SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements

for the period ended

September 30, 2019

(Unaudited)

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Contents

Deloitte.

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 and its subsidiaries (hereafter "the company ") which includes the condensed consolidated statement of financial position as of 30 September 2019 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for nine and 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 Firm in the Deloitte Global Network

14 November, 2019

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SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of financial position

(in thousands of Canadian Dollars)

	As at		
	September 30,		December 31,
	2019	2018	2018
	(Unaudited)	*(Unaudited)*	*(Audited)*
Assets			
Current assets			
Cash and cash equivalents	18,778	25,576	27,983
Trade receivables	48,870	15,557	36,601
Other receivables	14,185	12,831	13,421
Prepayments	3,133	3,983	2,870
Inventories	1,489	1,709	1,948
Real estate inventory	49,194	75,201	64,573
Loans to purchasers	8,357	4,727	7,959
Restricted bank deposits	4,024	4,241	4,406
	148,030	143,825	159,761
Non-current assets			
Financial derivative	5,558	3,249	2,821
Investment properties	60,129	88,514	90,640
Property, plant and equipment	458,569	460,632	487,265
Loans to purchasers	28,387	34,747	25,901
Other non-current assets	2,560	2,560	2,696
Restricted bank deposits	8,693	7,257	7,510
	563,896	596,959	616,833
Total assets	**711,926**	**740,784**	**776,594**
Liabilities and equity			
Current liabilities			
Loans payable	53,166	52,029	56,924
Bonds	6,308	6,037	6,252
Trade payables	7,475	12,610	14,616
Other payables and credit balances	26,892	24,033	30,114
Deferred revenue	7,812	6,263	7,508
Current tax liability	1,675	1,118	671
Purchasers' deposits	2,833	11,374	8,779
	106,161	113,464	124,864
Non-current liabilities			
Loans payable	181,339	185,002	199,465
Bonds	98,952	101,240	104,628
Other liabilities	649	1,116	990
Deferred tax liabilities	41,601	* 42,556	* 45,807
	322,541	329,914	350,890
Total liabilities	428,702	443,378	475,754
Equity			
Equity attributable to shareholders of the Company	256,518	256,863	260,753
Non-controlling interest	26,706	40,543	40,087
	283,224	297,406	300,840
Total liabilities and equity	**711,926**	**740,784**	**776,594**

* Reclassified

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

On behalf of the board of directors:

				November 14, 2019
Gil Blutrich	Shimshon Marfogel	Blake Lyon	Robert Waxman	Date
Chairman	Lead Director	CEO	CFO	

SKYLINE INVESTMENTS INC.

Condensed interim consolidated statements of income

(in thousands of Canadian Dollars)

	For Nine Months Ended September 30,		For Three Months Ended September 30,		For the Year Ended December 31,
	2019	2018	2019	2018	2018
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Revenue					
Income from hotels and resorts	149,962	* 143,437	53,297	50,613	* 185,534
Sale of residential real estate	39,789	* 19,374	5,870	2,428	* 46,722
	189,751	162,811	59,167	53,041	232,256
Expenses and costs					
Operating expenses from hotels and resorts	(114,691)	* (109,046)	(40,033)	(38,005)	* (143,983)
Cost of sales of residential real estate	(34,361)	* (18,832)	(4,434)	(3,976)	* (42,504)
	(149,052)	(127,878)	(44,467)	(41,981)	(186,487)
	40,699	34,933	14,700	11,060	45,769
Selling and marketing expenses	(216)	(381)	(121)	(63)	(776)
Administrative and general expenses	(4,244)	(4,446)	(2,098)	(1,808)	(8,010)
Operating income before depreciation, valuation adjustments and other income	36,239	30,106	12,481	9,189	36,983
Depreciation	(14,869)	(12,981)	(5,440)	(4,321)	(21,110)
Gain (loss) from fair value adjustments of investment properties	(2)	(4,852)	(292)	(53)	(3,209)
Derecognition of investment costs and other capital gains (losses)	(595)	—	713	—	(1,770)
Other expenses	(509)	(118)	(509)	30	(116)
Net income from operations	20,264	12,155	6,953	4,845	10,778
Loss from early extinguishment of debt	(2,749)	—	—	—	—
Financial expense	(17,755)	(15,436)	(7,068)	(5,580)	(19,745)
Financial income	3,857	1,406	2,291	749	778
Net income (loss) before income taxes	3,617	(1,875)	2,176	14	(8,189)
Income tax recovery	627	157	456	31	534
Net income (loss) for the period	4,244	(1,718)	2,632	45	(7,655)
Attributable to:					
Shareholders of the Company	4,655	(816)	2,245	9	(6,887)
Non-controlling interest	(411)	(902)	387	36	(768)
	4,244	(1,718)	2,632	45	(7,655)
Earnings per share:					
Basic	0.28	(0.05)	0.14	0.00	(0.42)
Diluted	0.28	(0.05)	0.14	0.00	(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 Nine Months Ended September 30,		For Three Months Ended September 30,		For the Year Ended December 31,
	2019	2018	2019	2018	2018
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Net income (loss) for the period	4,244	(1,718)	2,632	45	(7,655)
Other comprehensive income					
Items that will not be reclassified subsequently to net income (loss):					
Revaluation of property, plant and equipment, before income taxes	(16,414)	—	(4,482)	—	6,192
Income taxes	1,256	—	(206)	—	(2,139)
	(15,158)	—	(4,688)	—	4,053
Items that will or may be reclassified subsequently to net income (loss):					
Exchange differences on translation of foreign operations	(5,658)	2,876	1,404	(1,599)	8,089
Other comprehensive income (loss) for the period, net of taxes	(20,816)	2,876	(3,284)	(1,599)	12,142
Total comprehensive income (loss) for the period, net of taxes	(16,572)	1,158	(652)	(1,554)	4,487
Attributable to:					
Shareholders of the Company	(4,269)	1,592	3,878	(1,118)	5,377
Non-controlling interest	(12,303)	(434)	(4,530)	(436)	(890)
	(16,572)	1,158	(652)	(1,554)	4,487

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
For nine months ended September 30, 2019 (Unaudited)										
Balance at the beginning of the period	79,298	—	91,522	1,026	125	9,511	79,271	260,753	40,087	300,840
Net income (loss) for the period	—	—	—	—	—	—	4,655	4,655	(411)	4,244
Other comprehensive income (loss) for the period	—	—	(3,971)	—	—	(4,953)	—	(8,924)	(11,892)	(20,816)
Total comprehensive loss for the period	—	—	(3,971)	—	—	(4,953)	4,655	(4,269)	(12,303)	(16,572)
Transfer upon recognition of depreciation	—	—	(2,556)	—	—	—	2,556	—	—	—
Distribution to non-controlling shareholders	—	—	—	—	—	—	—	—	(1,078)	(1,078)
Recognition of share-based payment	—	—	—	34	—	—	—	34	—	34
Transfer upon expiration and exercise	288	—	—	(288)	—	—	—	—	—	—
Balance at the end of the period	79,586	—	84,995	772	125	4,558	86,482	256,518	26,706	283,224
For nine months ended September 30, 2018 (Unaudited)										
Balance at the beginning of the period	78,779	519	87,782	670	125	3,387	83,758	255,020	40,977	295,997
Net income (loss) for the period	—	—	—	—	—	—	(816)	(816)	(902)	(1,718)
Other comprehensive income (loss) for the period	—	—	—	—	—	2,408	—	2,408	468	2,876
Total comprehensive Income for the period	—	—	—	—	—	2,408	(816)	1,592	(434)	1,158
Transfer upon recognition of depreciation	—	—	(1,703)	—	—	—	1,703	—	—	—
Recognition of share-based payment	—	—	—	251	—	—	—	251	—	251
Balance at the end of the period	78,779	519	86,079	921	125	5,795	84,645	256,863	40,543	297,406
For three months ended September 30, 2019 (Unaudited)										
Balance at the beginning of the period	79,575	—	85,913	755	125	3,458	82,786	252,612	31,236	283,848
Net income (loss) for the period	—	—	—	—	—	—	2,245	2,245	387	2,632
Other comprehensive income (loss) for the period	—	—	533	—	—	1,100	—	1,633	(4,917)	(3,284)
Total comprehensive Income for the period	—	—	533	—	—	1,100	2,245	3,878	(4,530)	(652)
Transfer upon recognition of depreciation	—	—	(1,451)	—	—	—	1,451	—	—	—
Distribution to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—
Recognition of share-based payment	—	—	—	28	—	—	—	28	—	28
Transfer upon expiration and exercise	11	—	—	(11)	—	—	—	—	—	—
Balance at the end of the period	79,586	—	84,995	772	125	4,558	86,482	256,518	26,706	283,224
For three months ended September 30, 2018 (Unaudited)										
Balance at the beginning of the period	78,779	519	86,600	810	125	6,922	84,115	257,870	40,979	298,849
Net income (loss) for the period	—	—	—	—	—	—	9	9	36	45
Other comprehensive income (loss) for the period	—	—	—	—	—	(1,127)	—	(1,127)	(472)	(1,599)
Total comprehensive Income for the period	—	—	—	—	—	(1,127)	9	(1,118)	(436)	(1,554)
Transfer upon recognition of depreciation	—	—	(521)	—	—	—	521	—	—	—
Recognition of share-based payment	—	—	—	111	—	—	—	111	—	111
Balance at the end of the period	78,779	519	86,079	921	125	5,795	84,645	256,863	40,543	297,406
For the year ended December 31, 2018 (Audited)										
Balance at the beginning of the year	78,779	519	87,782	670	125	3,387	83,758	255,020	40,977	295,997
Net income (loss) for the period	—	—	—	—	—	—	(6,887)	(6,887)	(768)	(7,655)
Other comprehensive income (loss) for the period	—	—	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 nine months ended September 30,		For three months ended September 30,		For the year ended December 31,
	2019	2018	2019	2018	2018
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Operating activities					
Net income (loss) for the period	4,244	(1,718)	2,632	45	(7,655)
Adjustments for:					
Depreciation and amortization	16,334	13,801	5,938	4,778	21,110
(Gain) loss from fair value adjustments of Investment properties	2	4,852	292	53	3,209
(Gain) loss on sale of investment and other property	(714)	—	(714)	—	255
Finance (income) costs from bonds including foreign exchange	(736)	7,115	966	426	12,446
Finance (income) costs from financial derivative	(2,737)	426	(2,346)	118	854
Deferred tax, net	(2,292)	(1,631)	(546)	(414)	(754)
Share based compensation	34	251	28	111	356
Changes in non-cash working capital					
Trade receivables	(12,361)	(9,398)	(4,423)	(2,314)	(30,439)
Other receivables, prepayments and others	938	4,042	320	2,089	10,170
Restricted bank deposits	358	(2,636)	107	(678)	(3,054)
Inventories	432	318	123	114	79
Real estate Inventory	13,929	(18,867)	(3,865)	(5,684)	(8,239)
Trade and other payables and credit balances	(8,629)	(1,035)	(8,977)	(2,357)	5,913
Income taxes payable	1,004	1,118	—	349	671
Purchasers' deposits	(5,946)	1,444	(921)	1,555	(1,151)
Cash provided by (used in) operating activities	3,860	(1,918)	(11,386)	(1,809)	3,771
Investing activities					
Additions to investment properties	(297)	(110)	(90)	(32)	(151)
Investment in restricted long term deposit	(1,299)	906	(1,069)	—	906
Additions to property, plant and equipment	(12,418)	(16,822)	(4,421)	(6,585)	(27,729)
Net proceeds from sale of investment properties	27,535	—	—	—	—
Proceeds from sale of property, plant and equipment	1,283	—	700	—	324
Cash provided by (used in) investing activities	14,804	(16,026)	(4,880)	(6,617)	(26,650)
Financing activities					
Bank credit and other short-term loans	(1,605)	18,669	5,650	4,919	23,225
Repayment of bonds	(6,631)	(2,705)	(3,355)	(1,413)	(2,705)
Proceeds from long term loans	3,977	6,898	—	2,518	13,321
Repayments of long term loans	(21,166)	(3,149)	(1,953)	(1,224)	(3,120)
Distribution to non-controlling shareholders	(1,080)	—	—	—	—
Change in other liabilities	—	(73)	—	(88)	(199)
Cash provided by (used in) financing activities	(26,505)	19,640	342	4,712	30,522
Foreign exchange translation of cash balances	(1,364)	(2,017)	2,475	857	(5,557)
Net increase (decrease) in cash and cash equivalents	(9,205)	(321)	(13,449)	(2,857)	2,086
Cash and cash equivalents at beginning of period	27,983	25,897	32,227	28,433	25,897
Cash and cash equivalents at end of period	18,778	25,576	18,778	25,576	27,983

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 nine months ended September 30,		For three months ended September 30,		For the year ended December 31,
	2019	**2018**	**2019**	**2018**	**2018**
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Supplemental cash flow information					
Interest paid	16,001	13,925	6,078	4,631	18,068
Interest received	109	32	18	3	857
Income taxes paid (received)	6	38	67	8	(146)
Significant non-cash investing and financing activities					
Loans to purchasers	5,287	4,674	670	—	5,129
Recognition of right-of-use assets and lease liabilities upon initial application of IFRS16 (see note 2(c)1)	908	—	—	—	—
Share capital and premium increase	288	—	11	—	—

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

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 development activities, which are in excess of twelve months and typically range between three to four years.

As at September 30, 2019, the Company is 49.37% owned by its controlling share holder, Mishorim Real Estate Investments Ltd (“Mishorim”) and 20.25% owned by The Israel Land Development Co. Ltd (“ILDC”). Both are public companies whose shares are traded on the Tel-Aviv Stock Exchange ("TASE").

Until April 18, 2019, the Company was 65.34% owned by Skyline Canada-Israel Ltd (“Skyline Israel”), a majority of shares of which are owned by Mishorim. On April 18, 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 ILDC.

The Company's shares and bonds trade on TASE.

2 - Statement of compliance and basis of presentation

(a) Statement of compliance

The Company has prepared these condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("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.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on November 14, 2019.

(b) Basis of presentation

The basis of presentation and significant accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended December 31, 2018, except for the impact of newly adopted standards, amendments and interpretations, as described in note 1 (c) hereafter. These condensed interim consolidated financial statements should therefore be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2018.

(c) Standards that were initially applied during the period

1. IFRS 16 Leases

IFRS 16 supersedes IAS 17, "Leases, and Related Interpretations" ("IAS 17") and applies to annual reporting periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract: i.e. the customer (the "lessee") and the supplier (the "lessor"). From a lessee perspective, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead introduces a single lessee accounting model. The new model requires lessees to recognize right-of-use assets and financial liabilities related to all leases, unless the lease term is 12 months or less, or if the underlying asset has a low value, or both. Lessors continue to classify leases as either operating or finance leases, with IFRS 16's approach to lessor accounting substantially unchanged from lessor accounting under IAS 17.

Lease liabilities are initially measured at the present value of 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 lease liabilities comprise future fixed lease payments. Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. The Company may remeasure lease liabilities (and make a corresponding adjustment to related right-of-use assets) whenever certain lease terms have changed (no such adjustments have been made during the periods presented).

The right-of-use assets comprise the initial measurement of corresponding lease liabilities, 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, if any. Right-of-use assets are depreciated over the shorter period of (i) the lease term, and (ii) the useful life of the underlying asset. Depreciation begins at the commencement date of a lease.

The Company has adopted IFRS 16 for leases in which it is a lessee on a modified retrospective basis without restatement of prior period comparatives, and has adopted IFRS 16 for leases in which it is a lessor with no adjustment on transition. Accordingly, as at January 1, 2019, the Company recognized lease liabilities and corresponding right-of-use assets in the amount of approximately $1 million, 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 as at January 1, 2019, while the assets were recognized at an amount equal to the lease liabilities.

The Company also 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.

The impact of adopting IFRS 16 did not have a material impact on the Company's net income. Certain amounts, however, previously presented within administrative and general expenses, are now being presented within depreciation and financial expense.

2. *IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23")*

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 "Income Taxes" ("IAS 12") are applied when there is uncertainty over income tax treatments, and is effective for years beginning on or after January 1, 2019. The Interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group, and the entity must also assess whether it is probable that a tax authority will accept an uncertain tax treatment used by an entity in its income tax filings. If it is probable that a tax authority will accept an uncertain tax treatment, 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 it is not probable that a tax authority will accept an uncertain tax treatment, the entity should reflect the effect of uncertainty in determining its accounting tax position by using the method that best predicts the results of the uncertainty. The Company has assessed the impact of IFRIC 23 and has concluded that there is no material impact to the Company's financial statements.

3. *IFRS 3, "Business Combinations" ("IFRS 3")*

The IASB published an amendment to IFRS 3, clarifying 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. The amendment is effective for periods beginning on or after January 1, 2019. The Company has assessed the impact of the amendment and has concluded that there is no material impact to the Company's financial statements.

4. *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. The Company has assessed the impact of the amendment and has concluded that there is no material impact to the Company's financial statements.

5. *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. The Company has assessed the impact of the amendment and has concluded that there is no material impact to the Company's financial statements.

6. *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 Company has assessed the impact of the amendment and has concluded that there is no material impact to the Company's financial statements.

(in thousands of Canadian Dollars)

7. *IFRS standards issued but not yet effective*

IFRS 3

The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business and provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after January 1, 2020 with earlier application permitted. There will be no impact on transition as the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

(d) Foreign currency

	For Nine Months Ended September 30,		For Three Months Ended September 30,		December 31,
	2019	**2018**	**2019**	**2018**	**2018**
Exchange rates - CAD / USD:					
At balance sheet date	1.324	1.295	1.324	1.295	1.364
Average during the period then ended	1.329	1.288	1.320	1.307	1.296
Exchange rates - CAD / NIS:					
At balance sheet date	2.627	2.787	2.627	2.787	2.752
Average during the period then ended	2.699	2.764	2.716	2.756	2.729
Change in rate - CAD / USD - during:					
9 months then ended	(2.9%)	3.2%			
3 months then ended	1.2%	(1.7%)			
Change in rate - CAD / NIS - during:					
9 months then ended	(4.5%)	0.8%			
3 months then ended	(3.5%)	0.9%			

3 - Seasonality and other disclosures

Due to the seasonal nature of Company's resorts, which are part of the US and Canadian hotels and resorts segments, revenues of these assets are typically higher 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.

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		
	September 30,		December 31,	September 30,		December 31,
	2019	**2018**	**2018**	**2019**	**2018**	**2018**
Loans payable	238,210	236,401	255,554	234,505	237,031	256,389
Bonds	108,368	111,408	106,348	106,615	108,647	110,880

(b) Fair values of long-term financial liabilities have been determined by calculating their present values as at the reporting date, using fixed effective market interest rates available to the Company. The carrying amount of these loans approximates their fair value.

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

(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.

(in thousands of Canadian Dollars)

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.

(c) The company registered and closed its Slopside project during the second quarter. As part of the closing the entire construction loan of $9.4 million was paid off.

(d) The Company completed the sale of non-core lands for $2.9 million and took back a 2-year VTB for 50% of the proceeds. The Company recorded a gain on the sale.

(e) During the nine months ended September 30, 2019 the Company conducted several third party appraisals of certain of its assets, and updated its assumptions and estimates accordingly. In addition, the Company entered into a non-binding agreement to sell an asset. As a result, the total effect of all these changes was a decrease in Total Comprehensive Income of the Company of $16,752, including the effects of tax and currency changes.

(f) The Company substantially completed the construction of its Lakeside project during the third quarter. Registration of the property has commenced and is expected to be complete during the fourth quarter of 2019. To date, 98% of units in the project have been sold, and the Company has recognized revenue of $35.6 million related to sales of the project.

6 - Segmented information

(a) Hospitality segments
The chief operating decision maker reviews and analyzes the US hospitality operations as separate segment, which includes the Hyatt Regency Arcade and the Renaissance Hotels located in Cleveland, Ohio, the 13 Hotels branded Marriott Courtyard located in 9 different states and the Bear Valley Resort located in California. The Canadian hospitality operations include the Deerhurst and Horseshoe resorts located in Ontario, Canada.

Development segment
Management operates the development assets regardless of their accounting classification, as one operating segment. Therefore, the chief operating decision maker reviews and analyzes all land (both accounted for IAS 40 and IAS 2) under the development segment, together.

(b) During 2019 the Company sold its only stand alone commercial property. As a result, the chief operating decision maker no longer considers commercial property to be an identifiable segment, and reviews the remaining commercial assets together with the US and Canadian hotels and resorts segments. As such the company has classified its remaining commercial assets as part of the US and Canadian hotels and resorts segments. Segmented information for prior periods has been reclassified accordingly.

Business segments are classified as follows:

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

(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
For nine months ended September 30, 2019 (Unaudited)					
Revenue	106,727	43,235	39,789	—	189,751
Costs and expenses	(79,836)	(34,855)	(34,361)	—	(149,052)
	26,891	8,380	5,428	—	40,699
Selling and marketing expenses					(216)
Administrative and general expenses					(4,244)
Depreciation					(14,869)
Loss from fair value adjustments					(2)
Derecognition of investment costs and other capital losses					(595)
Other expense					(509)
Loss from early extinguishment of debt					(2,749)
Financial expense					(17,755)
Financial income					3,857
Profit (Loss) before income taxes					3,617
For nine months ended September 30, 2018 (Unaudited)					
Revenue	100,469	40,628	19,374	2,340	162,811
Costs and expenses	(75,861)	(32,288)	(18,832)	(897)	(127,878)
	24,608	8,340	542	1,443	34,933
Selling and marketing expenses					(381)
Administrative and general expenses					(4,446)
Depreciation					(12,981)
Loss from fair value adjustments					(4,852)
Other expense					(118)
Financial expense					(15,436)
Financial income					1,406
Profit before income taxes					(1,875)

(in thousands of Canadian Dollars)

	US hotels and resorts	Canadian hotels and resorts	Development	Adjustments for commercial property sold - see (b) above	Total
For three months ended September 30, 2019 (Unaudited)					
Revenue	33,682	19,613	5,872	—	59,167
Costs and expenses	(25,590)	(14,441)	(4,436)	—	(44,467)
	8,092	5,172	1,436	—	14,700
Selling and marketing expenses					(121)
Administrative and general expenses					(2,098)
Depreciation					(5,440)
Loss from fair value adjustments					(292)
Derecognition of investment costs and other capital losses					713
Other expense					(509)
Financial expense					(7,068)
Financial income					2,291
Profit (Loss) before income taxes					2,176
For three months ended September 30, 2018 (Unaudited)					
Revenue	32,408	17,447	2,412	774	53,041
Costs and expenses	(24,876)	(12,874)	(3,960)	(271)	(41,981)
	7,532	4,573	(1,548)	503	11,060
Selling and marketing expenses					(63)
Administrative and general expenses					(1,808)
Depreciation					(4,321)
Loss from fair value adjustments					(53)
Other expense					30
Financial expense					(5,580)
Financial income					749
Profit before income taxes					14

(in thousands of Canadian Dollars)

	US hotels and resorts	Canadian hotels and resorts	Development	Adjustments for commercial property sold - see (b) above	Total
For the year ended December 31, 2018 (Audited)					
Revenue	131,876	50,406	46,722	3,252	232,256
Costs and expenses	(101,944)	(41,299)	(42,504)	(740)	(186,487)
	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					778
Profit before income taxes					(8,189)
As at September 30, 2019 (Unaudited)					
Assets	375,497	143,045	193,384	—	711,926
Liabilities	(274,017)	(87,255)	(67,430)	—	(428,702)
	101,480	55,790	125,954	—	283,224
As at September 30, 2018 (Unaudited)					
Assets	* 362,696	* 168,310	* 177,794	* 31,984	740,784
Liabilities	* (259,632)	* (84,172)	* (77,388)	* (22,186)	(443,378)
	103,064	84,138	100,406	9,798	297,406
As at December 31, 2018 (Audited)					
Assets	* 401,256	* 147,787	* 195,268	32,283	776,594
Liabilities	* (288,927)	* (86,705)	* (78,853)	(21,269)	(475,754)
	112,329	61,082	116,415	11,014	300,840

* Reclassified