

SKYLINE INVESTMENTS INC.
Condensed interim consolidated financial statements
for the period ended
September 30, 2021
(Unaudited)

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Review Report for the third quarter
A Review Report of the Independent Auditor to the shareholders of
Skyline Investments Inc.

Introduction:

We have reviewed the accompanying financial information of **Skyline Investments Inc.** the Company and subsidiaries (hereafter- "the Company") which includes the condensed consolidated statement of financial position as of September 30, 2021 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for nine and three-month periods then ended. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter 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 (Israel) 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the 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 abovementioned financial information is not prepared, in all material respects, in accordance with IAS 34.

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

Without qualifying our conclusion, we draw attention to note 1b regarding the outbreak of the COVID-19 pandemic crisis and the uncertainty of the estimations of potential effects of the crisis over the company's hospitality operations.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv,
November 11, 2021

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

(in thousands of Canadian Dollars)

	Note	As at		
		September 30,		December 31,
		2021	2020	2020
		(Unaudited)	(Unaudited)	(Audited)
Assets				
Current assets				
Cash and cash equivalents		34,983	34,540	22,436
Trade receivables, other receivables and prepayments		16,742	14,547	15,045
Inventories		1,655	1,301	1,496
Real estate inventory		10,272	26,639	21,995
Loans to purchasers		6,883	13,214	17,449
Financial derivative		4,956	—	—
Restricted bank deposits		6,253	2,796	2,776
Disposal group classified as held for sale	4	198,057	—	—
		<u>279,801</u>	<u>93,037</u>	<u>81,197</u>
Non-current assets				
Financial derivative		—	4,890	5,664
Investment properties	6	12,015	64,131	61,278
Property, plant and equipment	7	323,165	425,173	433,984
Loans to purchasers		33,399	46,900	45,454
Other non-current assets		3,251	3,399	3,666
Restricted bank deposits		10,729	7,240	6,620
		<u>382,559</u>	<u>551,733</u>	<u>556,666</u>
Total assets		<u>662,360</u>	<u>644,770</u>	<u>637,863</u>
Liabilities and equity				
Current liabilities				
Loans payable	8	48,598	57,773	25,338
Bonds		50,529	6,422	6,282
Trade payables		7,123	10,143	9,966
Other payables and credit balances		26,544	23,562	24,229
Deferred revenue		10,653	7,310	9,061
Current tax liability		785	869	379
Purchasers' deposits		4,125	89	110
Disposal group classified as held for sale	4	5,360	—	—
		<u>153,717</u>	<u>106,168</u>	<u>75,365</u>
Non-current liabilities				
Loans payable	8	146,652	166,742	182,025
Bonds		43,490	94,019	92,460
Other liabilities		87	512	88
Deferred tax liabilities		21,699	31,919	31,496
		<u>211,928</u>	<u>293,192</u>	<u>306,069</u>
Total liabilities		<u>365,645</u>	<u>399,360</u>	<u>381,434</u>
Equity				
Equity attributable to shareholders of the Company		261,016	221,833	226,044
Non-controlling interest		35,699	23,577	30,385
		<u>296,715</u>	<u>245,410</u>	<u>256,429</u>
Total liabilities and equity		<u>662,360</u>	<u>644,770</u>	<u>637,863</u>

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

On behalf of the board of directors:

<u>"Shimshon Marfogel"</u>	<u>"Blake Lyon"</u>	<u>"Robert Waxman"</u>	<u>November 11, 2021</u>
Shimshon Marfogel	Blake Lyon	Robert Waxman	Date
Chairman	CEO	CFO	

SKYLINE INVESTMENTS INC.
Condensed interim consolidated statements of income

(in thousands of Canadian Dollars)

	Note	Nine Months Ended September 30,		Three Months Ended September 30,		Year Ended December 31,
		2021 <i>(Unaudited)</i>	2020 <i>(Unaudited)</i>	2021 <i>(Unaudited)</i>	2020 <i>(Unaudited)</i>	2020 <i>(Audited)</i>
Revenue						
Income from hotels and resorts		98,226	73,814	45,116	25,275	91,484
Sale of residential real estate		4,897	33,024	583	2,616	37,878
		<u>103,123</u>	<u>106,838</u>	<u>45,699</u>	<u>27,891</u>	<u>129,362</u>
Expenses and costs						
Operating expenses from hotels and resorts		(69,660)	(64,515)	(31,302)	(18,708)	(80,125)
Cost of sales of residential real estate		(5,473)	(30,078)	(1,061)	(2,737)	(34,820)
		<u>(75,133)</u>	<u>(94,593)</u>	<u>(32,363)</u>	<u>(21,445)</u>	<u>(114,945)</u>
		27,990	12,245	13,336	6,446	14,417
Selling and marketing expenses		(248)	(637)	(55)	(358)	(933)
Administrative and general expenses		(4,816)	(4,794)	(1,615)	(1,557)	(5,600)
		<u>(5,064)</u>	<u>(5,431)</u>	<u>(1,670)</u>	<u>(1,915)</u>	<u>(6,533)</u>
Operating income before depreciation, valuation adjustments and other income		22,926	6,814	11,666	4,531	7,884
Impairment of real estate properties		(646)	—	(646)	—	(1,180)
Depreciation		(14,465)	(15,454)	(4,879)	(4,582)	(20,250)
Gain (loss) from fair value adjustments of investment properties		30,984	4,803	23,465	(55)	4,569
Other expenses, net		(664)	(57)	8	(7)	(69)
Net income (loss) from operations		38,135	(3,894)	29,614	(113)	(9,046)
Financial expense	9	(14,291)	(16,318)	(4,576)	(2,219)	(19,627)
Financial income	10	1,582	1,155	(2,544)	(842)	2,193
Net income (loss) before income taxes		25,426	(19,057)	22,494	(3,174)	(26,480)
Income tax recovery	11	3,071	3,339	3,952	644	7,843
Net income (loss) for the period		28,497	(15,718)	26,446	(2,530)	(18,637)
Attributable to:						
Shareholders of the Company		22,192	(14,842)	21,258	(2,014)	(18,000)
Non-controlling interest		6,305	(876)	5,188	(516)	(637)
		<u>28,497</u>	<u>(15,718)</u>	<u>26,446</u>	<u>(2,530)</u>	<u>(18,637)</u>
Earnings per share:						
Basic		1.34	(0.90)	1.28	(0.12)	(1.09)
Diluted		1.34	(0.90)	1.28	(0.12)	(1.09)

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)

	Nine Months Ended September 30,		Three Months Ended September 30,		Year Ended December 31,
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net income (loss) for the period	28,497	(15,718)	26,446	(2,530)	(18,637)
Other comprehensive income					
Items that will not be reclassified subsequently to net income (loss):					
Revaluation of property, plant and equipment, before income taxes	7,614	(26,903)	(2,134)	—	(2,814)
Income taxes	5,715	6,076	7,787	—	2,005
	13,329	(20,827)	5,653	—	(809)
Items that will or may be reclassified subsequently to net income (loss):					
Exchange differences on translation of foreign operations	524	5,060	4,192	(2,727)	(1,033)
Other comprehensive income (loss) for the period, net of taxes	13,853	(15,767)	9,845	(2,727)	(1,842)
Total comprehensive income (loss) for the period, net of taxes	42,350	(31,485)	36,291	(5,257)	(20,479)
Attributable to:					
Shareholders of the Company	34,909	(30,595)	30,205	(4,442)	(26,397)
Non-controlling interest	7,441	(890)	6,086	(815)	5,918
	42,350	(31,485)	36,291	(5,257)	(20,479)

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							Total Equity
	Share capital and premium	Revaluation surplus and Related party surplus	Share based compensation surplus	Foreign exchange translation	Retained earnings	Attributable to shareholders of the Company	Non- controlling interest	
For nine months ended September 30, 2021 (Unaudited)								
Balance at the beginning of the period	79,686	78,678	772	854	66,054	226,044	30,385	256,429
Net income for the period	—	—	—	—	22,192	22,192	6,305	28,497
Other comprehensive income (loss) for the period	—	12,225	—	492	—	12,717	1,136	13,853
Total comprehensive income (loss) for the period	—	12,225	—	492	22,192	34,909	7,441	42,350
Transfer upon recognition of depreciation	—	(2,003)	—	—	2,003	—	—	—
Distribution to non-controlling shareholders	—	—	—	—	—	—	(2,127)	(2,127)
Recognition of share-based payment	—	—	63	—	—	63	—	63
Balance at the end of the period	<u>79,686</u>	<u>88,900</u>	<u>835</u>	<u>1,346</u>	<u>90,249</u>	<u>261,016</u>	<u>35,699</u>	<u>296,715</u>
For nine months ended September 30, 2020 (Unaudited)								
Balance at the beginning of the period	79,686	88,855	705	1,785	81,343	252,374	24,467	276,841
Net loss for the period	—	—	—	—	(14,842)	(14,842)	(876)	(15,718)
Other comprehensive income (loss) for the period	—	(20,292)	—	4,539	—	(15,753)	(14)	(15,767)
Total comprehensive income (loss) for the period	—	(20,292)	—	4,539	(14,842)	(30,595)	(890)	(31,485)
Transfer upon recognition of depreciation	—	(2,207)	—	—	2,207	—	—	—
Recognition of share-based payment	—	—	54	—	—	54	—	54
Balance at the end of the period	<u>79,686</u>	<u>66,356</u>	<u>759</u>	<u>6,324</u>	<u>68,708</u>	<u>221,833</u>	<u>23,577</u>	<u>245,410</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							Total Equity
	Share capital and premium	Revaluation surplus and Related party surplus	Share based compensation surplus	Foreign exchange translation	Retained earnings	Attributable to shareholders of the Company	Non- controlling interest	
For three months ended September 30, 2021 (Unaudited)								
Balance at the beginning of the period	79,686	84,260	815	(2,311)	68,341	230,791	31,055	261,846
Net income for the period	—	—	—	—	21,258	21,258	5,188	26,446
Other comprehensive income (loss) for the period	—	5,290	—	3,657	—	8,947	898	9,845
Total comprehensive income (loss) for the period	—	5,290	—	3,657	21,258	30,205	6,086	36,291
Transfer upon recognition of depreciation	—	(650)	—	—	650	—	—	—
Distribution to non-controlling shareholders	—	—	—	—	—	—	(1,442)	(1,442)
Recognition of share-based payment	—	—	20	—	—	20	—	20
Balance at the end of the period	<u>79,686</u>	<u>88,900</u>	<u>835</u>	<u>1,346</u>	<u>90,249</u>	<u>261,016</u>	<u>35,699</u>	<u>296,715</u>
For three months ended September 30, 2020 (Unaudited)								
Balance at the beginning of the period	79,686	66,803	745	8,752	70,275	226,261	24,392	250,653
Net income (loss) for the period	—	—	—	—	(2,014)	(2,014)	(516)	(2,530)
Other comprehensive loss for the period	—	—	—	(2,428)	—	(2,428)	(299)	(2,727)
Total comprehensive loss for the period	—	—	—	(2,428)	(2,014)	(4,442)	(815)	(5,257)
Transfer upon recognition of depreciation	—	(447)	—	—	447	—	—	—
Recognition of share-based payment	—	—	14	—	—	14	—	14
Balance at the end of the period	<u>79,686</u>	<u>66,356</u>	<u>759</u>	<u>6,324</u>	<u>68,708</u>	<u>221,833</u>	<u>23,577</u>	<u>245,410</u>
For the year ended December 31, 2020 (Audited)								
Balance at the beginning of the year	79,686	88,855	705	1,785	81,343	252,374	24,467	276,841
Net loss for the period	—	—	—	—	(18,000)	(18,000)	(637)	(18,637)
Other comprehensive income (loss) for the period	—	(7,466)	—	(931)	—	(8,397)	6,555	(1,842)
Total comprehensive income (loss) for the period	—	(7,466)	—	(931)	(18,000)	(26,397)	5,918	(20,479)
Transfer upon recognition of depreciation	—	(2,711)	—	—	2,711	—	—	—
Recognition of share-based payment	—	—	67	—	—	67	—	67
Balance at the end of the year	<u>79,686</u>	<u>78,678</u>	<u>772</u>	<u>854</u>	<u>66,054</u>	<u>226,044</u>	<u>30,385</u>	<u>256,429</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)

	Nine Months Ended September 30,		Three Months Ended September 30,		Year ended December 31,
	2021 <i>(Unaudited)</i>	2020 <i>(Unaudited)</i>	2021 <i>(Unaudited)</i>	2020 <i>(Unaudited)</i>	2020 <i>(Audited)</i>
Operating activities					
Net income (loss) for the period	28,497	(15,718)	26,446	(2,530)	(18,637)
Adjustments for:					
Depreciation and amortization	16,216	16,727	5,890	4,924	21,956
(Gain) loss from fair value adjustments of Investment properties	(30,984)	(4,803)	(23,465)	55	(4,569)
(Gain) loss on sale of investment and other property	(8)	—	—	—	—
Finance (income) costs from bonds including foreign exchange	148	2,057	779	(3,368)	2,154
Finance (income) costs from financial derivative	708	(73)	(1,155)	1,024	(847)
Deferred tax, net	(4,140)	(4,544)	(4,646)	(903)	(8,561)
Share based compensation	63	54	20	14	67
<i>Changes in non-cash working capital</i>					
Trade receivables	(619)	10,153	195	57	9,639
Other receivables, prepayments and others	23,590	(736)	16,052	(11)	(649)
Restricted bank deposits	(2,612)	1,460	(452)	441	1,427
Inventories	(160)	510	(36)	195	267
Real estate Inventory	1,389	2,700	51	1,946	6,325
Trade and other payables and credit balances	(2,307)	(11,182)	(1,783)	(4,678)	(13,604)
Income taxes payable	(27)	857	573	114	367
Purchasers' deposits	4,015	(3,174)	1,443	(41)	(3,153)
Cash provided by (used in) operating activities	<u>33,769</u>	<u>(5,712)</u>	<u>19,912</u>	<u>(2,761)</u>	<u>(7,818)</u>
Investing activities					
Additions to investment properties	(121)	(162)	(18)	(55)	(397)
Investment in restricted long term deposit	(4,931)	528	(3,439)	84	850
Additions to property, plant and equipment	(4,866)	(3,563)	(1,874)	(972)	(7,111)
Income taxes	—	(1,472)	—	(139)	(1,472)
Proceeds from sale of property, plant and equipment	8	86	—	—	86
Cash provided by (used in) investing activities	<u>(9,910)</u>	<u>(4,583)</u>	<u>(5,331)</u>	<u>(1,082)</u>	<u>(8,044)</u>
Financing activities					
Bank credit and other short-term loans	(5,491)	15,794	(4,013)	445	12,279
Repayment of bonds	(6,453)	(7,005)	(3,213)	(3,524)	(7,005)
Proceeds from long term loans	11,178	12,092	4,103	1,950	12,329
Repayments of long term loans	(8,818)	(3,177)	(5,382)	(1,276)	(5,933)
Distribution to non-controlling shareholders	(2,127)	—	(1,442)	—	—
Cash provided by (used in) financing activities	<u>(11,711)</u>	<u>17,704</u>	<u>(9,947)</u>	<u>(2,405)</u>	<u>11,670</u>
Foreign exchange translation of cash balances	<u>399</u>	<u>257</u>	<u>530</u>	<u>(207)</u>	<u>(246)</u>
Net increase (decrease) in cash and cash equivalents	12,547	7,666	5,164	(6,455)	(4,438)
Cash and cash equivalents at beginning of period	<u>22,436</u>	<u>26,874</u>	<u>29,819</u>	<u>40,995</u>	<u>26,874</u>
Cash and cash equivalents at end of period	<u>34,983</u>	<u>34,540</u>	<u>34,983</u>	<u>34,540</u>	<u>22,436</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)

	Nine Months Ended		Three Months Ended		Year ended
	September 30,		September 30,		December 31,
	2021	2020	2021	2020	2020
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Supplemental cash flow information					
Interest paid *	11,112	12,271	4,437	5,075	** 14,910
Interest received	424	54	62	16	132
Income taxes paid (received)	1,074	1,758	111	263	1,790

* Interest paid for the three and nine months ended September 30, 2021 includes \$229 and \$396 (three and nine months ended September 30, 2020: \$104 and \$768) related to the receipt of PPP grants. Interest paid for the year ended December 31, 2020 includes \$115 related to the receipt of PPP grants.

** Reclassified.

Significant non-cash investing and financing activities

Loans to purchasers	1,128	23,652	—	—	27,123
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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)

1 - Nature of operations

(a) Nature of operations

Skyline Investments Inc. (the "Company", the "Group" or "Skyline") 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.

Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada. The Company's normal operating cycle is twelve months except for development activities, which are in excess of twelve months and typically range between one to four years.

As at September 30, 2021, the Company is 49.37% owned by its controlling shareholder, 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 the Tel Aviv Stock Exchange (the "TASE"), and the Company is a reporting issuer in Canada.

(b) COVID-19 update

The COVID-19 pandemic, which began at the end of 2019, continues to have wide-ranging implications for the global economy and the hotel industry in particular. In December 2020, the local jurisdictions where Deerhurst Resort ("Deerhurst"), Horseshoe Valley Resort ("Horseshoe") and Bear Valley Resort ("Bear Valley") are located implemented capacity and other business restrictions, causing the partial closure of certain operations. These restrictions were subsequently removed in February 2021 for the remainder of the ski season. On April 3rd, 2021 the Province of Ontario issued a subsequent stay-at-home order, resulting in the temporary closure of certain operations at Horseshoe and Deerhurst (Bear Valley was not subject to these restrictions). These restrictions began easing on June 11, 2021 for the summer season, when demand for domestic travel was strong. On September 22, 2021, the Province of Ontario implemented a plan whereby businesses that require proof of vaccination against COVID-19 can have certain capacity and operating restrictions lifted. The Province of Ontario also outlined a framework for the removal of nearly all COVID-19 related restrictions by the end of March 2022, assuming that there is not a major increase in the number or severity of cases reported. Should the crisis worsen and/or extend for a prolonged period where operating restrictions cannot be removed, there could be an adverse impact on the operations and financial results of the Company.

The Company's hotels located in the USA (the "US Properties") have never closed and are all operating with appropriately reduced staff levels. Given that the majority of the US Properties are primarily located in "drive-to" secondary markets that are not dependent on international air travel, and that a significant percentage of guests are travelling business people, the Company expects that as the recovery continues to unfold, there will be pent-up demand for this segment.

All of the Company's properties are operating with enhanced cleaning protocols, social distancing initiatives are in place, and staff are required to wear masks for added protection. In the event that the Company is required to place continued restrictions on its occupancy levels, the Company expects that there could be an adverse impact on its financial performance. The aforementioned risks and uncertainties arising from the COVID-19 pandemic have been taken into consideration when assessing the inputs used to determine the value of certain of the Company's assets, including its Property, Plant, and Equipment, along with the potential for changes in discount rates and capitalization rates.

SKYLINE INVESTMENTS INC.

Notes to condensed interim consolidated financial statements

(in thousands of Canadian Dollars)

As at September 30, 2021, the Company undertook specific actions to determine if there was any change to the value of its PP&E, including holding discussions with independent, third-party experts, referencing market transactions, and a review of updated internal forecasts and 10-year discounted cash flow models. In addition, the Company received independent, third-party appraisals for 3 of its hotels and resorts, and received non-binding offers on 2 additional hotels. As at September 30, 2021, the Company records the value of its PP&E at \$323,165 (excluding assets classified as held for sale; refer to notes 2 (c) and 4), compared to \$433,984 as at December 31, 2020. Please refer to note 6 for more detail regarding the Company's PP&E. For information regarding the operational results of the hospitality sector see note 13.

In response to the COVID-19 crisis, the Canadian and US Governments unveiled multiple stimulus measures for which the Company is eligible. In the US, Skyline has qualified for loans under the Paycheque Protection Program ("PPP"). As part of this program, the portion of any loan spent on payroll and other specified costs may be forgiven by the US Government under certain circumstances. During the three and nine months ended September 30, 2021, Skyline received US\$0 million (\$0 million) and US\$7.5 million (\$9.5 million) in PPP funding, respectively (three and nine months ended September 30, 2020, US\$0 million and US\$6.7 million, respectively). For the three and nine months ended September 30, 2021, the Company recorded an offset to hotel operating expenses in the amount of \$2.4 million and \$7.6 million, respectively, related to the PPP (three and nine months ended September 30, 2020: \$3.5 million and \$4.8 million, respectively), and to finance expenses in the amount of \$0.2 million and \$0.4 million, respectively (three and nine months ended September 30, 2020: \$0.1 million and \$0.7 million, respectively).

In Canada, the Company has received funding under the Canada Employment Wage Subsidy ("CEWS"), which covers up to 75% of employee wages not in excess of \$58.7 thousand per eligible employee, subject to certain conditions, between March 15, 2020 and at least October 31, 2021, as well as the Canada Emergency Rent Subsidy ("CERS"), which covers certain rental and building operating expenses. During the three and nine months ended September 30, 2021, the Company recorded an offset to operating expenses from hotels and resorts in the amount of \$1.1 million and \$5.5 million, respectively (three and nine months ended September 30, 2020: \$2.3 million and \$3.7 million, respectively) and an offset to administrative and general expenses in the amount of \$0.2 million and \$0.8 million, respectively (three and nine months ended September 30, 2020: \$0.1 million and \$0.3 million, respectively) relating to CEWS and CERS.

The Company, as part of its response to the crisis, continuously examines, among other things (in addition to the specific items noted above): The Company's financial position, its results of operations, liquidity, financial strength and flexibility, sources of financing, and its ability to meet lending and other obligations. The Company believes that, as of the date of publication of its interim condensed consolidated financial statements, that it has sufficient liquidity to meet its financial obligations for the foreseeable future, as it has sufficient unrestricted and restricted cash balances, cash flows and other liquid assets. In addition, the Company's lenders in the US have agreed to grant covenant relief for up to the end of Q1 2022 for certain loans, where required, and the Company is in the process of renegotiating long-term extensions of these loans.

The deed of trust for the Company's Series A Bonds (the "Series A Deed") states that the Company is required to maintain a maximum loan to value ("LTV") of 72.5%, minimum shareholders equity of \$100,000 (excluding non-controlling interests), and a minimum equity (including minority interests) to asset value ratio of 25%. As well, there are restrictions on the number of dividends that can be paid, among other restrictions. As at September 30, 2021, the Company complies with all of the above noted covenants per the deed of trust. Upon closing of the Freed Transaction (as defined below), the Company intends to repay the Series A Bonds in full.

The deed of trust for the Company's Series B Bonds (the "Series B Deed") states that the Company is required to maintain minimum equity (excluding minority interests) of \$130,000, and a minimum equity to asset value ratio (including non-controlling interests) of 26%. As at September 30, 2021, the Company complies with all of the above noted covenants per the deed of trust and has always complied with these covenants since the Series B Bond was issued. Also included in the Series B Deed is a trailing 4-quarter, non-defaulting Bond Operating EBITDA Provision (the "Provision"). The Provision's limit is \$18 million of Operating EBITDA (as defined in Section 1.5.31 of the Series B Deed). Based on the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2021, published by the Company on November 12, 2021, Operating EBITDA for the last four quarters was \$25.8 million.

SKYLINE INVESTMENTS INC.

Notes to condensed interim consolidated financial statements

(in thousands of Canadian Dollars)

The Company employs conservative leverage, has sufficient financing capabilities, and expects to continue to receive government assistance that will cover a portion of its expenses in the near to mid-term. However, given the uncertainty around timing of a full resolution of the crisis, future effects of the crisis cannot be fully estimated. Should the crisis worsen and/or extend for a prolonged period, there could be an adverse impact on the operations and financial results of the Company.

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 policies have been consistently applied to all periods presented, unless stated otherwise.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on November 11, 2021.

(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, 2020. 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, 2020.

(c) Disposal group held for sale

On September 20, 2021, Skyline announced that it had entered into two definitive agreements of purchase and sale (the "Freed Transaction") for the sale of a 100% interest in the resort assets and surrounding development lands at Deerhurst Resort ("Deerhurst") and Horseshoe Valley Resort ("Horseshoe") as well as the remaining development lands at Blue Mountain Resort ("Blue Mountain") (collectively, the "Assets"), for an aggregate purchase price of \$210 million. As at September 30, 2021, the assets and liabilities related to the Assets being sold were classified as a disposal group held for sale. Please refer to notes 4, 12(d) and 15.

(d) Significant estimates, assumptions, and judgements

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates, assumptions and judgements that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the consolidated financial statements and accompanying notes. Areas of such estimation include, but are not limited to: valuation of investment properties; valuation of PP&E, valuation of financial instruments, valuation of accounts receivable, capitalization of costs, accounting accruals, the amortization of certain assets, and accounting for deferred income taxes. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions. Due to the COVID-19 pandemic, the Company has examined the need for impairment of the Company's PP&E and Investment Properties. For information regarding Management's assumptions and estimates, please refer to notes 1(b), 6 and 7.

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

(in thousands of Canadian Dollars)

(e) Foreign currency	As at				
	September 30,		June 30,		December 31,
	2021	2020	2021	2020	2020
Exchange rates - ending rate:					
USD / CAD	1.274	1.334	1.239	1.363	1.273
CAD / NIS	2.535	2.570	2.629	2.531	2.522
	Nine Months Ended		Three Months Ended		Year Ended
	September 30,		September 30,		December 31,
	2021	2020	2021	2020	2020
Exchange rates - average rate:					
USD / CAD	1.251	1.355	1.260	1.332	1.342
CAD / NIS	2.601	2.568	2.568	2.566	2.565
Change in rate - compared to prior period ended:					
USD / CAD	0.1%	2.7%	2.8%	(2.1%)	(2.0%)
CAD / NIS	0.5%	(3.2%)	(3.6%)	1.5%	(5.0%)

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 evenly incurred throughout the year, with the exception of certain variable costs such as labor, food and beverage costs, and supplies, among others, which are typically higher during peak season.

4 - Disposal group classified as held for sale

On September 20, 2021, Skyline announced that it had entered into the Freed Transaction with Freed Corp. ("Freed") for the sale of a 100% interest in the Assets for an aggregate purchase price of \$210 million. The Freed Transaction is expected to close during the fourth quarter of 2021. Refer to notes 12(d) and 15 for further details related to the Freed Transaction.

The assets and liabilities forming the disposal group related to the Freed Transaction as at September 30, 2021, are as follows:

	Canadian hotels and resorts	Development	Total
Assets			
Real estate inventory	—	6,458	6,458
Investment properties	—	80,220	80,220
Property, plant and equipment	111,379	—	111,379
	<u>111,379</u>	<u>86,678</u>	<u>198,057</u>
Liabilities			
Leases payable	(5,360)	—	(5,360)
	<u>(5,360)</u>	<u>—</u>	<u>(5,360)</u>

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

(in thousands of Canadian Dollars)

5 - Fair value of financial assets and liabilities

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

	Fair value as at			Carrying amount as at		
	September 30,		December 31,	September 30,		December 31,
	2021	2020	2020	2021	2020	2020
Bonds	96,541	91,067	99,419	95,218	101,729	101,522
Loans payable	201,639	227,148	209,740	200,610	224,515	207,363

(b) The fair value 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 approximate their fair values.

(c) The fair value of bonds is based on the quoted price on the TASE (in New Israeli Shekels) as at the balance sheet date, translated to CAD using a NIS/CAD quote per the Bank of Israel web site. The carrying amount presented in the statement of financial position is net of financing costs.

(d) Fair value of other financial assets and liabilities:

The fair value of cash and cash equivalents approximate 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 effect as at September 30, 2021. In addition, the Company has taken adequate security pledges on these assets.

6 - Investment properties

	Nine Months Ended September 30,		Year Ended December 31,
	2021	2020	2020
Balance as at the beginning of the period	61,278	59,965	59,965
Expenditures subsequent to acquisition	121	162	397
Net gain from fair value adjustments	30,984	4,803	4,569
Transfer to real estate inventory, loans to purchasers, and other	(153)	(1,033)	(3,485)
Transfers to disposal group classified as held for sale	(80,220)	—	—
Foreign exchange translation	5	234	(168)
Balance as at the end of the period	<u>12,015</u>	<u>64,131</u>	<u>61,278</u>

7 - Property, plant and equipment

	Nine Months Ended September 30,		Year Ended December 31,
	2021	2020	2020
Gross carrying amount as at beginning of period	513,031	* 515,747	515,747
Accumulated depreciation as at beginning of period	(79,047)	* (61,010)	(61,010)
	433,984	454,737	454,737
Expenditures subsequent to acquisition	4,866	3,563	7,111
Net adjustment to fair value through revaluation surplus	7,614	(26,903)	(2,814)
Transfers from (to) real estate inventory, loans to purchasers, and other	2,850	(363)	(373)
Transfers to disposal group classified as held for sale	(111,379)	—	—
Disposals and other proceeds	—	(86)	(86)
Depreciation and impairment	(15,111)	(15,454)	(20,251)
Foreign exchange translation	341	9,679	(4,340)
Balance as at the end of the period	<u>323,165</u>	<u>425,173</u>	<u>433,984</u>

* Reclassified

SKYLINE INVESTMENTS INC.

Notes to condensed interim consolidated financial statements

(in thousands of Canadian Dollars)

The revaluation method has been used for PP&E, with valuations for each hospitality asset classified as PP&E performed at least annually by qualified independent valuers who hold recognized relevant professional qualifications and have recent experience in the location and category of similar properties. The Company discusses the valuation process and verifies all major inputs to the valuations and reviews the results with the external appraisers for all independent valuations. The Company received independent third party valuations for 3 of the Company's hotels and resorts as at September 30, 2021.

For periods when an independent third-party valuation is not performed, the Company undertakes specific actions to determine if there is any change in the value of its PP&E, including discussions with independent, third-party experts, referencing market transactions and any non-binding offers received on its hotels, and a review of updated internal forecasts. The Company then uses these inputs in a discounted cash flow analysis over ten years to determine if there is any required revaluation at each reporting date.

The value of the Company's PP&E is primarily determined using the DCF method. As a result, PP&E are classified as level 3 in the fair value hierarchy. Changes in level 3 fair values are analyzed at each reporting date as part of the discussion between the Company and its appraisers as well as during the review of internal cash flow forecasts. As part of this discussion, the appraisers present a report that explains the reasons for any movements in value.

Significant unobservable (level 3) inputs used in the DCF method as at September 30, 2021 are as follows:

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

Discount rates used in applying the DCF method ranged between 10.25% and 13.0% (September 30, 2020: 10.25%-12.75%), terminal capitalization rates ranged between 8.5% and 12.5% (September 30, 2020: 8.50% - 12.5%), and stabilized NOI ranged between \$1,421 and \$10,043 (September 30, 2020: \$1,452 and \$11,442).

As at September 30, 2021, a 25 basis point ("bps") decrease in both the discount and terminal capitalization rates would increase the fair value of the Company's PP&E by \$16,383. As at September 30, 2021, a 25 bps increase in both the discount and terminal capitalization rates would decrease the estimated fair value of the Company's PP&E by \$15,454.

	Nine Months Ended September 30,		Year Ended December 31,
	2021	2020	2020
8 - Loans payable			
Balance as at the beginning of the period	207,363	199,070	199,070
Proceeds from long term loans, including PPP loans	11,178	12,092	12,329
Repayments of long term loans	(8,818)	(3,177)	(5,933)
Change in bank credit and other short-term loans	(5,491)	* 15,794	12,279
PPP loans forgiveness and other	(4,875)	(5,545)	(8,129)
Amortization of deferred financing charges	1,104	1,273	1,705
Transfers to disposal group classified as held for sale	(5,360)	—	—
Foreign exchange translation	149	* 5,008	(3,958)
Balance as at the end of the period	<u>195,250</u>	<u>224,515</u>	<u>207,363</u>

* Reclassified

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

(in thousands of Canadian Dollars)

9 - Financial expense	Nine Months Ended		Three Months Ended		Year Ended
	September 30,		September 30,		December 31,
	2021	2020	2021	2020	2020
Interest on long-term loans and leases	(5,282)	(6,264)	(1,670)	(1,980)	(9,041)
Interest on bonds	(4,511)	* (4,732)	(1,584)	(1,553)	* (6,225)
Gain (loss) from early repayment of bonds	(1,829)	* 19	(1,829)	—	* 19
Foreign exchange revaluation of bonds gain (loss)	—	(3,161)	—	1,996	(1,462)
Fair value loss from financial derivative	(709)	—	1,154	—	—
Amortization of deferred financing charges	(1,104)	(1,272)	(364)	(337)	(1,705)
Interest on short-term loans	(566)	(560)	(191)	(222)	(711)
Bank charges	(290)	(348)	(92)	(123)	(502)
	<u>(14,291)</u>	<u>(16,318)</u>	<u>(4,576)</u>	<u>(2,219)</u>	<u>(19,627)</u>

* Reclassified

10 - Financial income

	Nine Months Ended		Three Months Ended		Year Ended
	September 30,		September 30,		December 31,
	2021	2020	2021	2020	2020
Fair value gain from financial derivative	—	73	—	(1,024)	847
Foreign exchange revaluation of bonds gain	759	—	(2,814)	—	—
Other financial income	823	1,082	270	182	1,346
	<u>1,582</u>	<u>1,155</u>	<u>(2,544)</u>	<u>(842)</u>	<u>2,193</u>

11 - Income tax recovery

	Nine Months Ended		Three Months Ended		Year Ended
	September 30,		September 30,		December 31,
	2021	2020	2021	2020	2020
Current income tax expense	(1,035)	(1,024)	(673)	(264)	(580)
Prior year income tax (expense) recovery	(34)	(181)	(21)	5	(139)
Deferred income tax recovery	4,140	4,544	4,646	903	8,562
	<u>3,071</u>	<u>3,339</u>	<u>3,952</u>	<u>644</u>	<u>7,843</u>

12 - Significant events during the period

- (a) On January 10, 2021 at the annual general meeting ("AGM"), the shareholders approved changes to the Company's remuneration policy, including changes to the CEO's compensation. Shareholders also approved the extension of a loan to the Company's CEO, for an additional period of three years, until February 18, 2024, or six months after termination of his employment, whichever is first. As well, an allocation to the CEO of 100,000 stock options (the "Options") was approved, which were granted on February 11, 2021 (the "Grant Date"). The Options have a strike price of 24 NIS, have a vesting period of three years, and expire five years after the Grant Date.
- (b) On July 25, 2021, the Company announced that, acting in its capacity as lender acting under the power of sale process, it reached an agreement with a third party unrelated to the Company (the "Buyer") for the sale of the Port McNicoll site for a total amount of \$32,500 (the "Transaction"). The Transaction is firm and not subject to any further due diligence period. Closing was initially scheduled for September 30, 2021 ("Closing"), with the option to extend Closing by an additional 30 days, which the Buyer exercised. Upon completion of the Transaction, a total of \$3,000 (including any irrevocable deposits previously paid) will be paid to the Company. The balance of the consideration, totalling \$29,500 will be provided to the Buyer as a first ranking vendor-take-back loan bearing an annual interest rate of 2.5% for a 5-year period (the "VTB"). The Buyer will make monthly payments of \$200 every month after Closing for the next five years, which will be applied against both interest and principal. As the Buyer develops the land over the next five years, the Buyer will require partial discharges of security from Skyline, and, as a result, additional principal payments are expected over the life of the VTB. At the end of the VTB, any remaining VTB balance will be due in full. On October 31, 2021, the Buyer extended closing by an additional 7 days, and the \$1,000 irrevocable deposit was released to the Company. On November 5, 2021, the Buyer was granted an additional 7 day extension, and the Buyer provided an additional \$500 irrevocable deposit to Skyline. On November 11, 2021, the Buyer was granted a further extension to November 30, 2021, and the Buyer provided an additional \$500 irrevocable deposit to Skyline, bringing the total irrevocable deposits received to \$2,000.

SKYLINE INVESTMENTS INC.

Notes to condensed interim consolidated financial statements

(in thousands of Canadian Dollars)

- (c) On August 12, 2021, Skyline received early repayment for the VTB related to phase 3 of the Second Nature development at Blue Mountain ("Second Nature Phase 3") in the amount of \$16,307 including accrued interest of \$77. Upon receipt of the funds, Skyline fully repaid a loan, including discharge fees related to Second Nature Phase 3, in the amount of \$4,199. As well, Skyline deposited \$1,347 in a restricted bank account to secure letters of credit that will be released as lot servicing is completed and/or the homes to be built are occupied by end users. Cash received net of these amounts was \$10,761, which will be used to fund expected future development costs related to all phases of Second Nature in the amount of \$3,224 (the majority of which are expected to be paid over the next three years and have been accrued as a liability on the balance sheet as at September 30, 2021).
- (d) On September 20, 2021, Skyline announced that it had entered into the Freed Transaction with Freed for the sale of a 100% interest in the Assets for an aggregate purchase price of \$210 million. Freed, through a newly formed subsidiary, Resort Communities LP ("Resort LP") will combine the Assets with Muskoka Bay Resort ("Muskoka Bay"), an asset currently owned by Freed and its partners, at an agreed value of \$90 million. The Freed Transaction is expected to close during the fourth quarter of 2021. On closing, Skyline will receive approximately \$109.299 million in cash and provide a vendor-take back mortgage loan ("VTB") in the amount of \$59.984 million, bearing annual interest at 5%. Interest will accrue and be paid quarterly, with the exception of interest related to Deerhurst, which will accrue quarterly and be paid in early 2024 on the 28th month after closing in conjunction with the first scheduled principal repayment, and will be paid monthly thereafter. The principal portion of the VTB will be repaid over four years based on the following estimated schedule:
- \$10.0 million due on February 29, 2024;
 - \$25.0 million on April 30, 2025; and
 - \$24.984 million on October 31, 2025.

Skyline will also provide a two-year bridge loan (the "Bridge Loan") to Freed in the amount of \$8 million, which will have a guarantee from both Freed and Freed's Resort LP holding entity (the 71% owner of Resort LP) through a pledge of their interest in Resort LP, which will accrue interest at 12% until it is repaid. Both the VTB and the Bridge Loan are prepayable by Freed at any time prior to maturity without penalty.

Skyline will receive a 29% interest in Resort LP (initial value of \$32.717 million). Resort LP will have an option until December 31, 2022 to purchase Skyline's 29% interest in Resort LP along with a 12% annualized return on this amount in cash (the "Purchase Option"). If Freed does not exercise the Purchase Option, Skyline will have a put option and Freed will have a call option at the end of years four and five (from the Closing Date) to sell/buy up to 50% of Skyline's equity holding in Resort LP based on the fair market value at that time. Skyline will have 29% rights in Resort LP, including the right to approve certain major decisions such as acquisitions and the issuance of equity or debt.

After the close of the Freed Transaction, Skyline will repay its Series A bond, which is secured by Deerhurst, in full. The estimated repayment will be approximately NIS 122 million, including principal, interest and an early repayment fee in the amount of approximately NIS 4.5 million. Upon repayment of the Series A bond, Skyline will unwind the associated CAD/NIS financial derivative (the "Swap"), and receive approximately \$5.8 million including collateral amounts held in trust. During the three and nine months ended September 30, 2021, the Company recognized a \$23.2 million gain in the statement of income, and a \$3.8 million dollar gain through other comprehensive income related to the Freed Transaction.

13 - Claims

- (a) In December 2019, the Company was served a claim from the Company's former President and Chairman for employment related issues. In addition, the company has been served with several smaller 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, if any.
- (b) In May 2021, the Company was served a claim totaling \$0.5 million in relation to certain construction projects. 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 settlement, if any.

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

(in thousands of Canadian Dollars)

14 - 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.

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

(b) Segmented financial information:

	US hotels and resorts	Canadian hotels and resorts	Development	Total
For nine months ended September 30, 2021 (Unaudited)				
Revenue	64,891	33,335	4,897	103,123
Costs and expenses	<u>(46,929)</u>	<u>(22,731)</u>	<u>(5,473)</u>	<u>(75,133)</u>
	17,962	10,604	(576)	27,990
Selling and marketing expenses				(248)
Administrative and general expenses				(4,816)
Impairment of real estate properties				(646)
Depreciation				(14,465)
Gain from fair value adjustments				30,984
Other expense, net				(664)
Loss from early extinguishment of debt				—
Financial expense				(14,291)
Financial income				<u>1,582</u>
Net income before income taxes				<u><u>25,426</u></u>

For nine months ended September 30, 2020 (Unaudited)

Revenue	43,900	29,914	33,024	106,838
Costs and expenses	<u>(43,269)</u>	<u>(21,246)</u>	<u>(30,078)</u>	<u>(94,593)</u>
	631	8,668	2,946	12,245
Selling and marketing expenses				(637)
Administrative and general expenses				(4,794)
Depreciation				(15,454)
Gain from fair value adjustments				4,803
Other expense, net				(57)
Financial expense				(16,318)
Financial income				<u>1,155</u>
Net loss before income taxes				<u><u>(19,057)</u></u>

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

(in thousands of Canadian Dollars)

	US hotels and resorts	Canadian hotels and resorts	Development	Total
For three months ended September 30, 2021 (Unaudited)				
Revenue	24,643	20,473	583	45,699
Costs and expenses	<u>(18,110)</u>	<u>(13,192)</u>	<u>(1,061)</u>	<u>(32,363)</u>
	6,533	7,281	(478)	13,336
Selling and marketing expenses				(55)
Administrative and general expenses				(1,615)
Impairment of real estate properties				(646)
Depreciation				(4,879)
Gain from fair value adjustments				23,465
Other expense, net				8
Financial expense				(4,576)
Financial income				<u>(2,544)</u>
Net income before income taxes				<u><u>22,494</u></u>
For three months ended September 30, 2020 (Unaudited)				
Revenue	10,607	14,668	2,616	27,891
Costs and expenses	<u>(9,779)</u>	<u>(8,929)</u>	<u>(2,737)</u>	<u>(21,445)</u>
	828	5,739	(121)	6,446
Selling and marketing expenses				(358)
Administrative and general expenses				(1,557)
Depreciation				(4,582)
Loss from fair value adjustments				(55)
Other expense, net				(7)
Financial expense				(2,219)
Financial income				<u>(842)</u>
Net loss before income taxes				<u><u>(3,174)</u></u>
For the year ended December 31, 2020 (Audited)				
Revenue	54,702	36,782	37,878	129,362
Costs and expenses	<u>(51,581)</u>	<u>(28,544)</u>	<u>(34,820)</u>	<u>(114,945)</u>
	3,121	8,238	3,058	14,417
Selling and marketing expenses				(933)
Administrative and general expenses				(5,600)
Impairment of real estate properties				(1,180)
Depreciation				(20,250)
Gain from fair value adjustments				4,569
Other expense, net				(69)
Financial expense				(19,627)
Financial income				<u>2,193</u>
Net loss before income taxes				<u><u>(26,480)</u></u>

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

(in thousands of Canadian Dollars)

	US hotels and resorts	Canadian hotels and resorts	Development	Total
As at September 30, 2021 (Unaudited)				
Assets	361,178	143,087	158,095	662,360
Liabilities	<u>(252,906)</u>	<u>(83,218)</u>	<u>(29,521)</u>	<u>(365,645)</u>
	<u>108,272</u>	<u>59,869</u>	<u>128,574</u>	<u>296,715</u>
As at September 30, 2020 (Unaudited)				
Assets	340,453	155,135	149,182	644,770
Liabilities	<u>(266,432)</u>	<u>(97,444)</u>	<u>(35,484)</u>	<u>(399,360)</u>
	<u>74,021</u>	<u>57,691</u>	<u>113,698</u>	<u>245,410</u>
As at December 31, 2020 (Audited)				
Assets	341,850	150,489	145,524	637,863
Liabilities	<u>(252,866)</u>	<u>(95,741)</u>	<u>(32,827)</u>	<u>(381,434)</u>
	<u>88,984</u>	<u>54,748</u>	<u>112,697</u>	<u>256,429</u>

15 - Subsequent events

- (a) On November 3, 2021, the Company announced that the TASE approved the issuance of 10 common shares to an employee of the Company (the "Offeree") as part of the Company's application process for listing on the Toronto Stock Exchange. The issuance is subject to a condition that if the listing process in Canada is not completed by October 6, 2022, then the 10 common shares will be registered in the name of a nominee company rather than the Offeree directly. The approval of the issuance was previously given by the Company's Board of Directors on August 12, 2021.
- (b) Refer to note 12 (b) regarding the extension of closing of the Port McNicoll transaction.