asset.

Depreciation is calculated so as to write off the cost of property, plant and equipment, less their estimated residual values, which are adjusted, if appropriate, at each Statement of Financial Position date, on a straight-line basis over the expected useful lives of the assets concerned. The principal lives used for this purpose are:

Freehold buildings - 25-60 years
Furniture and equipment - 3 to 5 years
Computers and monitors - 3 to 5 years
Resort equipment - 10 to 39 years
Appliances in buildings - 10 years
Leasehold improvements - over the term of the lease
A write down or impairment charge is made against the carrying value of the property, plant and equipment where an impairment in value is deemed to have occurred.

As of December 31, 2016, the Company accounts for the Hotels and Resorts in Canada and US using the IAS 16.31 fair value model, as the management believes it would provide a more relevant information to the reader, and the values of these properties can be measured reliably. The difference between the fair market value and net book value, net of tax was recognized as a "revaluation surplus" in other comprehensive income. After initial recognition of the revaluation the assets are carried at the revalued amounts, being their fair values at the date of the revaluation, plus additions, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Periodic revaluations are made to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the Statement of Financial Position date. If the assets' carrying amounts are increased as a result of a revaluation, the increases are credited directly to other comprehensive income, net of tax. However, the increases are recognized to the consolidate statement of income to the extent that it reverses a revaluation decrease of the same asset previously recognized in the income statement. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized, net of tax, in the income statement to the extent that it exceeds any amount previously accumulated in the revaluation surplus account relating to the same asset. The Company applied IAS 16.31 prospectively.

The fair values of the above mentioned assets, are based on valuations by independent valuators who hold recognized and relevant professional qualifications and have recent experience in the location and category of the property, plant and equipment being valued.

Items of Property, Plant and Equipment other than the above mentioned assets, are measured at cost net of accumulated amortization.

M. Other Assets:

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

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

N. Impairment of Non-Current Assets:

Assets with indefinite useful lives are tested at least annually for impairment and whenever there is an indication that the asset maybe impaired. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of an asset's fair value less costs to sell and the value in use. For the purposes of assessing impairment, assets are Companyed at the lowest levels for which there are separately identifiable cash flows.

O. Investment property:

Investment property is property (land or a building or both of them), which is held by the owners (leased under an operating lease) or which is leased under a financial lease for the purpose of producing rental income or an increase in value, or both of these, and not for the purpose of use in production or the supply of goods or services or for administrative purposes, or for sale in the regular course of business.

Investment property is initially measured at cost, including directly attributable acquisition costs following the initial recognition, investment property is measured at fair value, which reflects the market terms at the reporting date. Gains or losses deriving from changes in the fair value of investment property are reflected in profit or loss at the time that they arise. Investment property is not depreciated systematically.

Investment property is de-recognized when it is disposed of or where its use is discontinued and not future economic benefits are expected from its disposal. The difference between the net consideration from the disposal of the property and the balance in the financial statements is recognized in profit or loss in the period in which the property is de-recognized.

For the purposes of determining the fair value of the investment property, the Company generally bases itself in an evaluation that has been performed by independent external appraisers who are experts in the appraisal of real estate and who have the requisite expertise and experience.

P. The recognition of revenues:

<u>IFRS 15 Revenue from Contracts with Customers ("IFRS 15"):</u>
In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.
The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.
Specifically, the Standard introduces a 5-step approach to revenue recognition:
• Step 1: Identify the contract(s) with a customer
• Step 2: Identify the performance obligations in the contract
• Step 3: Determine the transaction price
• Step 4: Allocate the transaction price to the performance obligations in the contract
• Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation
Furthermore, extensive disclosures are required by IFRS 15.
IFRS 15 will be mandatory effective for annual periods starting from 1st of January 2018 or after. Early implementation is possible. The Company had early implemented IFRS 15 since January 1st 2017. The implementation of IFRS 15 did not had an impact on the Company's financial statements. Revenue recognition from selling residential units will continue to recognized on "interim closing" (as described in note 2 of the annual financial statements) as the conditions of IFRS15.35c do not meet.

The Company's principal sources of revenues and recognition of these revenues for financial statement purposes are as follows:

Revenue from resort operations is recognized when services are provided.

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

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

Revenue from membership and season passes is shown as deferred revenue and recognized over the period covered by the payment.Revenue from membership initiation fees are recognized when no significant uncertainty to its collectability exists. Revenue from monthly membership fees are recognized on a monthly basis.

Condominium unit sales are recognized as revenue when the amount due on first closing is received in cash. That amount usually constitutes 15% to 20% of the total consideration. The first closing date is the date at which the purchaser takes physical possession of the property. At that time, the purchaser is entitled to occupancy and provides a commitment to obtain a mortgage for the balance of the consideration, which secures collection of the entire consideration. The vendor, at that time, undertakes to transfer title on registration under the Condominium Act of the applicable jurisdiction. The Company considers, that at that time of first closing, substantially the control is transferred to the purchaser and managerial involvement to a degree usually associated with ownership or effective control over the unit is discontinued. In the interim period between first closing and title closing, typical duration of which is a few months, the purchaser assumes costs typical to ownership, such as insurance and asset related taxes.

Revenue from sales of services is recognized when the service is performed. Amounts received for which services have not been rendered are accounted for as deferred revenue and classified as a liability. Other revenue such as the sale of gift cards is recognized at the time of use.

P. The recognition of revenues (Cont.):

Income from investment properties include rents by tenants under lease agreements, percentage participation rents, property tax and operating cost recoveries, lease cancellation fees, leasing concessions, parking income and incidental income. Tenant deposits are reflected in other liabilities.

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

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

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

Q. Provisions:

A provision in accordance with IAS 37 is recognized where the Company has an obligation in the present (legal or implicit) as the result of a past event and it is expected that the use of economic resources will be required in order to settle the obligation and it is possible to reliably estimate it. In the event that the impact is significant, provisions are measured whilst discounting the future cash flows that are expected, using a pre-tax interest rate that reflects the market's evaluation regarding the time value of the money, and in certain cases, also the specific risks that are connected to the commitment.

R. Fair value measurement:

Fair value is the price that would be received on the sale of an asset or the price that would be paid to transfer a liability in a regular transaction between market participants at the time of the measurement.

Fair value measurement is based on the assumption that the transactions occurs in the main market for the asset or the liability, or in the absence of a main market, in the most advantageous market.

The fair value of an asset or a liability is measured using assumptions that the market participants would use when pricing the asset or the liability, on the assumption that the market participants act to promote their economic interests.

The measurement of the fair value of a non-financial asset takes into account the ability of market participants to generate economic benefits by means of the asset at its optimal use or by selling it to another participant in the market who will use the asset at its optimal use.

The Company used evaluation techniques that are appropriate in the circumstances and for which sufficient obtainable data exists in order to measure the fair value, whilst maximizing the use of relevant data that are observable and minimizing the use of non-observable data.

S. Capitalization of borrowing costs:

The Company capitalizes borrowing costs related to the establishment of qualifying assets.

A qualifying asset is an asset that requires substantial period of time to get ready for intended use or sale and includes investment property, fixed assets and inventories that require substantial period of time to get ready for sale.

Capitalization of borrowing costs begin the date on which expenses in respect of the property itself been made, activities to prepare the asset began and borrowing costs incurred, and ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale substantially completed.

In addition to specific costs, the borrowing costs capitalized during the reporting period includes also general borrowing costs on a weighted capitalization rate.

T. Financial lease:

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability of the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalize in accordance with Company's general policy on borrowing costs (see note 2S).

U. IFRS 5, "Assets held for sale":

Non-current asset and / or a Company 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.

V. Employee Benefits

Short-term employee benefits are expensed in the period in which an employee renders services to the Company and they include items such as:
Wages, salaries and social security contributions;
Short term compensation absences;
Non-monetary benefits (such as medical and dental care, life insurance) for current employees;
Bonuses payable within twelve months after the end of the period for which the employees render the related service.
The Company offers RRSP (Registered Retirement Savings Plan) matching payments to some of its employees. RRSP is a tax deferred savings plan approved by the Government of Canada to individuals to save. This incentive is discretionary and the Company has no obligation to contribute to the plan once the employee leaves.
The Company does not offer any post termination benefits to its employees.
A liability for a payment in lieu of termination notice is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

W. Income tax

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

Deferred taxes arise from temporary differences on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities arising in the same tax jurisdiction are offset.
As per the amendment to IAS 12, the deferred tax liability resulting from holding investment properties is measured based on the assumption that it will be realized from sale.

X. Earnings per Share

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

Y. Immaterial adjustment:

The comparative figures as for the year ended on December 31, 2016, as well as for the year ended December 31, 2015 as presented in the current financial statements, include an immaterial adjustment to reflect the non-controlling interest share in tax liability of the Renaissance Hotel in United States:

CONSOLIDATED STATMENTS OF FINANCIAL POSITION

	December 31 2016		
	As reported in the past	reclassification effect	As reported currently
Income taxes payable	1,667	(695)	972
Deferred tax (liability)	69,417	(8,688)	60,729
Non-controlling interest	32,021	9,383	41,404

Y. Immaterial adjustment (Cont.):

CONSOLIDATED STATMENTS OF INCOME

	For the year ended December 31 2016		
	As reported in the past	reclassification effect	As reported currently
Income tax expense	2,775	(584)	2,191
Non-controlling interest	3,543	584	4,127

	For the year ended December 31 2015		
	As reported in the past	reclassification effect	As reported currently
Income tax expense	4,740	(1,511)	3,229
Non-controlling interest	3,426	1,511	4,937

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS):

	For the year ended December 31 2016		
	As reported in the past	reclassification effect	As reported currently
Profit for the period	7,453	584	8,037
Income taxes	(35,057)	7,288	(27,769)
Non-controlling interest	17,034	7,872	24,906

	For the year ended December 31 2015		
	As reported in the past	reclassification effect	As reported currently
Profit for the period	8,095	1,511	9,606
Non-controlling interest	3,645	1,511	5,156

Z. New and revised international financial reporting standards and interpretations that have been published

1 Standards, interpretations and amendments published and not yet in effect and not been early adopted by the Company, which will or might have an effect on future periods:

- IFRS 9 "Financial Instruments" :

Effective date and early application possibilities

The standard will have effective obligation requirements for annual reporting periods beginning on or after January 1, 2018 .Earlier application is permitted. In general, the standard provisions regarding financial assets and liabilities be applied retrospectively, with certain exceptions prescribed in the transitional provisions of the standard. Also determined that despite the retroactive application, companies firstly implementing the standard will not be obligated to amend comparative figures for previous periods. Moreover, amendment of comparative figures will only be able when rectified, as stated does not use the information retrospectively (hindsight). Provisions relating to hedge will be implemented, in general, by way of a 'prospective basis', with limited retrospective application.

The Company believes, after examining the implications of implementing the new standard, its implementation is not expected to have a material effect on the Company's financial statements

AA. New and revised international financial reporting standards and interpretations that have been published (Cont.)

- **IFRS 16 "Leases"**

The new standard that was issued in January 2016 cancel the IAS 17 "Leases" and the interpretations accompanying it, and sets the rules for recognition, measurement, presentation and disclosure of leases regard to the two parties to the transaction, i.e. the customer (lessee) and power ('lessor').

The new standard canceling the existing distinction regarding lessee, between finance leases and operating lease and provides a uniform accounting model with respect to all types of leases. According to the new model, with respect to any property leased, the lessee is required on the one hand recognize the asset in respect of the right to use and on the other hand recognize financial liability for the lease fees.

Recognition instructions of an asset or liability shall not apply in respect of assets leased for a period of up to 12 months and in relation lease of low-value assets (eg, personal computers).

The Standard does not change the current accounting treatment in the books of the lessor.
The Standard will become binding for annual reporting periods beginning on January 1, 2019 or thereafter. Early application is possible although this is conditional that IFRS 15 "Revenue from contracts with customers" is also applied. In general, the standard will be applied retroactively, but entities will be allowed to choose certain adjustments in the transitional provisions of the standard with regard to the implementation of previous reporting periods.

The Company is examining the implications of implementing the new standard.

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

3 CASH AND CASH EQUIVALENTS

	Range of Interest	December 31, 2017	2016
Cash and cash equivalents	0.2% - 0.50%	25,626	25,566
Short-term bank deposits	1.00%	271	4,271
		25,897	29,837

4 TRADE RECEIVABLES

	2017	2016
Due from hospitality guests and clients	5,923	4,697
Amount receivable on sales of condominium units, due on closing	288	12,597
Less - Allowance for doubtful accounts	(52)	(30)
	6,159	17,264

5 OTHER RECEIVABLES

	2017	2016
Government institutions	958	1,134
Deposit receivables (a)	9,790	7,172
Other receivables	1,365	592
	12,113	8,898

All amounts are short-term. The net carrying value of other receivables is considered a reasonable approximation of fair value.

(a) Deposits from purchasers of various real estate projects of the Company. The deposits are held in trust by the lawyers of the company projects. This deposits are typically insured and bonded to comply with the Ontario residential construction laws.

6 RESTRICTED BANK DEPOSITS

The deposits in bank institutions are subject to certain externally imposed restrictions with respect to the Company's use of these funds.

Restricted bank deposits as of December 31, 2017, also include $543 (2016 - $563) against which letters of guarantee have been issued in favour of local authorities of the Township where various land development activities are being conducted.

7 INVENTORIES

	December 31, 2017	2016
Food & beverage	839	721
Retail	905	851
Other inventory	283	208
	2,027	1,780

8 REAL ESTATE INVENTORY

		December 31, 2017	2016
Residential constructed inventory	(c)	2,647	2,992
Real estate under construction	(b) & (c)	21,032	6,950
Serviced parcels of land	(a) & (b)	8,315	8,760
Undeveloped land inventory	(a)	1,802	22,655
Parcels of land under construction	(b) & (c) & (d)	27,212	17,294
		61,008	58,651

(a) Port McNicoll, Ontario

In July 2017 the Company completed the sale of the Port McNicoll Project lands for $41,967. The buyer paid $4,197 on closing. The Company provided Vendor's take back (VTB) secured by first mortgage on the project lands totaling $37,769, bearing 2% annual interest payable in 71 monthly installments of $350 and annual payment of interest. The balance is payable at the end of six years (see note 14 below). The Company can discharge all or portion of the VTB at the buyer's request subject to early payment of all or part of the outstanding balance. On July 19, 2017 the transaction was closed. The Company recorded a revenue $23,026,equal to present value of the payments received and the VTB against the inventory component of the land sold, the sale of investment property component of the land is recognized in gain from sale of investments. The cost of sale is recorded at the amount similar to the revenue since the property was fair market valued. As a result of this transaction, there was no significant impact to the profit for the period. The value of the VTB mortgage was determined by a third party independent valuator and totaled $35,499. The valuator used risk adjusted discount rate of approximately 4%. Most of the decrease in Undeveloped land inventory is due to the sale.

(b) Huntsville, Ontario - Deerhurst

In 2016, the Company began construction of its new development condo project - the Lakeside Lodge at Deerhurst Resort. As of December 31, 2017, approximately 75% of the project was pre-sold (this pre-sale rate represents approximately $42 million of the projected revenue). The revenue from the project was not recognized yet.

(c) Barrie, Ontario - Horseshoe Valley

The first phase of Copeland house project was completed in 2016 and delivered to the purchasers. The balance of $2,647 represent an undelivered inventory book value of 8 condo units.

In December 2016 the Company launched a new conversion project comprising of 44 condominium units -The Slopeside. The project is expected to be delivered to the purchasers during the summer months of 2018. As of December 31, 2017 approximately 55% of the project was pre-sold (this pre-sale rate represents approximately $10 million of the projected revenue).

On July 10, 2017 the Company conditionally sold lands at Horseshoe resort for a total consideration of $6,250. The purchaser paid a $650 non-refundable deposit to the Company and paid additional $2,350 on closing. The remainder of $3,250 is a 24 month VTB loan bearing an annual interest of 5% (see note 14 below). The transaction was closed on November 25, 2017.

(d) Blue Mountain Lands

In 2016, a Company's subsidiary (60% ownership) executed a number of firm agreements to sell parcels of serviced land to unrelated third parties for a total consideration of $21,000.

The inventory value of $17,201 represent lands value classified from investment properties and the cost of servicing as for December 31, 2017 ($7,263 in 2016).

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

	December 31, 2017	2016
Port McNicoll (a)	2,347	24,492
Deerhurst (b)	30,977	21,150
Horseshoe Valley (c)	10,483	5,746
Blue Mountain Lands (d)	17,201	7,263
	61,008	58,651

The sale of most lands of Port McNicoll was closed on July 19, 2017. As for December 31, 2016, the inventory of Port McNicoll project, valued at $22,655 is carried at fair value less cost to sell. See note 9.

(f) Charges

See note 21 (c) for additional details.

SKYLINE INVESTMENTS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9 PROPERTY HELD FOR SALE

When the Management decides to divest the Company's properties, in accordance with IFRS 5, those properties became classified as "held for sale".

In June 2016, the Company's holdings in Port McNicoll project were classified as "property held for sale". The originally classified portion was sold in July 2017 - see also note 8(a) above.

Property held for sale is allocated as follows:

	December 31, 2017	December 31, 2016
Horseshoe lands	--	1,949
Port McNicoll lands	--	16,408
	--	18,357

10 INVESTMENT PROPERTIES

	December 31, 2017	December 31, 2016
Balance as at the beginning of the year	90,783	93,158
Transfer from Property Plant and Equipment (a)	--	3,491
Expenditures subsequent to acquisition	3,127	671
Net gain from fair value adjustments	6,715	7,095
Transfer to property held for sale, subsequently sold	(257)	(6,907)
Transfer to Inventory	(6,889)	(6,650)
Foreign Exchange translation and other	(496)	(75)
Balance as at the end of the year	92,983	90,783

The fair value model has been used for all the investment properties, and the valuations were performed in December 2017 and December 2016 by independent valuators, who have recent experience in the valuation of properties in the relevant locations. The valuators applied a combination of direct comparison approach and discounted cash flow method when applicable in determining the fair value of the investment properties.

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

(a) As from December 31, 2016, the Company's management decided to allocate several components of the Renaissance Hotel to be leased out to Retail and offices.

Information regarding the fair value of Investment Properties

the Company accounts for its Investment Properties at fair value. The fair values of the above mentioned assets, are based on valuations by independent valuators who hold recognized and relevant professional qualifications and have recent experience in the location and category of the Investment Property being valued.

The fair value of the income producing assets is determined based primarily on an estimated discounted future cash flows expected from each property on the stand-alone basis and overall capitalization method. In the calculation of fair value, the appraisers used a CAP Rate of 6.38% and discount rates of 7.38% for the majority of the properties.

The fair value of the lands is determined passed on primarily direct comparison approach, adjusting for size, location, improvements, etc.

All fair value measurements are at level 3 of the fair value hierarchy, as defined in IFRS 13.

Below are details of the principal non-observable data that were used by the appraisers in determining the fair value of the Company's hotels and resorts :

(a) Forecast of the operating profit of the property for a period of up to 10 years as the basis for capitalization;
(b) Specific capitalization rate for each asset according to its condition, location and risks specific to that asset,
(c) Estimation of the renewal probability of the in place leases;
(d) Estimations on the vacancy rates;
(e) estimating the size , location , improvements adjustments;
(f) Other factors such as building rights, planning and legal status and more

The effect of material factors that can not be observed at the fair value:

Decrease / (increase) in the discounted cash flow rate by 0.5% will have an estimated impact on the value of the assets of approximately $2,800. Increase/ (decrease) in the comparable land values by 5% will have an estimated impact of approximately $2,600 on the value of the lands.

Fair Value of Investment property items:

	December 31, 2017	December 31, 2016
Income producing retail components	40,703	36,499
Lands	52,280	54,284
	92,983	90,783

11 PROPERTY, PLANT AND EQUIPMENT

	Lands Buildings & improvements	Furniture, equipment and other	Total	Lands Buildings & improvements	Furniture, equipment and other	Total
	For the year ended December 31, 2017			For the year ended December 31, 2016		
Gross carrying amount as at the beginning of the year	255,416	63,672	319,088	137,325	45,582	182,907
Accumulated depreciation as at the beginning of the year	(20,074)	(23,482)	(43,556)	(15,327)	(21,529)	(36,856)
	235,342	40,190	275,532	121,998	24,053	146,051
Acquisitions (a)	154,888	17,189	172,077	--	--	--
Expenditures subsequent to acquisitions	11,477	10,566	22,043	3,795	8,714	12,509
Adjustment to fair value through revaluation surplus	(1,513)	(288)	(1,801)	121,729	10,492	132,221
Foreign Exchange translation	(10,419)	(2,134)	(12,553)	(1,860)	(555)	(2,415)
Transfer to Investment properties	--	--	--	(3,491)	--	(3,491)
Transfer to property held for sale (c)	--	--	--	(1,949)	--	(1,949)
Retained earnings classification (intra equity)	2,357	449	2,806	--	--	--
Disposal, net of gain (loss)	--	(70)	(70)	(133)	(561)	(694)
Depreciation	(5,529)	(5,915)	(11,444)	(4,747)	(1,953)	(6,700)
Balance as at the end of the year	386,603	59,987	446,590	235,342	40,190	275,532
Carrying amount recognized if cost model was applied	266,380	56,692	323,072	117,104	29,698	146,802
Balance as at the end of the year:						
For items measured at fair value	386,603	56,752	443,355	235,342	36,270	271,612
For items measured at cost	--	3,235	3,235	--	3,920	3,920

SKYLINE INVESTMENTS INC.
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11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Acquisitions

2017

On November 14, 2017, the Company closed the purchase of 13 fully managed Select-Service hotels in the US for US $135 million (before transaction costs). The hotels are branded under the Courtyard by Marriott, ranging between 135 to 149 room each , with the combined room count of 1,913. Spread over 9 states in the USA, the properties bring significant geographical diversification, with strong locations in key Midwest, Southeast and Southwest markets. In addition to the acquisition of the properties, the company entered into 13 20-year franchise agreements with Marriott International securing the access to the Marriott's reservation and sales platforms, and replaced Marriott's management with a third party management company (one of the largest in the United States). For more information about the financing of the acquisition see note 17(e) below.

The allocation of the purchase price to the components of property plant and equipment is based on the Company's estimates , it is preliminary and might be updated during 2018.

2016

There were no significant acquisitions in 2016

(b) Assets under finance lease

The net carrying amount of assets under finance lease, which are included in Furniture & Equipment as of December 31, 2017 is $13,337 ($6,543 in December 31, 2016).

(c) Sold Property , plant and equipment (that were classified into property held for sale)

In 2017 the Company sold and closed most of the Port McNicoll project lands. In 2016 the Company sold and closed the sale of the Pantages Hotel.

(d) Charges

Charges are written on substantially all the Company's Property Plant and Equipment, including all the land, building, improvements, movable and not-movable, equipment components, and excluding Bear Valley Resort.
Please see note 21(c).

(e) Information regarding the fair value of hotels and resorts

As of December 31, 2016, the Company accounts for its hotels and resorts using the IAS 16.31 Revaluation model, as the management believes it would provide a more relevant information to the reader, and the values of these properties can be measured reliably.
The fair values of the above mentioned assets, are based on valuations by independent valuators who hold recognized and relevant professional qualifications and have recent experience in the location and category of the property, plant and equipment being valued.
Items of Property, Plant and Equipment other than the above mentioned assets, are measured at cost net of accumulated amortization.

The fair value is determined based primarily on an estimated discounted future cash flows expected from each property on the stand-alone basis. In the calculation of fair value, the appraisers used discount rates of 10.5% for the majority of the properties, and terminal Cap Rates between 7.75% and 9.00%.
All fair value measurements are at level 3 of the fair value hierarchy, as defined in IFRS 13.
Below are details of the principal non-observable data that were used by the appraisers in determining the fair value of the Company’s hotels and resorts :

(a) Forecast of the operating profit of the property for a period of up to 10 years as the basis for capitalization;
(b) Specific capitalization rate for each asset according to its condition, location and risks specific to that asset,
(c) Required investments in renovations;
(d) Estimations on the number of hospitality rooms to be rented from third parties
(e) Other factors such as building rights, planning and legal status and more

The effect of material factors that can not be observed at the fair value:
Decrease / (increase) in the discounted cash flow rate by 0.5% will have an estimated impact on the value of the assets of approximately $12,600.
Periodic revaluations are made to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the Statement of Financial Position date. The Company has determined that the revaluation of the assets will be carried out once a year, or at longer periods if the value of the asset is not expected to change materially.

12 OTHER ASSETS

		December 31, 2017	2016
Long-term deposit	(1)	2,544	381
		2,544	381

(1) In 2017, the Long-term deposit includes a balance of $2,404 represent a franchise fee paid to Marriott for the newly acquired 13 Courtyard Hotels. For more information see note 11(a) above.

13 DEFERRED TAX

(a) Taxation in Canada

The taxable income of the Canadian Group of companies is subject to effective corporate tax rate (combined Federal and Provincial) of 26.5%. A Canadian resident corporation is subject to tax on only one half of realized capital gains. Capital gains for this purpose is generally defined as a difference between the net proceeds and cost. In general, and subject to certain conditions, dividends received by a Canadian company from other Canadian companies and/or from foreign affiliate companies may not be subject to Canadian corporate income tax. Dividends between companies in the Canadian Group are not taxable to the recipient, and are not deductible to the payer. According to the FAPI (Foreign Accrual Property Income) rules, a Canadian resident company may be liable for tax in Canada on undistributed passive income of a foreign affiliate company, but can receive relief for foreign tax imposed on this income. Generally, dividends paid by a Canadian resident company to a foreign resident are subject to withholding tax of 25%. Reduced withholding tax rates may apply under the relevant tax treaty (if applicable). Effective January 1, 2017, under the new Canada-Israel Tax treaty, withholding tax on dividends and interest is limited to 15% and 10% for residents of the treaty country.(or 5% for dividends paid to a company that holds directly (or indirectly) at least 25% of the capital of the company that paid the dividends)

Non capital losses can be carried forward 20 years or back 3 years to apply against taxable income earned in those years. Allowable capital losses (i.e. one half of actual capital losses) can be carried back three years, but forward indefinitely to apply against capital gains in those years.
In general, once four years have passed from the date that a corporation's income tax return has been assessed by the Canada Revenue Agency, no adjustments to the return can be made by the CRA or by the company.

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13 DEFERRED TAX (continued)

(b) Taxation in the U.S.

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act (the Tax Act). This significantly changed US tax laws in a number of ways including but not limited to reducing the corporate tax rate from 35% to 21% and moving from a worldwide tax system to a territorial system.

The Company's US deferred tax assets and liabilities have been remeasured using a tax rate of 21%. Included in deferred income tax expense for changes in tax rate is a $3.7mil in recovery, as well as deferred income taxes in other comprehensive income through the revaluation surplus of $5.9mil.

The Tax Act requires complex computations to be performed that were not previously required in US tax law, judgements to be made in interpretation of the provisions of the Tax Act, significant estimates in calculations, and the preparation and analysis of information not previously relevant or regularly produced. The US Treasury Department, the IRS, and other standard-setting bodies could interpret or issue guidance on how provisions of the Tax Act will be applied or otherwise administered that is different from the Company's interpretation. At this time, the Company made its best estimate on each aspect of the tax law changes. As the Company completes its analysis, collects and prepares necessary data, and interprets any additional guidance, the Company may make changes to its estimates on a prospective basis. In particular, estimates were used to determine the one-time transition tax and the remeasurement of deferred tax assets and liabilities.

(c) Deferred taxes, net:

Some income and expenses for accounting purposes may be recognized in earlier or later years for tax purposes. These timing differences result in deferred tax balances and reflect taxes that are expected to become payable, or recoverable, in future periods.

The composition and movement in deferred taxes are as follows:

	Investment Properties & Inventory	Property Plant and Equipment	Carry forward Losses	Depreciation temporary differences	Other	Total
Balance as of December 31, 2015	(20,670)	566	13,102	(19,377)	294	(26,085)
Carried to foreign currency translation reserve	--	(201)	(51)	130	--	(122)
Amounts carried to other comprehensive income	--	(27,769)	--	--		(27,769)
Amounts carried to income statement	65	909	(242)	(453)	(664)	(385)
Balance as of December 31, 2016	(20,605)	(26,495)	12,809	(19,700)	(370)	(54,361)
Carried to foreign currency translation reserve	(666)	(346)	(62)	2,437	--	1,363
Amounts carried to other comprehensive income	--	6,116	--	--	--	6,116
Amounts carried to income statement	6,126	--	(1,251)	2,981	(4,998)	2,858
Balance as of December 31, 2017	(15,145)	(20,725)	11,496	(14,282)	(5,368)	(44,024)

The deferred taxes are calculated at tax rates ranging between 13.25% and 28.83% - see note d below. The realization of deferred tax assets is dependent on the existence of sufficient taxable income in the subsequent years.

Deferred taxes are presented as follows

	December 31, 2017	December 31, 2016
Within non-current assets	7,832	6,368
Within non-current liabilities	(51,856)	(60,729) *)
	(44,024)	(54,361)

*) See note 2

(d) Tax rates

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

Non-capital profit tax rates	2018 and forward	2017	2016
Ontario	26.50%	26.50%	26.50%
Ohio, USA (1):	23.37%	34.10%	34.10%
California, USA (1):	27.98%	39.80%	39.83%
Other states (on average), USA (1):	25.85%	38.20%	N/A
Capital gain tax rates			
Ontario	13.25%	13.25%	13.25%
Ohio, USA (1):	21.00%	34.10%	34.10%
California, USA (1):	27.98%	39.80%	39.83%
Other states (on average), USA (1):	25.85%	38.20%	N/A

(1) Due to tax reform in the United States, the federal corporate taxes rate accross US were reduced. As a result the Company recorded income from tax due to the reduction of its future tax liability . Effective January 1, 2018 The new federal income rates are 21% vs 35% in 2017.

(e) Non-capital losses

The Company has non-capital losses carried forward for US and Canadian tax purposes of $43,349 as at December 31, 2017, which expire at various dates extending to December 31, 2036 (December 31, 2016 - $45,441).

See also note 28

14 LOANS TO PURCHASERS

Port McNicoll VTB

The Company provided Vendor's take back (VTB) secured by first mortgage on the project lands totaling $37,769, bearing 2% annual interest payable in 71 monthly installments of $350 and annual payment of interest. The balance is payable at the end of six years. The Company can discharge all or portion of the VTB at the buyer's request subject to early payment of all or part of the outstanding balance. As of December 31, 2017 the remaining balance of the loan is $33,915 (of it $4,197 classified to current maturity)

Golf lands sale at Horseshoe Resort VTB

On July 10, 2017 the Company conditionally sold lands at Horseshoe resort for a total consideration of $6,250. The purchaser paid $650 non-refundable deposit to the Company and paid additional $2,350 on closing. The remainder of $3,250 is a 24 month VTB loan bearing an annual interest of 5%

Blue Mountain lands sale VTB

The remaining $3,413 balance of the VTB to Blue Mountain Lands' purchasers classified into current maturity.

(in thousands of Canadian Dollars)

15 BONDS

Bonds Series A:

On July 14, 2016, following a shelf prospectus published in 2015, the Company raised approximately 123,222 Thousand New Israeli Shekel ("NIS"), net of expenditures related to the offering (approximately $41,461) 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 nominal 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 loan to value ("LTV") of 72.5% and a minimum shareholders equity of $100 mil, with minimum equity to asset value of 25%. There are restrictions to the amount of dividend that can be distributed and other restrictions. As of December 31, 2017, the Company complies with all covenants required in the deed of trust. The annual effective interest rate is approximately 7.30% (considering the cost of financial derivative see 15c below). The Company may, in its sole discretion, at any time, repay the bonds (Series A) in full or partially subject to premium.

Bonds Series A - extension:

On August 29, 2017, the Company closed a private bonds placement to institutional investors. The Company issued 20,000 bond units by extending the original Series A at a determined interest rate of 5.20% (fixed) and raised 20,750 New Israeli Shekels (raise with a premium), (approximately $7,000). The annual effective interest rate is approximately 5%. The bonds issued are subject to the same covenants as the originally issued Series A and it will be repaid accordingly.

Bonds Series B:

Pursuant to a shelf prospectus issued by the Company on February 23, 2015 and a supplementary Shelf Offering Report issued by the Company on September 24, 2017, the Company issued 164,464 units comprising of NIS 1,000 par value Debentures (Series B) at a fixed interest rate of 5.65% and raised 164,464 ($57,786) thousand New Israeli Shekels. The Debentures (Series B) interest and principal is linked to the NIS/US dollar exchange rate. The Debentures (Series B) commenced trading on the Tel Aviv Stock Exchange on September 28, 2017.

The Debentures (Series B) are redeemable (principal) in 12 payments that shall be made on January 15 and July 15 in each of the years 2019 to 2023 (inclusive), and the last payment will be on January 15, 2024. Each payment shall redeem 3.25% of the par value of the principal of the Debentures (Series B) except the final payment, which shall be in the amount of the balance of the principal to be redeemed, at the rate of 64.25% of the par value of the principal of the Debentures (Series B).

The interest on the Debentures (Series B) shall be paid in semi-annual payments on January 15 and on July 15 of each of the years 2018 to 2024, with the first payment of interest to be made on January 15, 2018, and the last payment of interest to be made on January 15, 2024. The annual effective interest rate is approximately 6.60%

As of December 31, 2017, the Company complies with all covenants required in the deed of trust.

a. **Composition**

	December 31, 2017		December 31, 2016	
	Total	Total excluding current maturities	Total	Total excluding current maturities
Bonds (series A)	51,279	48,829	43,411	42,306
Bonds (series B)	56,448	56,448	-	-
	107,727	105,277	43,411	42,306

Maturity dates subsequent to the date of the statements of financial position as of December 31, 2017:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Bonds A	2,450	2,448	2,453	2,451	2,453	39,024	51,279
Bonds B	-	3,462	3,477	3,482	3,492	42,535	56,448

b. **Additional information**

		Balance of outstanding Face value December 31			
	Issued F.V. *)	2017	2016	Denominated in	Nominal interest rate %
Series A	128,240	125,034	128,240	New Israeli Shekel **)	5.20%
Series A extension	20,000	20,000	-	New Israeli Shekel **)	5.20%
Series B	164,464	164,464	-	New Israeli Shekel ***)	5.65%

*) The Par value is in thousands NIS

**) The originally issued 128,240 were 100% hedged as from January 18, 2017. The extension of 20,000 units was not hedged.

***) Linked to US Dollar

c. **Hedging**

To mitigate the exposure to New Israeli Shekel currency, on January 18, 2017 the Company purchased a financial instrument, to hedge its cash flow exposure to New Israeli Shekel due to its outstanding obligation for Series A bonds. As a result of this transaction, the Company will settle its bond obligations like they were borrowed in Canadian dollars at a nominal fixed interest rate in a range of 5.5%-6.5% instead of payment in New Israeli Shekel at 5.2%. This financial instrument covers 100% of expected future payments of the Company's bond obligation and interest for the originally issued Series A (excluding the extension). As per the agreement with the Bank, the Company invested $3,250 in a long term restricted deposit. The revaluation of the financial instrument is recognized through the statement of income.

16 OTHER PAYABLES AND CREDIT BALANCES

		December 31, 2017	December 31, 2016
Provision for completion costs		2,635	1,691
Government institutions		509	322
Deferred revenue		13	44
Employees and payroll institutions		4,369	3,705
Due to hotel unit owners		446	395
Due to related parties	see note 18	365	620
Accrued expenses	(*)	10,534	7,347
Other		1,859	1,361
		20,730	15,485

(*) In 2017, the accrued expenses include accrual for property taxes of Company's US properties of $3,294 and $2,285 interest payable due to bonds. In 2016 the accrual for property tax of Company's US properties was $1,285 and $1,089 interest payable due to bonds.

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17 LOANS PAYABLE

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

	December 31, 2017	December 31, 2016
Short term loans	12,029	18,074
Current maturities of long term loans	21,890	8,375
	33,919	26,449

	2017 Annual interest rate	2017 Balance	2017 Balance less current maturities	2016 Annual interest rate	2016 Balance	2016 Balance less current maturities
Loan from financing institution in Canadian dollar (*)	5.84%	48,527	17,323	5.82%	45,265	20,732
US dollar loan from financing institution in CAD (**)	4.75%	153,147	152,733	4.61%	37,063	36,409
Finance lease	4.30%-9.00%	13,337	11,036	4.20%-9.00%	6,543	5,281
		215,011	181,092		88,871	62,422
Deferred financing cost			(6,276)			(1,297)
Loans payable non-current			174,816			61,125

(*) Annual weighted average interest rate for the years ended December 31, 2017 and 2016 respectively. The interest rate is mainly variable. The Prime rate in Canada, as of December 31, 2017 is 3.2% and in 2016 the rate was 2.7%.
(**) Annual weighted average interest rate for the years ended December 31, 2017 and 2016 respectively. As for 2017 the interests rates are mainly variable. In 2016 the interest rate is fixed.

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

Period ending December 31,		
	2018	29,476
	2019	9,135
	2020	18,660
	2021	112,535
	2022	3,096
	2023 and thereafter	35,833
		208,735

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

The amount of $260,014 of the loans are secured by charges registered to the Company's assets as a first mortgage. A total book value of real estate that are unencumbered by any mortgage charge as for December 31, 2017 is approximately $30,661

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

(e) **Marriott Courtyard 13 hotels portfolio**

On November 14, 2017 the Company's wholly owned US subsidiary entered into a non-recourse loan agreement of $89,500 USD financing 65% of the transaction costs at annual variable interest equal to libor + 345 points (approx. 4.75%). The loan is interest only and is issued for a total period of five years including three annual extensions , subject to various conditions, including the primary condition of maintaining particular levels of debt yield on the extension dates ranging between 10% to 11%. In addition to the acquisition financing , the bank also provided a $31 million USD line of credit at the same terms that can be used for property improvements and upgrades as might be determined by Management in coordination with Marriott. The borrower would be required to invest 10% of the improvement costs as equity. The Company purchased a rate cap to insure against increase in Libor over 3.5% (currently 1.25%).

(f) **Line of Credit**

In March 2017, the Company obtained a $20 million line of credit secured by Horseshoe resort hospitality real estate.

(g) **Lakeside Lodge 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.

(h) **Renaissance Financing:**

In 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 ($38,000 CAD). $12,350 US ($16,100CAD) 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 debt service coverage ratio (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 ($10,250CAD) of equity.

(i) The Company has other secured credit facilities: as part of the regular course of business the Company obtains and repays various loans to facilitate its business

(j) **Blue Mountain Retail**

On April 15, 2013, the Company completed the partial acquisition of the retail complex at the Blue Mountain Village. The acquisition was financed with a ten-year first degree mortgage of $15,000, bearing an annual interest rate of 6.75%. The loan is guaranteed by the Company and an unrelated 40% shareholder in The Village and is subject to a minimum of DSCR covenant of 1.20.

(k) **Hyatt Arcade, Cleveland, Ohio, USA**

During March 2017, the Company's subsidiary refinanced one of its properties and obtained a new $17,000 US 5-year loan, with an option to extend the loan by additional two years. The principal, amortized over 25 years, is to be repaid on a monthly basis as from May 5, 2019. The loan is bearing annual interest of 2.50% above 30 day libor (3.40%). The Company, as a 50% recourse guarantor, is required to maintain certain financial covenants, as customary for this type of transactions.

(l) As at December 31, 2017 the Company was in compliance with its covenant obligations, including maintaining capital and financing profitability ratios.

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18 RELATED PARTIES

(a) Liabilities

	December 31, 2017	2016
Bonus, consulting fees and salary due to a shareholder of a parent company and a chariman - see note 16	355	648
Payments on account of loans, see note 16	(2)	(12)
Other current balance, see note 16	12	(16)
Short term liabilities	365	620

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

(c) The Chairman (and a joint- controlling shareholder), CEO and CFO (key management personnel) - management fees, salary, bonus and benefits:

Number of related parties: 3

	For the years ended December 31, 2017	2016	2016
Compensation, bonus and benefits.	1,517	1,301	1,286
Employee stock option expense recognized on conditionally granted options. See note 20 (d) for additional details.	321	140	54

(d) Management of the controlling person's real estate

In 2016 and 2015 the Company managed Toronto downtown hotels' assets include a number of the condo units owned by the President in exchange for a management fees varied between 14.5% and 25% of the revenue. In August 22, 2016 the last downtown hotel held by the Company was sold.

(e) Related party transactions are measured at the fair value.

19 FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities:

The following table provides an analysis of financial instruments, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	**Level**	December 31, 2017	2016
Financial assets at fair value through profit or loss			
Financial derivative	Level 2	3,235	--

The estimated fair values of loans payable are as follows:

	Fair value December 31, 2017	2016	Carrying amount December 31, 2017	2016
Loans payable	209,003	87,253	208,735	87,574
Bonds	120,601	46,801	107,727	43,411
	329,604	134,054	316,462	130,985

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

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

The carrying amount of the variable interest loans approximates the fair values of these loans.

Fair value of other financial assets and liabilities

The fair value of cash and cash equivalents and marketable securities and deposits approximates their carrying values.

Amounts receivable, accounts payable and accrued liabilities are also assumed to have a fair value that approximates their carrying values due to their short-term nature.

Non-current loans to purchasers approximate their fair values as the interest rates charged correspond to the market rates. In addition, the Company has taken adequate securities on those financial assets.

(in thousands of Canadian Dollars)

20 SHARE CAPITAL

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

(b) Shareholders equity and issued and Paid-in

	For the years ended December 31, 2017	2016
Share capital	78,779	77,900
Warrant Certificates	519	519
Revaluation surplus	87,782	83,749
Related Party Surplus	125	125
Equity settled service reserve	670	1,014
Foreign exchange translation	3,387	4,827
Retained earnings	83,758	77,834
Equity attributable to Shareholders of the Company	255,020	245,968

16,536,780 *) common shares at December 31, 2017 (2016 - 16,531,350)

*) 200,000 additional shares were issued to Company's CEO and are held in trust. See note 20d below.

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

	2017	As at December 31, 2016	2015
Profit for the period attributable to Shareholders of the Company	6,066	3,910	4,669
Net earnings	6,066	3,910	4,669
Weighted number of common shares - basic	16,536,423	16,531,350	16,530,121
Weighted-average effect of dilutive securities:			
Employee stock option plan	480,459	179,717	6,629
Weighted-average number of common shares - diluted see note below	17,016,882	16,711,067	16,536,750
Net earnings per common share (in Canadian dollars):			
Basic	0.37	0.23	0.28
Diluted	0.36	0.23	0.28

(c) **Public Placement**

On February 28, 2014, the company filed its prospectus and was issued a receipt to sell its securities to the public on the Tel Aviv Stock Exchange (TASE). On March 13, 2014 the Company concluded its Initial Public Offering (IPO) and listed its shares on TASE, issuing 1,759,250 common shares (10.65%) and 703,700 warrants in consideration of $22,450 (69,754 New Israeli Shekels (NIS)) or net amount of approximately $19,132 (after costs and underwriters fees) becoming a public reporting entity in the State of Israel. In May 2014 the Company became a reporting issuer in Ontario (Canada).
All unexercised Series 1 Warrants expired, on March 5, 2016. The unexercised Series 2 Warrants are due to expire on March 5, 2018.

(d) **Employees' Stock Options**

The fair value of the options at the grant date was determined using two methods: i) The OPTIONS XL Binomial and Trinomial Lattice with Exercise Behavior model (for Directors and Employees), and ii) OPTIONS XL Trinomial Lattice with Exercise Behavior: Vesting Tranche Fair Value (for Executives).

Where relevant, the expected life used in the models has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility of similar companies including the Parent Company over the past 60 months, which management estimates to approximate the volatility in value of the Company's shares.

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 against a loan bearing 3% interest to be repaid in full until February 17, 2021.
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 share, 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.

On November 14, 2016 the Board of Directors approved granting 290,000 employee options. The option plan was approved by Tel-Aviv Stock Exchange on March 16, 2017. The fair value of the options at the grant date was determined using Binomial model. Where relevant, the expected life used in the models has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility of similar companies including the Parent Company, which management estimates to approximate the volatility in value of the Company's shares.
In February 1, 2017 the Executive Options, that were issued in previous years, expired and the associated value of $879 was classified from Equity Settled Service Reserve into Share Capital and Premium. In April 2017, 10,000 options were cancelled, as one of the employees has resigned. The remaining amount of executive options is 280,000.

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20 SHARE CAPITAL (continued)

	Employee Options February 2012	Employee Options August 2012	Executive Options February 2012	Employee Options 2016 (approved by TASE in 2017)	Executive Options 2016 (approved by TASE in 2017)	Shares treated under IFRS 2
# of Options granted	6,170	6,960	530,970	180,000	110,000	200,000
Grant date	01-Feb-12	12-Aug-13	01-Feb-12	14-Nov-16	14-Nov-16	17-Feb-16
Grant date share price	$12.94	$12.94	$12.94	$8.63	$8.63	$8.48
Exercise price	$0.001	$0.001	$12.94	$9.37	$9.37	$8.20
Expiration date	01-Feb-17	12-Aug-17	01-Feb-17	14-Nov-21	14-Nov-21	17-Feb-21
Dividend yield	0%	0%	0%	0%	0%	0%
Risk-free interest rate	0.72%	0.72%	0.72%	1.40%	1.40%	0.09% - 1.00%
Exit rate post-vesting	40%	40%	40%	10%	10%	100.00%
Fair value per option at grant date	$8.28	$8.28	$2.22	$2.26	$2.20	$1.50
Expected volatility	54.10%	54.10%	54.10%	28.24%	28.24%	26.40%
Vesting dates:						
Vested immediately	100%	100%	--	--	--	--
1st Anniversary of Grant Date	--	--	25%	25%	25%	25%
2nd Anniversary of Grant Date	--	--	25%	25%	25%	25%
3rd Anniversary of Grant Date	--	--	25%	25%	25%	25%
4th Anniversary of Grant Date	--	--	25%	25%	25%	25%

	Employee Options February 2012	Employee Options August 2012	Executive Options February 2012	Employee Options 2016 (approved by TASE in 2017)	Executive Options 2016 (approved by TASE in 2017)	Shares treated under IFRS 2	Balance
Balance as for December 31, 2016	3,070	2,320	367,650	-	-	200,000	573,040
Granted during the year	-	-	-	180,000	110,000	-	290,000
Exercised during the year	(3,070)	(2,320)	-	-	-	-	(5,390)
Expired during the year	-	-	(367,650)	(10,000)	-	-	(377,650)
Outstanding options at December 31, 2017	-	-	-	170,000	110,000	200,000	**480,000**

Weighted Average Exercise Price December 31, 2017 $8.88
Weighted Average Exercise Price December 31, 2016 $11.16

The Company recognized $535 stock compensation expense which is included in administrative and general expenses. (an expense of $140 - 2016 and an income of $54 recorded in 2015).

Expiration of Options

On February 1, 2017, an amount of 367,650 options, that were held by Company's executives expired

21 COMMITMENTS, CONTINGENCIES AND CHARGES

(a) Commitments

Future annual rental payments for office premises and equipment operating leases as well as operating leases that expire at various dates are payable as follows:

2018	578
2019	205
2020	168
Thereafter	184
	1,135

On February 11, 2017 the Company signed a new lease agreement for its new Corporate office location. The agreement is for 2.5 years. The Company does not have an extension option for the lease.

In addition, the Company entered into operating agreements with third party condo owners at its resorts. Based on the terms of these agreements the resorts use these condos as additional room inventory for its guests , paying the owners a share of the room rental income. The agreements can be terminated by either party upon one year notice.

(b) Contingencies and Related Party surplus.

The Company's compensation policy was approved during the general meeting of shareholders conducted on December 23, 2014 (as amended in 2016 and 2017). The policy sets compensation framework for:

a) Company's president or a company under his control is entitled to an annual compensation in the amount of $350 and an annual bonus performance driven up to a maximum amount of $375.

b) Senior Executive Management Team.

(c) Charges

Charges are written on the Company's properties to secure the first mortgages received on their purchase. The total liabilities secured under these charges are as described in note 17. These charges include specific covenant requirements for the associated revenue producing properties.

(d) Claims

In 2016 the Company was served claims totaling $2,138 in relation to certain construction projects and issued a counterclaim of $4,000. In addition, the Company was served with smaller several claims. 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.

(e) Letters of Guarantee

The company issued various letters of guarantee approximating $4,031 as of December 31, 2017 ($4,980 - 2016).

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21 COMMITMENTS, CONTINGENCIES AND CHARGES (continued)

(f) Material agreements

1 Franchise agreements with Marriott International Inc. (the "Marriott"):
On November 14, 2017, one of the Company's subsidiaries entered into 13, 20-year franchise agreements with Marriott for its Courtyard Hotels. As part of the terms of this agreement, the Company is entitled to access Marriott reservation system, as well as its sales platforms, in consideration for various payments, including franchise fees and other. Upon early termination of the agreements Marriott is entitled for various termination fees.

2 Management agreements with Aimbridge Hospitality LLC (the "Aimbridge"):
On November 14, 2017, one of the Company's subsidiaries entered into 13, 5-year property management agreements with Aimbridge to operate and provide property management services to its Courtyard by Marriott hotels, in consideration for property management fees, and other payments, as customary for this type of agreements. The Company may terminate those agreements with 6 months of advanced notice.

3 The Company subsidiaries entered into agreements with third party real estate owners at its resorts to rent their condos for its hospitality operations in Canada. Upon the terms of these agreements the condo owners are entitled for a variable rental fees based on the lodging revenue from the hospitality guests.
These agreements can be terminated by the parties upon a twelve months notice.

22 HOSPITALITY INCOME

	For the years ended December 31, 2017	2016	2015
Room Revenue	57,967	58,145	38,608
Food & beverage revenue	32,987	32,810	24,181
Ski Revenue	14,031	14,626	12,900
Other Hospitality Revenue	13,138	12,921	11,846
	118,123	118,502	87,535

23 HOSPITALITY OPERATING EXPENSES

	For the years ended December 31, 2017	2016	2015
Room department	15,216	16,689	12,028
Cost of food & beverage	22,140	23,446	17,459
Hotels and Resorts administrative and general expenses	15,979	13,130	9,512
Hotels and Resorts marketing and sales	8,880	8,992	6,235
Hotels and Resorts maintenance and repairs	7,132	7,599	5,550
Cost of Ski services	5,945	5,792	5,362
Cost of Golf services	1,743	2,125	1,972
Cost of Property tax, utilities, and Insurance	10,884	11,237	8,494
Hotels management and franchise fee	2,878	2,742	552
Other	7,912	8,047	7,010
	98,709	99,799	74,174

24 COST OF SALE OF RESIDENTIAL REAL ESTATE

	For the years ended December 31, 2017	2016	2015
Cost of sale of condominiums	500	16,231	--
Development periodic costs	1,852	1,458	1,050
Write-down (appreciation) of real estate inventory to net realizable value	(355)	2,993	--
Cost of sale of land and development projects	8,854	3,235	150
Revaluation component included in cost of sale*	15,552	4,074	114
	26,403	27,991	1,314

*) At time of transfer from Investment property to inventory

25 DEPRECIATION

See note 2 Significant Accounting Policies under "Property, Plant and Equipment"
Depreciation expense includes depreciation of the Company's items of property plant and equipment.

26 ADMINISTRATIVE AND GENERAL EXPENSES

		For the years ended December 31, 2017	2016	2015
Salaries		1,309	1,398	1,135
Recognition of Share-based payment	Note 20	535	140	54
Compensation, benefits and bonus to key management personnel		1,517	1,301	1,286
Office Rent and Insurance		164	148	293
Legal, audit and consulting		1,424	1,267	1,186
Office, travel expenses and others		594	577	411
Depreciation of property, plant and equipment		29	64	34
		5,572	4,895	4,399

27 FINANCIAL EXPENSE AND INCOME

	For the years ended December 31, 2017	2016	2015
Expenses			
Interest on long-term loans	4,837	5,871	6,111
Interest on bonds	3,956	1,086	--
Foreign exchange revaluation of bonds	--	1,830	--
Amortization of deferred financing charges	1,745	848	479
Interest on short-term loans	387	444	347
Bank charges	164	253	145
Total expenses	11,089	10,332	7,082
Income (*)	(3,119)	(211)	(33)

(*) In 2017, primarily due to the change in the fair value of foreign exchange derivative. See note 15c

	2017	2016	2015
Included in financial expense are balances related to:			
Related parties	--	69	363

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28 INCOME TAXES

(a) Current Canadian and U.S. federal and provincial combined income tax was calculated based on the following tax rates (see also note 13):

	For the years ended December 31, 2017	2016	2015
Ontario:	26.5%	26.5%	26.5%
Alberta:	N/A	26.0%	25.0%
Ohio, USA (1):	34.1%	34.1%	34.1%
California, USA (1):	39.8%	39.8%	39.8%
Other states (on average), USA (1):	38.2%	N/A	N/A
Income Tax expense (recovery) included in the Consolidated Income Statements:			
Current Income Tax	613	1,558 *)	(65) *)
Deferred Income tax	(2,858)	385 *)	3,739 *)
Prior year taxes (recovery) and refunds	33	248	(445)
	(2,212)	2,191	3,229

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

	2017	2016	2015
Profit before income taxes	6,409	10,228	12,835
Ontario Statutory tax rate	26.5%	26.5%	26.5%
Tax calculated using statutory tax rate	1,698	2,710	3,401
Increase (decrease) in taxes resulting from:			
Prior year taxes	33	429	(36)
Changes in tax rates (1)	(3,711)	--	--
Difference in tax rate applicable to income of foreign subsidiaries	(278)	105 *)	(13) *)
Tax Transparent Entity (Minority tax)	437	-- *)	-- *)
Allowance for tax loss non recoverability	97	260	--
Difference in tax rate applicable on capital gain	(704)	(1,333)	(143)
Difference in tax rate on fair value adjustments	--	--	19
Non-Deductible expense (recovery)	249	43	21
Other	(33)	(23)	(20)
Income tax expense	(2,212)	2,191	3,229

(1) Due to tax reform in the United States, the federal corporate taxes rate accross US were reduced. As a result the Company recorded income from tax due to the reduction of its future tax liability . Effective January 1, 2018 The new federal income rates are 21% vs 35% in 2017.

29 EMPLOYEE BENEFITS

Employee benefits included in the functional expenses reported in note 23 amount to $5,508 for the year ended December 31, 2017 ($4,232 - 2016 and $4,676 - 2015)

Wages, Salaries and benefits included in:	For the years ended December 31, 2017	2016	2015
Hospitality operating expenses	42,806	41,649	33,454
Development periodic costs	668	606	319
Timeshare expenses	--	-	448
Administrative and general expenses	3,361	2,699	2,421
	46,835	44,954	36,642

30 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

The Company's operations are subject to a number of risks and uncertainties, including, but not limited to, risks associated with the development of future properties, competition, the real estate markets and general economic conditions in which the Company competes, the availability and cost of financing and fluctuations in interest rates.

The Company is exposed to various risks in relation to financial instruments. Its financial assets and liabilities by category are summarised in note 19.

The main types of risks the Company is exposed to, related to financial assets and liabilities are interest rate risk, credit risk, foreign exchange risk and liquidity risk.

The Company's risk management is coordinated by its management, in close co-operation with the board of directors, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it trade in options. The most significant financial risks to which the Company is exposed are described below.

The Company does not hold or issue derivative financial instruments for trading purposes.

a) Interest rate risk

The Company's policy is to minimize interest rate risk exposures on long-term financing. Longer-term loans payable are therefore usually at fixed rates, subject to the financial market availability. On December 31, 2017 and 2016, the Company was exposed to changes in market interest rates through bank borrowings at variable interest rates. Other loans payable are at fixed interest rates. The Company's investments in bonds all pay fixed interest rates.

At December 31, 2017, 16% (2016: 56%) of the Company's indebtedness for borrowed money was issued at fixed rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% at December 31, 2017 (2016: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit		Equity	
	+1%	-1%	+1%	-1%
Year ended December 31, 2017	1,288	(1,288)	1,288	(1,288)
Year ended December 31, 2016	284	(284)	284	(284)

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30 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Credit risk

The Company operates as a developer of destination real estate assets, as well as a hospitality manager and owner. As a developer, the Company is exposed to credit risk to the extent that purchasers may fail to meet their obligations under the terms of purchase and sale agreements. This risk is alleviated by minimizing the amount of exposure the Company has to any single sales transaction by collecting sufficient deposits and obtaining confirmations from the purchasers bank on mortgage financing.

Credit risk on development projects is limited to the uncollected amount of all transactions that have not closed. As at December 31, 2017, this amount is limited to $44,888

The Company is also exposed to credit risk on certain financial assets recognized at the reporting date, as summarized below:

	December 31,		
	2017	2016	
Cash and cash equivalents	25,897	29,837	
Trade receivables	6,159	17,264	
Other receivables	12,113	8,898	*)
Loans to purchasers - current maturity	7,287	5,565	*)
Restricted bank deposits	9,768	4,006	
Loans to purchasers	32,968	--	
Long-term deposit	2,544	381	
	96,736	65,951	

The Company continuously monitors defaults of customers and other counterparties. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

Some of the unimpaired trade receivables are past due as at the reporting date.

The Company's management considers that all the above financial assets that are not impaired or past due are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements, except loans to purchasers and trade receivables from Copelnad House 1 purchasers. Please see note 4 and 5.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consists of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

c) Liquidity risk

The Company manages its liquidity risks by ensuring that there is adequate cash resources to meet its obligations as they become due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at December 31, 2017, the Company's liabilities have contractual maturities as summarized below:

	Current	year 2	year 3	year 4	year 5	6 years & later
Loans payable	29,476	9,135	18,660	112,535	3,096	35,833
Bonds payable	2,450	5,910	5,930	5,933	5,945	81,559
Trade payables	10,456	--	--	--	--	--
Other payables and credit balances	20,221	--	--	--	--	--
Purchasers' deposits	9,649	281		--	--	--
Interest on loans payable	10,024	8,807	8,082	7,234	1,996	1,669
Interest on bonds payable	5,345	5,804	5,464	5,094	4,740	5,597
Other liabilities	154	154	154	154	154	419
	87,775	30,091	38,290	130,950	15,931	125,077

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

d) Foreign Exchange currency risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (primarily Canadian Dollars and US Dollars) with the cash generated from their own operations in that currency.

In addition, the risk is raised when the reporting currency is different from the entity's functional currency.

Only New Israeli Shekel to CAD (Bonds Series A) exchange rate exposures is managed by forward foreign exchange contracts (see note 15(c)).

On December 31, 2017, $155,454, or 28.4%, (2016: $37,176 , or 28.4%,) of the Company's indebtedness for borrowed money was denominated in US dollars.

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30 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

Assets and liabilities of the Company by currency category:

	December 31, 2017			
	CAD	NIS	USD	Total
Assets:				
Cash and cash equivalents	11,807	222	13,868	25,897
Trade receivables	2,877	--	3,282	6,159
Other receivables	11,941	--	172	12,113
Restricted bank deposits	4,673	3,709	1,386	9,768
Financial derivative	--	3,675	--	3,675
Loans to purchasers	40,255	--	--	40,255
Other assets	140	--	2,404	2,544
Total Financial Assets	71,693	7,606	21,112	100,411
Non-Financial Assets	289,830	--	323,898	613,728
Total Assets	361,523	7,606	345,010	714,139
Liabilities:				
Bonds - current maturities	--	2,450	--	2,450
Loans payable	32,203	--	1,716	33,919
Trade payables	4,630	--	5,826	10,456
Other payables and credit balances	12,487	--	8,243	20,730
Purchasers' deposits	9,930	--	--	9,930
Bonds	--	48,829	56,448	105,277
Loans payable	21,078	--	153,738	174,816
Other liabilities	171	--	1,018	1,189
Total Financial Liabilities	68,146	51,279	239,342	358,767
Non-Financial Liabilities	40,947	--	18,428	59,375
Total Liabilities	109,093	51,279	257,770	418,142
Financial Assets net of Financial Liabilities	3,547	(43,673)	(218,230)	(258,356)
Total Assets, net of Total Liabilities	252,430	(43,673)	87,240	295,997
Revenue	81,645	--	70,918	152,563

	December 31, 2016			
	CAD	NIS	USD	Total
Assets:				
Cash and cash equivalents	18,439	--	11,398	29,837
Trade receivables	15,438	--	1,826	17,264
Other receivables	8,796	--	102	8,898 *)
Loans to purchasers - current maturity	5,565	--	--	5,565 *)
Restricted bank deposits	3,304	--	702	4,006
Other assets	381	--	--	381
Total Financial Assets	51,923	--	14,028	65,951
Non-Financial Assets	299,686	--	154,116	453,802
Total Assets	351,609	--	168,144	519,753
Liabilities:				
Bonds - current maturities	--	1,105	--	1,105
Loans payable	25,588	--	861	26,449
Trade payables	5,627	--	2,398	8,025
Other payables and credit balances	4,707	--	10,778	15,485
Purchasers' deposits	6,698	--	--	6,698
Bonds	--	42,306	--	42,306
Loans payable	24,810	--	36,315	61,125
Other liabilities	169	--	2,408	2,577
Total Financial Liabilities	67,599	43,411	52,760	163,770
Non-Financial liabilities	36,972	--	31,639	68,611
Total Liabilities	104,571	43,411	84,399	232,381
Financial Assets net of Financial Liabilities	(15,676)	(43,411)	(38,732)	(97,819)
Total Assets, net of Total Liabilities	247,038	(43,411)	83,745	287,372
Revenue	76,943	--	71,051	147,994

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in USD exchange rate of +/- 5% at December 31, 2017 (2016: +/- 5%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average foreign exchange rates for each period, and the financial assets and liabilities held at each reporting date that are sensitive to changes in exchange rates. All other variables are held constant.

	December 31, 2017		December 31, 2016	
	+5%	**-5%**	**+5%**	**-5%**
Assets	1,056	(1,056)	701	(701)
Liabilities	(11,967)	11,967	(2,638)	2,638
Equity	(10,912)	10,912	(1,937)	1,937
Profit for the year	(368)	368	(247)	247

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30 RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	December 31, 2017			December 31, 2016		
	Within twelve months	More than twelve months	Total	Within twelve months	More than twelve months	Total
Assets:						
Cash and cash equivalents	25,897	-	25,897	29,837	--	29,837
Trade receivables	6,159	-	6,159	17,264	--	17,264
Other receivables	11,832	281	12,113	2,611	6,287	8,898 *)
Loans to purchasers	7,287	32,968	40,255	5,565	--	5,565 *)
Financial derivative	-	3,675	3,675	--	--	-
Prepayments	3,172	116	3,288	2,331	--	2,331
Inventories	43,221	19,814	63,035	13,055	47,376	60,431
Restricted bank deposits	5,175	4,593	9,768	3,054	952	4,006
Property held for sale	-	-	-	3,591	14,766	18,357
Investment properties	-	92,983	92,983	--	90,783	90,783
Property, plant and equipment	-	446,590	446,590	--	275,532	275,532
Other assets	-	2,544	2,544	--	381	381
Deferred tax	-	7,832	7,832	--	6,368	6,368
Total Assets	102,743	611,396	714,139	77,308	442,445	519,753
Liabilities:						
Loans payable	29,476	4,443	33,919	19,664	6,785	26,449
Bonds - current maturities	2,450	-	2,450	1,105	--	1,105
Trade payables	10,456	-	10,456	8,025	--	8,025
Other payables and credit balances	20,730	-	20,730	15,485	--	15,485
Deferred revenue	7,519	-	7,519	6,910	--	6,910
Income taxes payable	-	-	-	972	--	972 *)
Purchasers' deposits	9,649	281	9,930	411	6,287	6,698
Loans payable	-	174,816	174,816	--	61,125	61,125
Bonds	-	105,277	105,277	--	42,306	42,306
Other liabilities	154	1,035	1,189	330	2,247	2,577
Deferred tax	-	51,856	51,856	--	60,729	60,729 *)
Total Liabilities	80,434	337,708	418,142	52,902	179,479	232,381
Total assets, net of total liabilities	22,309	273,688	295,997	24,406	262,966	287,372

f) Capital Management Policies and Procedures

The Company' s capital management objectives are:
• to ensure the Company's ability to continue as a going concern; and
• to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

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

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

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

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

	December 31, 2017	December 31, 2016
Shareholders' equity	255,020	245,968
Capital	255,020	245,968
Loans payable	208,735	87,574
Bonds payable	107,727	43,411
Cash and cash equivalents	(25,897)	(29,837)
Overall Financing	545,585	347,116
Loan to overall financing ratio	58%	38%

31 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: the chief operation decision maker reviews and analyzes the US hospitality operations as separate segment, consisted of The Hyatt Regency Arcade and the Renaissance Hotel located in Cleveland, Ohio, The 13 Hotels branded Marriott Courtyard spreaded under 9 different states and the Bear Valley Resort located in California.

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

(a) General business segments

1. Hospitality USA - management, acquisition, holding, improvement and general management of apartment hotels and resorts in the US
2. Hospitality Canada - management, acquisition, holding, improvement and general management of apartment hotels and resorts, including their subscriber clubs, in Canada
3. Investment properties - acquisition, holding, operation, and management of income-producing real estate
4. Development - acquisition, holding, and improvement of land for the long term and development, construction, and sale of real estate, mainly for residences, commercial, or hotels near resorts in Canada, including lands accounted as per IAS 40.
5. Other - Other

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31 SEGMENTED INFORMATION (continued).

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

For the year ended December 31, 2017

	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
REVENUE						
Hospitality income	70,124	47,999	--	--	--	118,123
Income from investment properties	--	--	3,671	--	--	3,671
Sale of residential real estate	--	--	--	30,694	--	30,694
Other operation income	--	--	--	--	75	75
	70,124	47,999	3,671	30,694	75	152,563
EXPENSES AND COSTS						
Hospitality operating expenses	58,574	40,135	--	--	--	98,709
Operating expenses of investment properties	--	--	1,079	--	--	1,079
Cost of sale of residential real estate	--	--	--	26,403	--	26,403
Other operation expense	--	--	--	--	113	113
	58,574	40,135	1,079	26,403	113	126,304
SEGMENTED RESULTS	**11,550**	**7,864**	**2,592**	**4,291**	**(38)**	**26,259**
Gain from fair value adjustments	--	--	(1,883)	(4,832)	--	**(6,715)**
Selling and marketing expenses						**480**
Administrative and general expenses						**5,572**
Depreciation						**11,415**
Loss (gain) on sale of investments						**17**
Other expense						**1,111**
Financial expense						**11,089**
Financial income						**(3,119)**
Profit before income taxes						**6,409**

As at December 31, 2017

	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
Assets	337,056	167,298	39,537	170,079	169	714,139
Liabilities	247,119	92,177	20,912	57,856	78	418,142
	89,937	**75,121**	**18,625**	**112,223**	**91**	**295,997**

For the year ended December 31, 2016

	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
REVENUE						
Hospitality income	70,349	48,153	--	--	--	118,502
Income from investment properties	--	--	3,695	--	--	3,695
Sale of residential real estate	--	--	--	25,551	--	25,551
Other operation income	--	--	--	--	246	246
	70,349	48,153	3,695	25,551	246	147,994
EXPENSES AND COSTS						
Hospitality operating expenses	55,875	43,924	--	--	--	99,799
Operating expenses of investment properties	--	--	1,577	--	--	1,577
Cost of sale of residential real estate	--	--	--	27,991	--	27,991
Other operation expense	--	--	--	--	85	85
	55,875	43,924	1,577	27,991	85	129,452
SEGMENTED RESULTS	**14,474**	**4,229**	**2,118**	**(2,440)**	**161**	**18,542**
Gain from fair value adjustments	--	--	(3,850)	(3,245)	--	**(7,095)**
Selling and marketing expenses						**1,463**
Administrative and general expenses						**4,895**
Depreciation						**6,635**
Loss (gain) on sale of investments						**(8,574)**
Other expense						**869**
Financial expense						**10,332**
Financial income						**(211)**
Profit before income taxes						**10,228**

As at December 31, 2016

	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
Assets	160,625	152,415	39,327	167,238	148	519,753
Liabilities	80,055	73,105	21,330	57,773	118	232,381
	80,570	**79,310**	**17,997**	**109,465**	**30**	**287,372**

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31 SEGMENTED INFORMATION (continued)

	For the year ended December 31, 2015					
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
REVENUE						
Hospitality income	32,943	54,592	--	--	--	87,535
Income from investment properties	--	--	3,538	--	--	3,538
Sale of residential real estate	--	--	--	276	--	276
Commissions and fees	--	4,598	22	--	--	4,620
Other operation income	--	--	--	--	694	694
	32,943	59,190	3,560	276	694	96,663
EXPENSES AND COSTS						
Hospitality operating expenses	28,500	45,674	--	--	--	74,174
Operating expenses of investment properties	--	--	1,329	--	--	1,329
Cost of sale of residential real estate	--	--	--	1,314	--	1,314
Other operation expense	--	--	--	--	901	901
	28,500	45,674	1,329	1,314	901	77,718
SEGMENTED RESULTS	**4,443**	**13,516**	**2,231**	**(1,038)**	**(207)**	**18,945**
Gain from fair value adjustments	--	--	(491)	(554)	--	**(1,045)**
Selling and marketing expenses						**1,863**
Administrative and general expenses						**4,399**
Depreciation						**5,326**
Gain on bargain purchase						**(8,274)**
Loss on sale of investment						**(3,768)**
Other expense						**560**
Financial expense						**7,082**
Financial income						**(33)**
Profit before income taxes						**12,835**

	As at December 31, 2015					
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
Assets	95,057	101,737	34,458	150,182	424	381,858
Liabilities	67,758	48,171	20,276	73,925	433	210,563
	27,299	**53,566**	**14,182**	**76,257**	**(9)**	**171,295**

32 SIGNIFICANT BUSINESS ACQUISITIONS

2017 Acquisitions

(a) For information regarding Courtyard Hotels acquisition please see note 11 (a) above.

(b) The total consideration transferred included the following:

	$
Cash paid	176,443
Cash used in acquisition of operation	176,443

(c) Recognizedon November 14, 2017, of assets acquired and liabilities assumed (see schedule A in the Cash Flow report)

(d) **Pro forma**

The recently acquired 13 Courtyard hotels were part of the seller's overall activity, which included 60 additional hotels. The seller did not prepare audited financial statements at the level of the acquired activity or at the level of the individual asset. Furthermore, as part of the acquisition transaction, the Company received from the seller partial financial data of the hotels, which are not audited or reviewed, and which include income, operating expenses, marketing expenses and general and administrative expenses.
As a result, the Company is unable to publish pro forma data

	13 Courtyard Hotels operation's contribution since November 14, 2017
Revenue	5,836
Income before income taxes	(1,955)

33 SUBSEQUENT EVENTS

On February 21, 2018 the Board of Directors approved grant of 135,000 new options to a senior employee which was approved by the Tel Aviv Stock exchange in March 2018.