

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)
Audited Consolidated Financial Statements
December 31, 2014



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Independent Auditor's Report

To the Shareholders of
CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)

We have audited the accompanying financial statements of CHC Student Housing Corp., which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the year ended December 31, 2014 and the period from April 12, 2013 (date of incorporation) to December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of CHC Student Housing Corp. at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the year ended December 31, 2014 and the period from April 12, 2013 (date of incorporation) to December 31, 2013 in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
February 27, 2015

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)

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As at December 31, 2014

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CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)
Consolidated Statements of Financial Position

As at	December 31, 2014	December 31, 2013
Assets		
Non-Current		
Investment properties (Note 6)	\$68,694,530	\$ -
Furniture and equipment	14,801	-
	68,709,331	-
Current		
Cash and cash equivalents	2,232,112	4,747,127
Deposits and prepaid expenses (Note 7)	1,636,823	-
Accounts receivable	136,739	18,148
	\$72,715,005	\$4,765,275
Liabilities		
Non-Current		
Mortgages payable (Note 8)	\$40,919,892	\$ -
	40,919,892	-
Current		
Accounts payable and accrued liabilities (Note 9)	993,908	13,721
Mortgages payable (Note 8)	13,730,604	-
	55,644,404	13,721
Shareholders' Equity		
Share Capital (Note 10)	19,528,302	4,713,716
Contributed Surplus	536,871	362,000
Deficit	(2,994,572)	(324,162)
	17,070,601	4,751,554
	\$72,715,005	\$4,765,275

Approved on behalf of the Board

(signed) "Louis Forbes"

Louis Forbes

Director

(signed) "Ronald Schwarz"

Ronald Schwarz

Director

The accompanying notes are an integral part of these financial statements

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)
Consolidated Statements of Net Loss and Comprehensive Loss

	For the year ended December 31, 2014	For the period from April 12 (date of incorporation) to December 31, 2013
Revenue		
Property revenues (Note 11)	\$993,831	\$ -
Interest income	20,096	-
	1,013,927	-
Expenses		
Property operating expenses	\$460,904	-
General and administrative expenses	769,663	324,162
Acquisition transaction costs	1,710,354	-
Interest expense (Note 12)	743,416	-
	3,684,337	324,162
Net loss and comprehensive loss	(\$2,670,410)	(\$324,162)
Loss per share		
Basic and diluted	(\$2.66)	(\$3.14)
Weighted average number of outstanding common shares		
Basic and diluted (Note 10)	1,004,656	103,387

The accompanying notes are an integral part of these financial statements

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)
Consolidated Statements of Changes in Shareholders' Equity

	Common Shares	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 12, 2013 (date of incorporation)	\$ -	\$ -	\$ -	\$ -
Issuance of shares, net	4,713,716	-	-	4,713,716
Stock options	-	362,000	-	362,000
Net loss and comprehensive loss for the period	-	-	(324,162)	(324,162)
Balance, December 31, 2013	4,713,716	362,000	(324,162)	4,751,554
Issuance of shares, net	14,814,586	-	-	14,814,586
Stock options	-	174,871	-	174,871
Net loss and comprehensive loss for the year	-	-	(2,670,410)	(2,670,410)
Balance, December 31, 2014	\$19,528,302	\$536,871	(2,994,572)	\$17,070,601

The accompanying notes are an integral part of these financial statements

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)
Consolidated Statements of Cash Flows

Cash provided by the following activities

	For the year ended December 31, 2014	For April 12 (date of incorporation) to December 31, 2013
Operating activities		
Net loss	(\$2,670,410)	(\$324,162)
Non-cash compensation	174,871	\$309,000
Amortization of financing transaction costs	319,900	-
Depreciation	4,355	-
Straight line rent	(7,026)	-
Net change in working capital	374,773	(4,427)
Net cash changes from operating activities	\$(1,803,537)	(\$19,589)
Investing activities		
Acquisitions of investment property, net	(\$32,837,390)	\$-
Capital expenditures	(40,768)	-
Purchase of furniture and equipment	(18,501)	-
Deposits	(1,150,000)	-
Net cash changes from investing activities	(\$34,046,659)	\$-
Financing activities		
Equity issuance, net of costs	\$14,814,586	\$4,766,716
Proceeds from mortgages payable	53,800,000	-
Principal repayments	(28,822)	-
Discharge of mortgages	(34,560,000)	-
Financing transaction costs paid	(690,583)	-
Net cash changes from financing activities	\$33,335,181	\$4,766,716
Net (decrease) increase in cash and cash equivalents	(\$2,515,015)	\$4,747,127
Cash and cash equivalents, beginning of period	4,747,127	-
Cash and cash equivalents, end of period	\$2,232,112	\$4,747,127

The accompanying notes are an integral part of these financial statements

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

1. Nature of organization

Description of the business

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.) (the "Company") was incorporated under the *Business Corporations Act* (Ontario) on April 12, 2013 with the intent to being classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "TSXV") corporate finance manual. The Company completed an initial public offering as a Capital Pool Company on November 19, 2013. As a Capital Pool Company, the Company proposed to identify and evaluate potential properties, assets or businesses as a potential Qualifying Transaction, and once identified and evaluated, to negotiate an acquisition or participation therein subject to regulatory approval and, if required, shareholders' approval. On April 3, 2014, the Company announced it had completed its Qualifying Transaction. The Company submitted final documentation with respect to the Qualifying Transaction to the TSXV and was granted Tier 2 status on the TSXV.

On October 30, 2014, the Company filed an amendment to its articles of incorporation as approved by its shareholders. The amendment added retraction rights to the share conditions attaching to the common shares of the Company so that it will be able to qualify as a "mutual fund Company" as defined in the Income Tax Act (Canada) and the regulations thereunder. The Company's shares are listed on the Toronto Venture Stock Exchange under the symbol "CHC". The registered office of the Company and its head office operations are located at 53 Yonge Street, 5th Floor, Toronto, Ontario, M5E 3J1.

The Company owns student housing properties in close proximity to universities and colleges in primary and well understood secondary markets, with a focus on contemporary, purpose-built student housing properties,

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applied on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The following are the significant accounting policies used in the preparation of these financial statements:

Investment Properties

The Company accounts for its investment properties in accordance with International Accounting Standard ("IAS") 40 Investment Property ("IAS 40"). For acquired investment properties that meet the definition of a business, the acquisition is accounted for as a business combination; otherwise they are initially measured at cost including directly attributable expenses. Subsequent to acquisition, investment properties are carried at fair value, which is the amount at which the individual properties could be sold between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location, considering the highest and best use of the asset. Gains and losses arising from changes in fair value are recognized in net income in the period of change.

Revenue Recognition

The Company has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset.

Rental revenue from investment properties includes rents, parking and other sundry revenues. All residential leases are for one year terms or less and revenue is recognized as revenue on a straight-line basis over the term of the lease.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits with banks, money market accounts, and other short-term investments with original maturities of 90 days or less.

Deferred Income Taxes

Deferred income taxes are calculated using the asset and liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the statement of financial position are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a deferred tax asset will be recovered, it provides a valuation allowance against the amount.

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

2. Summary of significant accounting policies (continued)

Equity Issuance Costs

These costs relate directly to the issuance of share capital by the Company. These costs are accounted for as a deduction from equity when shares are issued by the Company.

Earnings Per Share

Earnings per share is calculated using the weighted average number of shares outstanding during the period. The treasury stock method of calculating diluted earnings per share is used, which assumes that all outstanding stock options granted with an exercise price below the average market price for the period are exercised. The difference between the number of shares that would have been issued on exercise of the options and the number of shares that could be purchased with the option proceeds is then included in the denominator of the diluted earnings per share computation. Diluted loss per share has not been recorded for the year as the effect would have been anti-dilutive.

Comprehensive Loss

Comprehensive loss includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive loss is the total of net loss and other comprehensive loss. Other comprehensive loss comprises expenses and losses that, in accordance with IFRS, require recognition, but are excluded from net loss. The Company does not have any items giving rise to other comprehensive loss in the period, nor is there any accumulated balance of other comprehensive loss. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net loss for the period.

Financial Instruments

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding at December 31, 2014:

Cash	Loans and receivables
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Mortgages payable	Other financial liabilities

The Company initially measures all of its financial instruments at fair value. Subsequent measurement and treatment of any gain or loss is recorded as follows:

- a) Loans and receivables are measured at amortized cost using the effective interest method.
- b) Held-for trading financial assets are measured at fair value at the statement of financial position date with any gain or loss recognized immediately in net income. Interest and dividends earned from held-for-trading are also included in income for the period.
- c) Other financial liabilities are measured at amortized cost using the effective interest method.

Financing transaction costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception, and are recognized over the term of the assets or liabilities using the effective interest method.

Stock Options

The Company accounts for stock options using the fair value method. Under this method, compensation expense for stock options granted to employees is measured at fair value at the grant date using the Black Scholes option pricing model and recognized over the vesting period of the options granted.

Compensation expense for stock options granted to non-employees is measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share based payment transaction is measured at the fair value of the stock options granted at the date the Company received the goods or the services using the Black Scholes option pricing model.

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

3. Critical Accounting Estimates, Assumptions, and Judgments

The preparation of consolidated annual financial statements in accordance with IFRS requires the use of estimates, assumptions, and judgments that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the consolidated annual financial statements and accompanying notes. Areas of such estimation include, but are not limited to: valuation of investment properties, remeasurement at fair value of financial instruments, valuation of accounts receivable, capitalization of costs, accounting accruals, the amortization of certain assets, the valuation of stock options 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 annual financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could also differ from those estimates under different assumptions and conditions.

The estimates deemed to be more significant, due to subjectivity and the potential risk of causing a material adjustment within the next financial year to the carrying amounts of assets and liabilities include:

Valuation of Investment Properties

Investment properties are measured at fair value in the consolidated balance sheet at each reporting date. Fair values are determined by independent external valuations or detailed internal valuations, generally using the overall capitalization rate ("OCR") method. Under this method, capitalization rates are applied to a stabilized net operating income ("NOI") for each property, determined as property revenues less property operating expenses adjusted for market-based assumptions such as rent increases, long-term vacancy rates, repair and maintenance costs and other forecasted cash flows. Capitalization rates are based on recently closed transactions for similar properties, where available, or investment survey data, taking into account the location, size and quality of the property. The most significant assumption is the capitalization rate as it magnifies the effect of a change in stabilized NOI. An increase in the capitalization rate will result in a decrease to the fair value of an investment property and vice versa. Fair values for investment properties are classified as Level 3 in the fair value hierarchy as disclosed in Note 17.

4. Application of new International Financial Reporting Standards

The Company has applied International Financial Reporting Interpretation Committee 21 ("IFRIC 21"), "Levies" for the first time in the current year. IFRIC 21 addresses the issue as to when to recognize a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

IFRIC 21 has been applied retrospectively. The application of this Interpretation has had no impact on the disclosures or on the amounts recognized in the consolidated financial statements.

5. Future accounting changes

Financial instruments

The final version of IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption.

Revenue recognition

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers ("IFRS 15"), which replaces IAS 11 - Construction Contracts, IAS 18 - Revenue as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. It will be applied retrospectively for annual periods beginning on or after January 1, 2017 with early adoption permitted.

Management will continue to evaluate the impact of these standards on the Company.

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)
Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

6. Investment properties

As at December 31, 2014, the estimated fair value of investment properties is substantially equal to their purchase price (excluding acquisition transaction costs), as all the properties were acquired in arm's length transactions and management's assessment of stabilized NOI and market capitalization rates have not changed since the properties were acquired. The weighted average capitalization rate at December 31, 2014 was 6.0%.

One of the Company's investment properties having a fair value of \$5.5 million is situated on land subject to a long term lease. The annual lease payment is \$1,000 and the term expires in 2047.

<i>As at</i>	December 31, 2014	December 31, 2013
Income producing property	\$68,299,530	\$-
Development	395,000	-
Total	\$68,694,530	\$-
	For the year ended December 31, 2014	For the period from April 12, 2013 (date of incorporation) to December 31, 2013
Balance at the beginning of the period	\$-	\$-
Acquisitions	68,553,762	-
Investment in development properties	100,000	-
Capital expenditures	40,768	-
Balance at the end of the period	\$68,694,530	\$-

7. Deposits and prepaid expenses

<i>As at</i>	December 31, 2014	December 31, 2013
Non-refundable deposits on properties	\$500,000	\$-
Refundable deposits on properties in due diligence	650,000	-
Debt service reserves	436,918	-
Other	49,905	-
Total	\$1,636,823	\$-

Sudbury

The Company assumed, from an entity owned by two directors of the Company, for no payment or other consideration, an agreement to acquire a student housing property located in Sudbury, Ontario (the "Property") from an arm's length party to the Company.

The purchase price for the Property is \$5.5 million, subject to adjustments, which the Company intends to satisfy through mortgage financing on the Property and the balance of the purchase price in cash. Closing on the Property is expected 30 days after receipt of a record of site condition. As at December 31, 2014 the Company has made deposits of \$500,000. The deposits are non-refundable unless the record of site condition is not received and the transaction could therefore not close.

Additional deposits

The Company has paid additional deposits of \$650,000 to unrelated parties, in respect of a number of possible property acquisitions for which the Company is conducting due diligence.

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

8. Mortgages payable

As at December 31, 2014 mortgages bear interest at a weighted average interest rate of 4.97% and a weighted average term to maturity of 2.5 years. The Company has four fixed rate mortgages in the amount of \$16,521,180 and two floating rate mortgages in the aggregate amount of \$38,500,000 as of December 31, 2014, representing 30% and 70%, respectively of total mortgages payable. The fair value of the mortgages payable approximate their carrying value. The mortgages payable are secured by the Company's investment properties. The Company has also guaranteed up to \$52.3 million of mortgages payable.

<i>As at December 31, 2014</i>	Principal Amount	% of Total Principal
2015	13,889,871	25.2%
2016	2,895,448	5.3%
2017	33,151,219	60.2%
2018	156,324	0.3%
2019	4,928,317	9.0%
Subsequent to 2019	-	0.0%
	\$55,021,179	100%
Unamortized financing transaction costs	(\$370,683)	
Total	\$54,650,496	
Less: current portion	(13,730,604)	
Non-current portion	\$40,919,892	

9. Accounts payable and accrued liabilities

As at December 31, 2014 accounts payable and accrued liabilities were comprised of the following:

<i>As at</i>	December 31, 2014	December 31, 2013
Trade payables	\$401,279	\$13,721
Accrued interest payable	143,540	-
Security deposits	449,089	-
Total	\$993,908	\$13,721

10. Share capital

a) Authorized and issued

The Company is authorized to issue an unlimited number of common shares.

	Number of Shares	Amount	Equity Issuance Costs	Net Equity
Issued and outstanding common shares				
Opening balance at January 1, 2014	55,000,000	\$5,000,000	(\$286,284)	\$4,713,716
Issuance of common shares September 8, 2014	68,390,693	7,522,976	(311,638)	7,211,338
Issuance of common shares November 19, 2014	75,104,917	8,261,541	(658,293)	7,603,248
Closing balance at December 31, 2014	198,495,610	\$20,784,517	(\$1,256,215)	\$19,528,302

On February 19, 2015 the Company completed a share consolidation on a basis of 85 to 1 (refer to Note 18). As the share consolidation occurred prior to the consolidated financial statements being authorized for issue, the effects thereof have been retrospectively applied in the determination of the weighted average number of shares outstanding for purpose of calculating loss per share. After giving retrospective effect to the share consolidation, the number of shares outstanding at December 31, 2014 and the weighted average number of shares for the year then ended are 2,335,242 and 1,004,6556, respectively (2013 – 647,059 and 103,387, respectively).

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

10. Share capital (continued)

b) Escrowed Shares

In connection with the Company's initial public offering and listing on the TSXV, 12,795,555 common shares of the Company issued in prior periods were placed and held in escrow under a TSXV CPC escrow agreement. Ten percent (10%) of these common shares were released from escrow on April 7, 2014 and an additional fifteen percent (15%) of these common shares were released from escrow on October 7, 2014 and every six months thereafter until all common shares have been released from escrow.

c) Stock Options

During 2013, the Company implemented a stock option plan. The plan entitles directors and all employees of the Company to be awarded options. The options are granted and approved by the Board of Directors and have a strike price based on the preceding 5-day volume weighted average trading price from the grant date. The options vest 1/3rd immediately and 1/3rd each on the following two anniversaries from the grant date.

As at December 31, 2014, the unexpired options were granted as follows:

Options awarded in	Number	Expiry date	Fair Value at Grant Date
Nov-13	4,125,000	Dec-18	\$309,000
Dec-14	3,214,026	Jan-20	\$286,048
	<u>7,339,026</u>		<u>\$595,048</u>

The initial cost of the options is determined, in accordance with IFRS 2 – Share-based Payments ("IFRS 2"), as the fair value of the options on the grant date. The cost of the options is expensed over the vesting period as follows:

- All of the 1/3rd that vests immediately is recognized in the current year.
- One half of the 1/3rd that vests on the first anniversary is recognized evenly in each of years 1 and 2.
- One third of the 1/3rd that vests on the second anniversary is recognized evenly in each of years 1, 2 and 3.

For the year ended December 31, 2014, total costs of \$174,871 (2013 - \$309,000) were recognized in compensation expense related to director fees and employee compensation.

d) Agent's options

As part of the compensation to the agent of the Company's initial public offering, the Company issued 1,000,000 options exercisable for 24 months from the date of issue at an exercise price of \$0.10.

None of the stock options issued to the directors and officers of the Company or the agent's options were included in the calculation of diluted loss per share as the effect would be anti-dilutive.

11. Property revenues

Property revenues for the year ended December 31, 2014 were comprised of the following:

	For the year ended December 31, 2014	For the period from April 12, 2013 (date of incorporation) to December 31, 2013
Rent	\$961,339	\$-
Recoveries and other income	32,492	-
<u>Total</u>	<u>\$993,831</u>	<u>\$-</u>

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

12. Interest expense

Interest expense for the year ended December 31, 2014 was comprised of the following:

	For the year ended December 31, 2014	For the period from April 12, 2013 (date of incorporation) to December 31, 2013
Interest on mortgages payable	\$423,516	\$-
Amortization of financing transaction costs	319,900	-
Total	\$743,416	\$-

13. Income taxes

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rate of 26.5% to the amount recognized in the statement of loss and comprehensive loss:

	For the year ended December 31, 2014	For the period from April 12, 2013 (date of incorporation) to December 31, 2013
Net loss for the period	\$(2,670,410)	\$(324,162)
Expected income tax recovery at Canadian statutory income tax rates	(707,659)	(85,903)
Permanent differences	48,368	82,216
Valuation allowance	659,291	3,687
Income tax recovery	\$ -	\$ -

The Company

The Company has net operating losses of \$905,041 and total deductible temporary differences of \$2,796,225 consisting primarily of transaction costs capitalized for tax purposes and equity issuance costs. The future benefit of these losses and deductible temporary differences has not been recognized in the financial statements. The total cumulative valuation allowance recognized by the Company as at December 31, 2014 is \$980,836 (2013 - \$65,507).

14. Related party transactions

The Company obtains certain management services from an entity owned by certain officers and directors of the Company, for which no fees have been charged.

The compensation of the Company's executives and independent directors for the year ended December 31, 2014 was \$232,371 (2013 - \$309,000), comprising \$174,871 (2013 - \$309,000) in share based payments and \$57,500 (2013 - \$Nil) in cash compensation.

15. Capital management

The Company manages its mortgages, common shares and stock options as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

Key financial covenants are reviewed on an ongoing basis by management to monitor compliance with the agreements. The key financial covenants applicable to the Company are as follows:

- A specified minimum debt service coverage ratio
- A specified maximum debt to purchase cost

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

15. Capital management (continued)

The Company is in compliance with all of its debt and financial covenants as it relates to its mortgages at December 31, 2014.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company expects its current capital resources will be sufficient to carry its operations through its current operating period.

16. Financial risk management

In the normal course of business, the Company is exposed to financial risk and manages that risk, as follows:

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income, which is used to finance working capital and capital expenditure requirements, and to meet the Company's financial obligations associated with financial liabilities. Additional sources of liquidity are debt and equity financing, which is used to fund additional operating and other expenses and retire debt obligations, if any, at their maturity.

The contractual maturities of the Company's financial liabilities are summarized by year below:

Payments due by year

As at December 31, 2014	Total	2015	2016	2017	2018	2019	Thereafter
Mortgages payable	\$59,974,958	\$16,083,244	\$4,259,252	\$34,245,252	\$337,752	\$5,049,459	\$-
Accounts payable & accrued liabilities	993,908	993,908	-	-	-	-	-
	\$60,968,866	\$17,077,152	\$4,259,252	\$34,245,252	\$337,752	\$5,049,459	\$-

(1) Includes both principal and interest.

Credit Risk

Credit risk rises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, the stated amount is typically the gross carrying amount, net of any amounts offset and any impairment losses. As of the date of these financial statements the Company's debtors are the Government of Canada for harmonized sales tax ("HST") receivable and the Company's residents may experience financial difficulty and be unable to meet their rental obligations. The Company mitigates its risk of credit loss with respect to residents by evaluating credit worthiness of new tenants, obtaining security deposits wherever permitted by legislation and obtaining parental guarantees of resident leases.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Company has both fixed and floating rate mortgages. The fixed rate mortgages were entered into during the year and range in term from seven months to 5 years. The floating rate mortgages have terms of one to three years. The impact of a 50 basis point change in floating rate debt would be an increase or decrease in interest expense of \$192,500 on an annual basis. The impact of a 50 basis point change on fixed rate debt maturing in the next 12 months would be an increase or decrease in interest expense of \$82,606 on an annual basis.

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company does not have any material transactions denominated in foreign currency and is not exposed to foreign currency risk.

CHC Student Housing Corp. (formerly CHC Realty Capital Corp.)

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16. Financial risk management (continued)

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Company are not exposed to other price risk.

17. Fair value measurements

The fair value of the Company's assets and liabilities, except as noted below and elsewhere in the consolidated annual financial statements, approximate their carrying amount due to their short-term and variable nature. The Company has classified and disclosed each fair value measurement based on the fair value hierarchy in accordance with IFRS 13 – Fair Value Measurement. The fair value hierarchy distinguishes between market value data obtained from independent sources and the Company's own assumptions about market value. The hierarchy levels are defined as below:

Level 1 – Inputs based on quoted prices in active market for identical assets or liabilities;

Level 2 – Inputs based on factors other than quoted prices included in Level 1 and may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals; and

Level 3 - Inputs which are unobservable for the asset or liability, and are typically based on the Company's own assumptions, as there is little, if any, related market activity.

Financial instruments include cash, accounts receivable, deposits, accounts payable and accrued liabilities. The carrying values of these financial instruments approximate fair value due to their short term nature. Mortgages payable were entered into during the year and the carrying values of the mortgages payable approximate fair value as interest rates approximate rates at the time the mortgages were entered into.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table presents the Company's estimates of assets and liabilities measured at fair value on a recurring basis based on information available to management as at December 31, 2014, and aggregated by level in the fair value hierarchy within which those measurements fall. These estimates are not necessarily indicative of the amounts the Company could ultimately realize.

Recurring measurements	Level 1 Quoted prices in active markets for identical assets and liabilities	Level 2 Significant other observable inputs	Level 3 Significant other unobservable inputs	Total
Assets				
Investment properties	\$-	\$-	\$68,694,530	\$68,694,530
Liabilities				
Mortgages payable	-	54,650,496	-	54,650,496

18. Subsequent events

Subsequent to the year end the Company determined not to proceed with two separate transactions that were in due diligence and total deposits in the amount of \$250,000 were returned to the Company.

The Company also determined that a separate acquisition located in Southern Ontario met the Company's criteria and waived conditions, at which time the original deposit of \$200,000 became non-refundable. The Company also paid an additional non-refundable \$550,000 second deposit. The total purchase price of the acquisition is \$23.5 million. The closing is expected to be in the second quarter of 2015.

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18. Subsequent events (continued)

Subsequent to the year-end shareholders approved the change of the name of the Company from CHC Realty Capital Corp. to CHC Student Housing Corp. and to consolidate the shares of the Company on a basis of 85 to 1. Both of these changes were effected on February 19, 2015.

19. Approval of financial statements

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on February 27, 2015.