

**SKYLINE INVESTMENTS INC.**  
**Condensed interim consolidated financial statements**  
**for the period ended**  
**March 31, 2019**  
*(Unaudited)*

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**Auditors' review report to the Shareholders of  
Skyline Investments Inc.**

**Introduction:**

We have reviewed the accompanying financial information of Skyline Investments Inc. and its subsidiaries ("the company") as of 31 March 2019 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months period that ended as of that date. The board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34 "Interim Financial Reporting" and are also responsible for the preparation of interim financial information for this period in accordance with Section D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of review:**

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

**Conclusion:**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

In addition to that mentioned in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the abovementioned interim financial information does not comply, in all material respects, with the disclosure requirements of Section D of the Securities Regulations (Periodic and Immediate Reports), 1970

**Brightman Almagor Zohar & Co.**  
**Certified Public Accountants**  
**A member firm of Deloitte Touche Tohmatsu Limited**

**14 May ,2019**

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**SKYLINE INVESTMENTS INC.****Condensed interim consolidated statements of financial position**

(in thousands of Canadian Dollars)

	As at		
	March 31,		December 31,
	2019	2018	2018
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	33,638	23,127	27,983
Trade receivables	38,431	5,722	36,601
Other receivables	14,894	13,645	13,421
Prepayments	2,796	3,833	2,870
Inventories	1,410	1,658	1,948
Real estate inventory	62,647	70,765	64,573
Loans to purchasers	7,189	5,337	7,959
Restricted bank deposits	4,560	4,490	4,406
	<u>165,565</u>	<u>128,577</u>	<u>159,761</u>
<b>Non-current assets</b>			
Financial derivative	3,692	4,454	2,821
Investment properties	59,405	93,269	90,640
Property, plant and equipment	481,633	454,472	487,265
Loans to purchasers	28,462	31,982	25,901
Other non-current assets	2,628	2,604	2,696
Deferred tax assets	7,741	7,299	7,843
Restricted bank deposits	7,801	5,407	7,510
	<u>591,362</u>	<u>599,487</u>	<u>624,676</u>
Total assets	<u>756,927</u>	<u>728,064</u>	<u>784,437</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Loans payable	55,460	41,445	56,924
Bonds	6,258	4,161	6,252
Trade payables	11,811	10,904	14,616
Other payables and credit balances	26,781	19,078	30,114
Deferred revenue	6,758	6,308	7,508
Current tax liability	1,681	97	671
Purchasers' deposits	5,246	10,846	8,779
	<u>113,995</u>	<u>92,839</u>	<u>124,864</u>
<b>Non-current liabilities</b>			
Loans payable	193,755	178,559	199,465
Bonds	101,302	104,812	104,628
Other liabilities	750	1,211	990
Deferred tax liabilities	51,251	51,932	53,650
	<u>347,058</u>	<u>336,514</u>	<u>358,733</u>
Total liabilities	<u>461,053</u>	<u>429,353</u>	<u>483,597</u>
<b>Equity</b>			
Equity attributable to shareholders of the Company	257,731	257,786	260,753
Non-controlling interest	38,143	40,925	40,087
	<u>295,874</u>	<u>298,711</u>	<u>300,840</u>
Total liabilities and equity	<u>756,927</u>	<u>728,064</u>	<u>784,437</u>

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

On behalf of the board of directors:

_____ Gil Blutrigh Chairman	_____ Blake Lyon CEO	_____ Robert Waxman CFO	_____ May 14, 2019 Date
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**SKYLINE INVESTMENTS INC.****Condensed interim consolidated statements of income**

(in thousands of Canadian Dollars)

	For the period ended March 31,		For the year ended December 31,
	2019 <i>(Unaudited)</i>	2018 <i>(Unaudited)</i>	2018 <i>(Audited)</i>
<b>Revenue</b>			
Income from hotels and resorts	50,825	* 47,079	* 185,534
Sale of residential real estate	6,039	* 194	* 46,722
	<u>56,864</u>	<u>47,273</u>	<u>232,256</u>
<b>Expenses and costs</b>			
Operating expenses from hotels and resorts	(38,058)	* (36,007)	* (143,983)
Cost of sale of residential real estate	(4,850)	* (519)	* (42,504)
	<u>(42,908)</u>	<u>(36,526)</u>	<u>(186,487)</u>
	13,956	10,747	45,769
Selling and marketing expenses	(17)	(192)	(776)
Administrative and general expenses	<u>(1,370)</u>	<u>(1,220)</u>	<u>(8,010)</u>
Operating income before depreciation, valuation adjustments and other income	12,569	9,335	36,983
Depreciation	(4,867)	(4,295)	(21,110)
Loss from fair value adjustments	(528)	(70)	(3,209)
Derecognition of investment costs and other capital losses	(1,364)	—	(1,770)
Other expense	8	(101)	(116)
	<u>5,818</u>	<u>4,869</u>	<u>10,778</u>
<b>Profit from operations</b>	5,818	4,869	10,778
Loss from early extinguishment of debt	(2,749)	—	—
Financial expense	(5,887)	(4,882)	(19,745)
Financial income	1,143	613	778
	<u>(1,675)</u>	<u>600</u>	<u>(8,189)</u>
<b>Profit (loss) before income taxes</b>	(1,675)	600	(8,189)
Income tax	214	(474)	534
	<u>(1,461)</u>	<u>126</u>	<u>(7,655)</u>
<b>Profit (loss) for the period</b>	<u>(1,461)</u>	<u>126</u>	<u>(7,655)</u>
<b>Attributable to:</b>			
Shareholders of the Company	205	545	(6,887)
Non-controlling interest	<u>(1,666)</u>	<u>(419)</u>	<u>(768)</u>
	<u>(1,461)</u>	<u>126</u>	<u>(7,655)</u>
<b>Earnings per share:</b>			
Basic	0.01	0.03	(0.42)
Diluted	0.01	0.03	(0.42)

\* Reclassified - see note 6(b).

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

**SKYLINE INVESTMENTS INC.****Condensed interim consolidated statements of comprehensive income**

(in thousands of Canadian Dollars)

	For the period ended March 31,		For the year ended December 31,
	2019 <i>(Unaudited)</i>	2018 <i>(Unaudited)</i>	2018 <i>(Audited)</i>
<b>Profit (loss) for the period</b>	<u>(1,461)</u>	<u>126</u>	<u>(7,655)</u>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Revaluation of property, plant and equipment, before income taxes	—	—	6,192
Income taxes	<u>—</u>	<u>—</u>	<u>(2,139)</u>
	—	—	4,053
<b>Items that will or may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations	<u>(3,483)</u>	<u>2,525</u>	<u>8,089</u>
<b>Other comprehensive income (loss) for the period net of taxes</b>	<u>(3,483)</u>	<u>2,525</u>	<u>12,142</u>
<b>Total comprehensive income (loss) for the period, net of taxes</b>	<u>(4,944)</u>	<u>2,651</u>	<u>4,487</u>
<b>Attributable to:</b>			
Shareholders of the Company	(3,000)	2,703	5,377
Non-controlling interest	<u>(1,944)</u>	<u>(52)</u>	<u>(890)</u>
	<u>(4,944)</u>	<u>2,651</u>	<u>4,487</u>

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

**SKYLINE INVESTMENTS INC.**
**Condensed interim consolidated statements of changes in equity**

(in thousands of Canadian Dollars)

	Attributable to shareholders of the Company									
	Share capital and premium	Warrant certificates	Revaluation surplus	Share based compensation surplus	Related party surplus	Foreign exchange translation	Retained earnings	Attributable to shareholders of the Company	Non- controlling interest	Total Equity
<b>For the period ended March 31, 2019 (Unaudited)</b>										
Balance at the beginning of the period	79,298	—	91,522	1,026	125	9,511	79,271	260,753	40,087	300,840
Loss for the period	—	—	—	—	—	—	205	205	(1,666)	(1,461)
Other comprehensive income for the period	—	—	—	—	—	(3,205)	—	(3,205)	(278)	(3,483)
Total comprehensive Income for the period	—	—	—	—	—	(3,205)	205	(3,000)	(1,944)	(4,944)
Transfer upon recognition of depreciation	—	—	(558)	—	—	—	558	—	—	—
Recognition of share-based payment	—	—	—	(22)	—	—	—	(22)	—	(22)
Balance at the end of the period	79,298	—	90,964	1,004	125	6,306	80,034	257,731	38,143	295,874
<b>For the period ended March 31, 2018 (Unaudited)</b>										
Balance at the beginning of the period	78,779	519	87,782	670	125	3,387	83,758	255,020	40,977	295,997
Profit for the period	—	—	—	—	—	—	545	545	(419)	126
Other comprehensive income for the period	—	—	—	—	—	2,158	—	2,158	367	2,525
Total comprehensive Income for the period	—	—	—	—	—	2,158	545	2,703	(52)	2,651
Transfer upon recognition of depreciation	—	—	(587)	—	—	—	587	—	—	—
Recognition of share-based payment	—	—	—	63	—	—	—	63	—	63
Balance at the end of the period	78,779	519	87,195	733	125	5,545	84,890	257,786	40,925	298,711
<b>For the year ended December 31, 2018 (Audited)</b>										
Balance at the beginning of the year	78,779	519	87,782	670	125	3,387	83,758	255,020	40,977	295,997
Loss for the year	—	—	—	—	—	—	(6,887)	(6,887)	(768)	(7,655)
Other comprehensive income for the year	—	—	6,140	—	—	6,124	—	12,264	(122)	12,142
Total comprehensive income for the year	—	—	6,140	—	—	6,124	(6,887)	5,377	(890)	4,487
Transfer upon recognition of depreciation	—	—	(2,400)	—	—	—	2,400	—	—	—
Recognition of share-based payment	—	—	—	356	—	—	—	356	—	356
Transfer upon expiration	519	(519)	—	—	—	—	—	—	—	—
Balance at the end of the year	79,298	—	91,522	1,026	125	9,511	79,271	260,753	40,087	300,840

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

**SKYLINE INVESTMENTS INC.****Condensed interim consolidated statements of cash flows**

(in thousands of Canadian Dollars)

	For the period ended		For the year
	March 31,		ended
	2019	2018	December 31,
	(Unaudited)	(Unaudited)	(Audited)
<b>Operating activities</b>			
Profit (loss) for the period	(1,461)	126	(7,655)
Adjustments for:			
Depreciation and amortization	5,166	4,302	21,110
Loss from fair value adjustments	528	70	3,209
Gain on sale of investment and other property	—	—	255
Financing costs from bonds including foreign exchange	(44)	4,118	12,446
Financing income from financial derivative	(871)	(779)	854
Deferred tax, net	(1,847)	141	(754)
Share based compensation	(22)	63	356
Changes in non-cash working capital			
Trade receivables	(1,843)	437	(30,439)
Other receivables, prepayments and others	(1,443)	859	10,170
Restricted bank deposits	(169)	(1,035)	(3,054)
Inventories	518	369	79
Real Estate Inventory	1,926	(9,757)	(8,239)
Trade and other payables and credit balances	(5,208)	(4,323)	5,913
Income taxes payable	1,004	97	671
Purchasers' deposits	(3,533)	916	(1,151)
Cash provided by (used in) operating activities	<u>(7,299)</u>	<u>(4,396)</u>	<u>3,771</u>
<b>Investing activities</b>			
Additions to investment properties	(180)	(133)	(151)
Investment in restricted long term deposit	(291)	906	906
Additions to property, plant and equipment	(5,414)	(3,564)	(27,729)
Net proceeds from sale of investment properties	27,535	—	—
Proceeds from sale of property, plant and equipment	—	—	324
Proceeds of loans given to purchasers	1,376	—	—
Cash provided by (used in) investing activities	<u>23,026</u>	<u>(2,791)</u>	<u>(26,650)</u>
<b>Financing activities</b>			
Bank credit and other short-term loans	6,230	7,829	23,225
Repayment of bonds	(3,276)	(1,292)	(2,705)
Proceeds from long term loans	3,876	60	13,321
Repayments of long term loans	(15,027)	(1,123)	(3,120)
Change in other liabilities	—	22	(199)
Cash provided by (used in) financing activities	<u>(8,197)</u>	<u>5,496</u>	<u>30,522</u>
<b>Foreign exchange translation of cash balances</b>	<u>(1,875)</u>	<u>(1,079)</u>	<u>(5,557)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>5,655</u>	<u>(2,770)</u>	<u>2,086</u>
Cash and cash equivalents at beginning of period	<u>27,983</u>	<u>25,897</u>	<u>25,897</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>33,638</u></u>	<u><u>23,127</u></u>	<u><u>27,983</u></u>

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



**SKYLINE INVESTMENTS INC.****Condensed interim consolidated statements of cash flows**

(in thousands of Canadian Dollars)

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	For the period ended March 31,		For the year ended December 31,
	2019	2018	2018
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Supplemental cash flow information</b>			
Interest paid	6,440	4,532	18,068
Interest received	39	29	857
Income taxes paid (received)	(76)	16	(146)
<b>Significant non-cash investing and financing activities</b>			
Loans to purchasers	3,167	—	5,129
Recognition of right-of-use assets and lease liabilities upon initial application of IFRS16 (see note 2(c)1):	908	—	—

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

## **SKYLINE INVESTMENTS INC.**

### **Notes to condensed interim consolidated financial statements**

(in thousands of Canadian Dollars)

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#### **1 - Nature of operations**

Skyline Investments Inc. (the "Company" or the "Group") was incorporated on December 4, 1998 under the Ontario Business Corporations Act, and its registered office is located at 36 King Street East, Suite 700, 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.

As at March 31, 2019, the Company is 65.34% owned by Skyline Canada-Israel Ltd ("Skyline Israel"), a majority of shares of which are owned by Mishorim Real Estate Investments Ltd ("Mishorim"), a public company whose shares are traded on the Tel-Aviv Stock Exchange.

On April 2019, Skyline Israel distributed the Company's shares owned thereby to Skyline Israel's shareholders: Mishorim and Israel Land Development Overseas Ltd ("Overseas"). Overseas is fully owned by The Israel Land Development Co. Ltd ("ILDC"), a public company whose shares are traded on the Tel-Aviv Stock Exchange. Subsequent to the aforementioned distribution, Mishorim and ILDC hold 49.39% and 20.26% of the Company's shares, respectively.

Company's shares and bonds trade on the Tel Aviv Stock Exchange (TASE).

#### **2 - Significant accounting policies**

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

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

The significant accounting policies and methods of computation adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements, except for the impact of newly adopted standards, amendments and interpretations, as described in (c) hereafter.

(b) Leases

According to IFRS 16, initially applied on January 1, 2019, the Company as a lessee assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability essentially comprise future fixed lease payments. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company may remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever certain lease term has changed (no such adjustments have been made during the periods presented).

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The previous accounting treatment of leases, for which the Company is a lessor, is not expected to be significantly affected by IFRS 16.

## SKYLINE INVESTMENTS INC.

### Notes to condensed interim consolidated financial statements

(in thousands of Canadian Dollars)

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(c) Standards that were initially applied in the period

1. IFRS 16 Leases

IFRS 16 supersedes IAS 17 and applies to annual reporting periods beginning on or after January 1, 2019. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize right-of-use assets and financial liabilities to pay rentals for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with the new standard's approach to lessor accounting substantially unchanged from IAS 17.

When initially applying the standard, a lessee can choose to apply it either retrospectively or to use the 'cumulative catch-up approach', the latter of which the company has chosen.

Accordingly, at January 1, 2019, the Company recognized lease liabilities and a right-of-use assets in respect of certain leases previously classified as operating leases. Such liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at that date, while the assets recognized at an amount equal to the lease liabilities.

The Company applies certain practical expedients allowed by the standard. Leases ending within 12 months of the date of initial application are accounted for as short-term leases, irrespective of whether the original lease term was for more than 12 months and a single discount rate is applied to a portfolio of leases with reasonably similar characteristics.

On the date of initial application the Company recognized financial liabilities in the amount of approximately \$1 million and right-of-use assets at the same amount. The net impact on profit is insignificant. Certain amounts, however, previously recognized as rental expenses, are now being replaced by depreciation and interest expenses.

2. IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments states that in case of sale or contribution of assets, that constitute a business, to an associate or joint venture or in case of loss of control in a subsidiary that does contain a business, while maintaining joint control or significant influence, full gains or losses resulting from the transaction must be recognized, including loss of control. However in case of sale or contribution of assets, that does not contain a business, to an associate or joint venture or in case of loss of control in a subsidiary that does not contain a business, while maintaining joint control or significant influence, gains or losses are recognized only to the extent of the unrelated investors' interests in that associate or joint venture. The effective date of the amendment has yet to be set. Earlier application is permitted. Company's management anticipates that the application of this amendment may have an impact on the consolidated financial statements in future periods should such sale or contribution occur.

3. IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group. The entity must also assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the entity should reflect the effect of uncertainty in determining its accounting tax position using the expected value method or the most likely amount method according to which that best predicts the results of the uncertainty. Entities can apply the Interpretation with either full retrospective application or without restatement of comparatives figures when the cumulative effect of the initial application will be recognized as adjustment of retained earnings as at 1 January 2019. Company's management anticipates that the application of this amendment may have an impact on the consolidated financial statements in future periods should such uncertainty over income tax treatments arise.

**SKYLINE INVESTMENTS INC.****Notes to condensed interim consolidated financial statements**

(in thousands of Canadian Dollars)

## 4. Other amendments to IFRS Standards

## IAS 12 Income Taxes

The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

## IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

## IFRS 3 Business Combinations

The amendments to clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

## IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interest in the joint operation.

The aforementioned amendments have no significant impact on these financial statements and the Company's management does not anticipate such an impact on its future financial reporting.

## (d) Foreign currency

	March 31,		December 31,
	2019	2018	2018
Exchange rate at balance sheet date (CAD / USD)	1.3363	1.2894	1.3642
Average exchange rate during the period then ended (CAD / USD)	1.3295	1.2647	1.2957
Change in exchange rate during the period then ended	(2.0%)	2.8%	8.7%
Exchange rate at balance sheet date (CAD / NIS)	2.7052	2.7238	2.7517
Average exchange rate during the period then ended (CAD / NIS)	2.7426	2.7404	2.7294
Change in exchange rate during the period then ended	(1.7%)	(1.0%)	(0.5%)

**3 - Seasonality and other disclosures**

Due to the seasonal nature of Company's resorts, which are part of the hospitality segment, revenues of these assets are typically weighted in the winter and summer months as a result of the nature of their operations. The operating expenses of these assets are more evenly spread out during the year, although there are some increases in costs such as labor, costs of food and beverage etc. during the seasonally high periods.

## SKYLINE INVESTMENTS INC.

### Notes to condensed interim consolidated financial statements

(in thousands of Canadian Dollars)

#### 4 - Fair value of financial assets and liabilities

- (a) The estimated fair values and carrying amounts of loans payable and bonds are as follows:

	Fair value as at			Carrying amount as at		
	March 31,		December 31,	March 31,		December 31,
	2019	2018	2018	2019	2018	2018
Loans payable	248,767	219,817	255,554	249,215	220,004	256,389
Bonds	105,590	116,697	106,348	108,793	108,973	110,880

- (b) 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.
- (c) The Fair value of the bonds is based on Tel-Aviv Stock Exchange quote (in New Israeli Shekels) at balance sheet date, translated to CAD using a currency NIS/CAD quote provided on Bank of Israel web site. The Carrying amount is net of costs of incurred to issue the bonds.
- (d) 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 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.

#### 5 - Significant events during the period

- (a) Blue Mountain retail and building sale

In February 2019 the Company entered into a Purchase and Sale Agreement to sell the Company's commercial retail assets at Blue Mountain to an unrelated party. The sale is divided into two components. The first component is the Village retail for total consideration of \$31.7 million, of which \$3.2 million was given as a VTB loan to the purchaser. A loss of \$0.5 million before tax was recognized, after certain costs associated with the transaction were taken into account. Net tax recovery of \$0.4 million was recognized, of which \$2.1 million is deferred tax recovery, offset by \$1.7 million of current tax expense. The consideration was partly used to repay the outstanding mortgage of \$14 million. In addition, an early payment fee of \$2.8 million was incurred. The transaction closed on March 28, 2019 at which time the second component became effective. The second component is the sale of a building called Boathouse 3. The sale of this asset is for total consideration of \$2.4 million and will close in two years. In the interim period, prior to closing of Boathouse 3 the Company will continue to earn all income on the asset. The Company owns 60% of all the described assets.

- (b) The Company consolidated two of its development loans for Second Nature (\$6,000) and increased the total by an additional \$6,000. The total facility is now a revolving facility of \$12,000 which is sufficient funds to fully service the Second Nature project.

#### 6 - Segmented information

- (a) 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 across 9 different states and the Bear Valley Resort located in California, as well as the Deerhurst and Horseshoe resorts located in Ontario, Canada.

##### Development segment

The management of the company operates the development assets 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.

- (b) During the current period the Company sold its only stand alone commercial property. As a result the chief operation decision maker no longer considers Investment Property an identifiable segment and no longer drives decision making on a daily basis. As such the company has consolidated its remaining commercial assets into hospitality as these retail assets are part of the hospitality assets. Segmented information for earlier periods was reclassified accordingly.

##### Business segments are:

US hotels and resorts	Acquisition, ownership and management of hotels and resorts in the US
Canadian hotels and resorts	Acquisition, ownership and management of hotels and resorts in Canada
Development	Acquisition, development and sale of real estate properties and lands

**SKYLINE INVESTMENTS INC.**
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(in thousands of Canadian Dollars)

(c) Segmented financial information:

	US hotels and resorts	Canadian hotels and resorts	Development	Adjustments for commercial property sold - see (b) above	Total
<b>For the period ended March 31, 2019 (Unaudited)</b>					
Revenue	35,585	15,234	6,045	—	56,864
Costs and expenses	<u>(27,029)</u>	<u>(10,982)</u>	<u>(4,897)</u>	<u>—</u>	<u>(42,908)</u>
	8,556	4,252	1,148	—	13,956
Selling and marketing expenses					(17)
Administrative and general expenses					(1,370)
Depreciation					(4,867)
Gain (Loss) from fair value adjustments					(528)
Derecognition of investment costs and other capital losses					(1,364)
Other expense					8
Loss from early extinguishment of debt					(2,749)
Financial expense					(5,887)
Financial income					<u>1,143</u>
Profit (Loss) before income taxes					<u>(1,675)</u>
<b>For the period ended March 31, 2018 (Unaudited)</b>					
Revenue	32,571	13,788	194	720	47,273
Costs and expenses	<u>(25,108)</u>	<u>(10,661)</u>	<u>(519)</u>	<u>(238)</u>	<u>(36,526)</u>
	7,463	3,127	(325)	482	10,747
Selling and marketing expenses					(192)
Administrative and general expenses					(1,220)
Depreciation					(4,295)
Gain from fair value adjustments					(70)
Other expense					(101)
Financial expense					(4,882)
Financial income					<u>613</u>
Profit before income taxes					<u>600</u>
<b>For the year ended December 31, 2018 (Audited)</b>					
Revenue	131,876	50,406	46,722	3,252	232,256
Costs and expenses	<u>(101,944)</u>	<u>(41,299)</u>	<u>(42,504)</u>	<u>(740)</u>	<u>(186,487)</u>
	29,932	9,107	4,218	2,512	45,769
Selling and marketing expenses					(776)
Administrative and general expenses					(8,010)
Depreciation					(21,110)
Gain from fair value adjustments					(3,209)
Loss on sale of investments					(1,770)
Other expense					(116)
Financial expense					(19,745)
Financial income					<u>778</u>
Profit before income taxes					<u>(8,189)</u>
<b>As at March 31, 2019 (Unaudited)</b>					
Assets	394,697	168,097	194,133	—	756,927
Liabilities	<u>(280,950)</u>	<u>(103,534)</u>	<u>(76,569)</u>	<u>—</u>	<u>(461,053)</u>
	<u>113,747</u>	<u>64,563</u>	<u>117,564</u>	<u>—</u>	<u>295,874</u>
<b>As at March 31, 2018 (Unaudited)</b>					
Assets	352,237	163,596	180,434	31,797	728,064
Liabilities	<u>(257,544)</u>	<u>(86,119)</u>	<u>(68,675)</u>	<u>(17,015)</u>	<u>(429,353)</u>
	<u>94,693</u>	<u>77,477</u>	<u>111,759</u>	<u>14,782</u>	<u>298,711</u>
<b>As at December 31, 2018 (Audited)</b>					
Assets	401,256	152,399	198,499	32,283	784,437
Liabilities	<u>(288,927)</u>	<u>(91,317)</u>	<u>(82,084)</u>	<u>(21,269)</u>	<u>(483,597)</u>
	<u>112,329</u>	<u>61,082</u>	<u>116,415</u>	<u>11,014</u>	<u>300,840</u>