

CHC Student Housing Corp.
Audited Consolidated Financial Statements
December 31, 2017

INDEPENDENT AUDITOR'S REPORT



RSM Canada LLP

To the Shareholders of CHC Student Housing Corp.

We have audited the accompanying consolidated financial statements CHC Student Housing Corp. (the Company), which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2017 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained 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 financial position of CHC Student Housing Corp. as at December 31, 2017, and its financial performance and its cash flows for the year ended December 31, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred net losses and used significant cash resources in its operating activities since incorporation. It has relied upon financing to fund its operations and acquisitions, primarily through debt and private equity placements. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The consolidated financial statements as at and for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements dated June 15, 2017.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 30, 2018
Toronto, Ontario

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CHC Student Housing Corp.
Consolidated Statements of Financial Position

As at	December 31, 2017	December 31, 2016
Assets		
Non-Current		
Investment properties (Note 5)	\$5,400,000	\$64,895,000
Furniture and equipment (Note 6)	94,337	354,957
	5,494,337	65,249,957
Current		
Cash	333,126	357,292
Deposits and prepaid expenses (Note 7)	13,242	148,325
Accounts receivable (Note 8)	31,672	45,405
	378,040	551,022
Assets held for sale (Note 19)	53,596,394	-
	53,974,434	\$551,022
Total Assets	\$ 59,468,771	\$ 65,800,979
Liabilities		
Non-Current		
Mortgages payable (Note 9)	\$1,378,377	\$5,064,000
	1,378,377	5,064,000
Current		
Accounts payable and accrued liabilities (Notes 10,18)	3,084,237	4,286,153
Mortgages payable (Note 9)	2,215,127	49,605,028
	5,299,364	53,891,181
Liabilities related to assets held for sale (Note 19)	47,312,713	-
	52,612,077	53,891,181
Total Liabilities	53,990,454	58,955,181
Shareholders' Equity		
Share Capital (Note 11)	20,191,771	19,527,459
Contributed Surplus	909,597	909,597
Deficit	(15,623,051)	(13,591,258)
	5,478,317	6,845,798
	\$59,468,771	\$65,800,979

Nature of the organization and going concern (Note 1)

Approved on behalf of the Board

(signed) "Tom Murphy"

Tom Murphy

Director

(signed) "Ron Schwarz"

Ronald Schwarz

Director

CHC Student Housing Corp.
Consolidated Statements of Net Loss and Comprehensive Loss

For the year ended	December 31, 2017	December 31, 2016
Revenue		
Property revenues (Note 12)	\$5,136,656	\$5,301,521
Interest income	-	40
	5,136,656	5,301,561
Expenses		
Property operating expenses (Note 13)	2,201,333	2,683,249
General and administrative expenses (Note 14)	1,565,911	1,068,317
Interest and other financing charges (Note 15)	2,960,711	2,738,473
Transaction costs/(concessions) (Note 16)	-	(686,588)
Fair value adjustment on investment property (Notes 5,19)	900,000	-
Gain on sale of investment properties (Note 5)	(223,506)	-
Stock based compensation increase/(decrease) in fair value (Note 11)	(236,000)	149,000
	7,168,449	5,952,451
Net loss and comprehensive loss	(\$2,031,793)	(\$650,890)
Loss per share		
Basic and diluted	(\$0.79)	(\$0.28)
Weighted average number of outstanding common shares		
Basic and diluted (Note 11)	2,576,487	2,335,181

The accompanying notes are an integral part of these financial statements

CHC Student Housing Corp.
Consolidated Statements of Changes in Shareholders' Equity

	Common Shares	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, December 31, 2015	\$19,527,459	\$969,597	(\$12,940,368)	\$7,556,688
Stock options	-	(60,000)	-	(60,000)
Net loss and comprehensive loss for the year	-	-	(650,890)	(650,890)
Balance, December 31, 2016	\$19,527,459	\$909,597	(\$13,591,258)	\$6,845,798
Issuance of common shares, net (Note 11)	664,312	-	-	664,312
Net loss and comprehensive loss for the year	-	-	(2,031,793)	(2,031,793)
Balance, December 31, 2017	\$20,191,771	\$909,597	(\$15,623,051)	\$5,478,317

The accompanying notes are an integral part of these financial statements

CHC Student Housing Corp.
Consolidated Statement of Cash Flows
For the years ended December 31, 2017 and 2016

Cash provided by (used in) the following activities:

For the year ended	December 31, 2017	December 31, 2016
Operating activities		
Net loss and comprehensive loss	(\$2,031,793)	(\$650,890)
Transaction costs/(concessions)	-	(686,588)
Stock-based compensation increase/(decrease) in fair value (Note 11)	(236,000)	149,000
Amortization of financing transaction costs (Note 15)	87,542	108,229
Depreciation (Note 6)	39,151	10,656
Interest expense on mortgages payable (Note 15)	2,873,169	2,630,244
Cash interest paid	(2,871,888)	(2,549,518)
Straight line rent	(919)	5,579
Fair value adjustment on investment property (Note 5)	900,000	-
Gain on sale of investment properties (Note 5)	(223,506)	-
Net change in working capital (Note 23)	(337,349)	649,870
Net decrease in cash from operating activities	(\$1,801,593)	(\$333,418)
Investing activities		
Additions to furniture and equipment (Note 6)	(\$139,204)	(\$226,644)
Proceeds from sale of investment properties (Note 5)	1,883,197	-
Deposits, net (Note 7)	82,600	220,000
Net increase/(decrease) in cash from investing activities	1,826,593	(\$6,644)
Financing activities		
Equity issuance, net of costs (Note 11)	\$664,312	\$-
Mortgage principal repayments	(713,478)	(145,454)
Net decrease in cash from financing activities	(\$49,166)	(\$145,454)
Net decrease in cash and cash equivalents	(\$24,166)	(\$485,516)
Cash, beginning of year	357,292	842,808
Cash, end of year	\$333,126	\$357,292

The accompanying notes are an integral part of these financial statements

CHC Student Housing Corp.

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

1. Nature of the organization and going concern

CHC Student Housing 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 Toronto Venture Stock 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 conditions attaching to the common shares of the Company so that it will be able to qualify as a "mutual fund corporation" as defined in the Income Tax Act (Canada) and the regulations thereunder. The Company's shares are listed on the TSXV 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.

Going concern

The Company's consolidated financial statements are prepared on a going concern basis.

The Company's ability to continue as a going concern is subject to a number of risks and uncertainties. The Company has incurred net losses and used significant cash resources in its operating activities since incorporation and it has relied upon financing to fund its operations and acquisitions, primarily through debt and private equity placements. The uncertainties below cast a significant doubt about the Company's ability to continue as a going concern.

The Company incurred a net loss of \$2,031,793 for the year ended December 31, 2017 (year ended December 31, 2016 - net loss of \$650,890) and as at December 31, 2017 had a working capital deficit of \$52,234,037 including the mortgages payable on the Company's London Property which was held for sale (December 31, 2016 - \$53,340,159).

The Company's ability to continue operations in the normal course of business is dependent on several factors, including its ability to secure additional funding. At present, the Company has obtained extensions on existing terms from its lenders in respect of the \$2,177,500 mortgage due on its Trois-Rivières Property and the \$13,750,000 mortgage due on its London Property while the Company works through its strategic review process (see below) but the mortgages remain payable on demand. In addition, the Company has completed a private placement offering (see below), and continues to explore all available options to secure additional funding, including new strategic partnerships as well as the sale of the Company or all or a portion of its assets.

In the event the Company is unable to arrange appropriate financing or strategic alternatives, the carrying value of the Company's assets and liabilities could be subject to material adjustment. Furthermore, these conditions indicate the existence of a material uncertainty that raises substantial doubt on the Company's ability to continue as a going concern.

As previously disclosed, the Company's Board had formed a special committee of independent directors to identify, examine and consider strategic and financial alternatives potentially available to the Company, as announced on April 11, 2017. In working with the special committee, the Board accepted an offer to sell the Windsor Property and subsequently closed on the sale on August 21, 2017. The sale of the property allowed the Company to pay down a portion of the demand mortgage on the Trois-Rivières Property by \$600,000 and to reduce the Company's other liabilities by approximately \$900,000. The remainder of the funds were used to fund ongoing operations.

On May 15, 2017 the Company closed on aggregate proceeds of \$667,247 under a non-brokered private placement (the "Private Placement"). The Company used the proceeds of the Private Placement to address its current working capital position including to satisfy certain trade payables and to fund the Company's operations while its special committee pursues the Company's strategic review process.

The Company listed the London Property for sale in September 2017. This asset was presented on the consolidated statements of financial position as "Investment property held for sale" at December 31, 2017. For more information see Notes 19 and 24.

CHC Student Housing Corp.

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

1. Nature of the organization and going concern (continued)

These consolidated financial statements do not include any additional adjustments to the recoverability and classification of recorded asset amounts, classification of liabilities and changes to the statements of loss and comprehensive loss that might be necessary if the Company was unable to continue as a going concern.

Principles of Consolidation

These consolidated financial statements include the accounts of the parent Company, CHC Student Housing Corp. and its wholly owned subsidiaries, after elimination of intercompany transactions, balances, revenues and expenses.

Subsidiaries

Subsidiaries are entities where the Company has control. Control is achieved when CHC Student Housing Corp. is exposed to, or has the rights, to variable returns from its involvement with the investee and the ability to affect those returns through its power over the investee. Power may be determined on the basis of voting rights or in the case of structured entities, other contractual arrangements. The Company reassesses whether or not it controls an investee based on current facts and circumstances. All subsidiaries are consolidated from the date CHC Housing Corp. obtains control and continues to be consolidated until the date that such control ceases.

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. See note 1.

The consolidated financial statements are prepared on a historical basis except for investment properties and investment property held for sale, which are measured at fair value.

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. All costs associated with upgrading and extending the economic life of existing properties other than ordinary maintenance, are capitalized to investment properties.

Furniture and Equipment

Furniture and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition. When parts of an item of furniture and equipment have different useful lives, those components are accounted for as a separate item of furniture and equipment.

Gains and losses on the disposal of an item of furniture and equipment are determined by comparing the proceeds on disposal to the carrying amount of the furniture and equipment, and are recognized in earnings. Depreciation is recognized using the straight-line method for each component. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives. The Company reviews the depreciation methods, useful lives and residual values at each reporting date. Depreciation is calculated as follows:

Furniture and fixtures	Straight-line over 5-10 years
Computer equipment	Straight-line over 3-10 years

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.

CHC Student Housing Corp.

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

2. Summary of significant accounting policies (continued)

Rental revenue from investment properties includes rents, parking and other sundry revenues. All residential leases are for one year terms or less and commercial revenue is recognized on a straight-line basis over the term of the lease. Leasehold inducements represent consideration of various incentives for the lessee to sign the lease and are recognized as a reduction in revenue pursuant to the terms of the agreement which is on a straight-line basis over the term of the lease.

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. The deferred tax asset is not recognized.,

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.

Stock Options

Compensation expense for option grants is based on the fair value of the options at the grant date and is recognized over the period from the grant date to the date the award is vested. During the period in which options are outstanding, the liability is adjusted for changes in the fair value with such adjustments being recognized as compensation expense in stock based compensation expense in the period in which they occur. The liability balance is reduced as options are exercised and recorded in equity as common shares along with the proceeds received on exercise.

The Company maintains compensation plans which include the granting of stock options to Directors and Employees. The Company records the expense associated with these awards immediately. Stock options are settled with stock units. However, due to the fact that shares are redeemable, awards of options are considered to be cash-settled. As such, the fair value of options are recognized as a liability and re-measured at each reporting date, with changes recognized in the consolidated statement of income. 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.

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 year 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 year.

Functional Currency

The consolidated financial statements are presented in Canadian dollars, which is the parent Company's functional currency. Management reviewed the primary and secondary indicators in IAS 21, The Effects of changes in Foreign Exchange Rates, and determined that the functional currency for all subsidiaries is also Canadian dollars.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

2. Summary of significant accounting policies (continued)

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, 2017:

Cash	Loans and receivables
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Mortgages payable	Other financial liabilities
Stock options	Fair value through profit or loss

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, not measured at fair value through profit or loss, 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.

Non-Current Assets Held For Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is satisfied when the asset is available for immediate sale in its present condition, management is committed to the sale, and it is highly probable to occur within one year. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell and are presented separately from other assets on the consolidated statements of financial position.

These measurement requirements do not apply to non-current assets, including the Company's investment property held for sale, that are accounted for in accordance with the fair value model in IAS 40. Comparative information is not adjusted to reflect the held for sale classification in the consolidated statements of financial position.

Changes in Accounting Policy

On January 1, 2017, the Company adopted an amendment to IAS 7, which requires specific disclosures for movements in certain liabilities on the consolidated statements of cash flows. This amendment did not result in a material impact to these consolidated financial statements.

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, re-measurement 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 judgments and 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:

Classification of Assets and Liabilities as Held for Sale

Classification of assets and liabilities as held for sale requires judgment on whether the carrying amount will be recovered principally through a sale transaction rather than through continuing use and whether the sale is highly probable.

CHC Student Housing Corp.

Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

3. Critical accounting estimates, assumptions, and judgments (continued)

Valuation of Investment Properties

Investment properties are measured at fair value in the consolidated statement of financial position at each reporting date. Fair values are determined by 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 22.

Leases

The Company makes judgments in determining whether certain leases, in particular tenant leases where the Company is the lessor, are either operating or finance leases. The Company has determined, based on an evaluation of terms and conditions of the lease arrangements, that the Company retains all the significant risks and rewards of ownership of these properties and accounts for these arrangements as operating leases.

4. Future accounting changes

Financial instruments

IFRS 9, which will replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. While determination is made at initial recognition, classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The most significant change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement. IFRS 9 has a mandatory effective date for annual periods beginning on or after January 1, 2018, with earlier application permitted.

Revenue recognition

IFRS 15 provides a single comprehensive model to account for revenue arising from contracts with customers. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of the standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods and services. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018, with earlier application permitted.

Leases

In January 2016, the IASB issued IFRS 16 which replaces IAS 17, “Leases” and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

Share-based Payment

In June 2016, the IASB issued final amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company intends to adopt the amendments to IFRS 2 for the annual period beginning on January 1, 2018. The Company does not expect any impact to its consolidated financial statements as the amendments are in line with the Company’s current policy.

Management continues to evaluate the impact of these standards on the Company.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

5. Investment properties

Fair values are determined by generally using the overall capitalization rate method. Under this method, capitalization rates are applied to a stabilized net operating income 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 Corporation measures its investment properties using valuations prepared by management. The Corporation obtains valuations prepared by external appraisers as data points, together with other market and property specific information accumulated by management, in arriving at its own conclusions on values. Management uses valuation assumptions such as the overall capitalization rate applied in external appraisals to arrive at its estimates of fair value. The weighted average capitalization rate at December 31, 2017, was 5.1% (2016 - 5.2%).

<i>As at</i>	December 31, 2017	December 31, 2016
Income producing property	\$5,400,000	\$64,500,000
Development	-	395,000
Total	\$5,400,000	\$64,895,000

	December 31, 2017	December 31, 2016
Balance at the beginning of the year	\$64,895,000	\$64,895,000
Sale of investment properties	(5,295,000)	-
Reclassification of investment property held for sale (Note 19)	(53,300,000)	-
Fair value adjustment on investment properties	(900,000)	-
Balance at the end of the year	\$5,400,000	\$64,895,000

One of the Company's investment properties having a fair value of \$4 million is situated on land subject to a long term lease. The annual lease payment is \$1,000 and the term expires in 2047.

During the year ended December 31, 2017, the Company received proceeds of \$137,785 from the sale of the investment in the 45 Mann student housing development property. The book value of this property was \$100,000 and the realized gain on sale was \$37,785. Also during the year ended December 31, 2017, the Company sold the Windsor Property, a student housing property located in Windsor Ontario, and received net proceeds of \$1,745,412 comprised of the sale price of \$5,500,000 less mortgage assumed by the purchaser \$3,699,588 and legal costs of \$55,000 and realized the following gain.

Gain on sale of the Windsor Property

Sale price	\$5,500,000
Less: carrying value of Windsor Property	(4,900,000)
Less: carrying value of development property related to Windsor Property	(295,000)
Less: carrying value of furniture and equipment situated in Windsor Property	(64,279)
Less: transaction costs	(55,000)
Gain on sale	\$185,721

The London Property has been reclassified as investment property held for sale and measured at its fair value of \$53,300,000. See note 19.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

5. Investment properties (continued)

The following table summarizes the sensitivity of fair value of investment properties, including investment property held for sale, to changes in the capitalization rate and implied NOI:

As at December 31, 2017

Implied NOI	-3%	-1%	As estimated	1%	3%	
	\$2,915,277	\$2,975,386	\$3,005,440	\$3,035,494	\$3,095,603	
Capitalization Rate						
-0.50%	4.62%	\$63,101,234	\$64,402,294	\$65,052,814	\$65,703,333	\$67,004,394
-0.25%	4.87%	59,861,951	61,096,222	61,713,347	62,330,472	63,564,743
Cap Rate Used	5.12%	56,939,004	58,113,008	58,700,000	59,286,992	60,460,996
+0.25%	5.37%	54,288,212	55,407,561	55,967,225	56,526,890	57,646,238
+0.50%	5.62%	\$51,873,256	\$52,942,811	\$53,477,580	\$54,012,349	\$55,081,904

As at December 31, 2016

Implied NOI	-3%	-1%	As estimated	1%	3%	
	\$3,267,009	\$3,334,370	\$3,368,051	\$3,401,731	\$3,469,092	
Capitalization Rate						
-0.50%	4.69%	\$69,659,041	\$71,095,309	\$71,813,454	\$72,531,578	\$73,967,846
-0.25%	4.94%	66,133,785	67,497,368	68,179,170	68,860,951	70,224,534
Cap Rate Used	5.19%	62,948,150	64,246,050	64,895,000	65,543,950	66,841,850
+0.25%	5.44%	60,055,313	61,293,566	61,912,702	62,531,820	63,770,074
+0.50%	5.69%	\$57,416,678	\$58,600,527	\$59,192,460	\$59,784,376	\$60,968,225

6. Furniture and equipment

	December 31, 2017	December 31, 2016
Balance at the beginning of the year	\$377,227	\$150,583
Additions	139,204	226,644
Disposals	(64,279)	-
Less: Accumulated depreciation	(61,421)	(22,270)
Balance at the end of the year	\$390,731	\$354,957
Furniture and equipment	94,337	-
Furniture and equipment held for sale (Note 19)	296,394	-
Balance at the end of the year	\$390,731	\$354,957

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

7. Deposits and prepaid expenses

<i>As at</i>	December 31, 2017	December 31, 2016
Non-refundable deposits on properties	\$-	\$50,000
Prepaid property taxes	10,460	10,432
Other	2,782	87,893
Total	\$13,242	\$148,325

During 2014, the Company assumed, from an entity owned, at the time, 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 "Sudbury Property") from an arm's length party to the Company. At December 31, 2014, the Company had made deposits of \$500,000 which were non-refundable unless a record of site condition for the Sudbury property was not received and the transaction could therefore not close.

During 2015, the Company was informed by the vendor one of the acquisition properties that the Record of Site Condition would not be received until sometime in 2016. It was agreed that the required condition of providing the record of site condition to complete the transaction would be extended until December 31, 2016 in exchange for \$450,000 of the \$500,000 non-refundable deposit being returned to the Company in 2015.

As at May 2017, the Vendor had been unable to obtain the Record of Site Condition and as such, the Company had notified the Vendor that they would not be proceeding with the transaction. The Vendor agreed to release the remaining deposit of \$50,000 back to the Company which was received on May 18, 2017. Other deposits of \$32,600 held by a utility company were released to the Company on October 10, 2017 on the disposition of the Windsor Property, a student housing property located in Windsor Ontario.

8. Accounts receivable

<i>As at</i>	December 31, 2017	December 31, 2016
Rent and other receivables	\$40,855	\$88,391
Allowance for doubtful accounts	(9,183)	(42,986)
Accounts receivable	\$31,672	\$45,405

9. Mortgages payable

As at December 31, 2017, mortgages payable bear interest at a weighted average interest rate of 7.67% (2016 - 5.04%). Excluding mortgages payable classified as held for sale, the Company has two fixed rate mortgages in the aggregate amount of \$3,599,840 and no floating rate mortgage as of December 31, 2017 (December 31, 2016 - \$21,796,906 and \$33,000,000). The fair value of the mortgages payable is higher than their carrying value by \$10,325 (December 31, 2016 - \$9,159). The mortgages payable are secured by the Company's investment properties.

<i>As at December 31, 2017</i>	Principal Amount	% of Total Principal
2018	\$2,219,309	61.7%
2019	1,380,531	38.3%
	\$3,599,840	100%
Unamortized deferred financing costs	(6,336)	
Total	3,593,504	
Less: non-current portion	(1,378,377)	
Current portion	\$2,215,127	
Mortgages payable held for sale (Note 19)	\$46,750,000	

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

9. Mortgages payable (continued)

In the prior year the Company replaced the existing \$2,750,000 mortgage on the Trois-Rivières Property with a new vendor loan for \$2,777,500 at a fixed interest rate of 10% per annum maturing on April 9, 2017, and was open to repayment. As at April 2017, the lender had further agreed to extend the mortgage to the Company on the same terms and conditions as it works through its strategic alternatives but the mortgage remains payable on demand. On August 30, 2017 the Company paid \$600,000 of principal leaving an outstanding balance of \$2,177,500 on this mortgage. The Company is also in discussions with a variety of lenders regarding the refinancing of the existing debt.

10. Accounts payable and accrued liabilities

As at December 31, 2017, accounts payable and accrued liabilities were comprised of the following:

	December 31, 2017	December 31, 2016
Trade payables	\$3,012,964	\$3,597,197
Accrued interest payable	221,405	220,124
Security deposits	412,581	468,832
Total	\$3,646,950	\$4,286,153
Accounts payable and accrued liabilities	\$3,084,237	\$ -
Accounts payable and accrued liabilities held for sale (Note 19)	562,713	-
Total	\$3,646,950	\$4,286,153

11. Share capital

a) Authorized and issued

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

Issued and outstanding common shares	Number of Shares	Amount	Equity Issuance Costs	Net Equity
Opening balance at January 1, 2016	2,335,181	\$20,784,517	(\$1,257,058)	\$19,527,459
Issuance of common shares, net	-	-	-	-
Closing balance at December 31, 2016	2,335,181	\$20,784,517	(\$1,257,058)	\$19,527,459
Issuance of common shares, net	381,284	667,247	(2,935)	664,312
Closing balance at December 31, 2017	2,716,465	\$21,451,764	(\$1,259,993)	\$20,191,771

The shares of the Company are redeemable at the option of the holder and therefore are required to be accounted for as financial liabilities, except where certain exemption conditions are met, in which case redeemable instruments may be classified as equity. The attributes of the Company's shares meet the exemption conditions set out in IAS 32, Financial Instruments: Presentation, and are therefore presented as equity for purposes of that standard.

b) Escrowed shares

In connection with the Company's initial public offering and listing on the TSXV, 150,535 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, April 7, 2015, October 7, 2015, April 7, 2016, and October 7, 2016. The final release was completed as scheduled on April 7, 2017.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

11. Share capital (continued)

c) Stock options and deferred share units

During 2013, the Company implemented a stock option plan that entitles directors, officers and 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 Company granted 48,529 options in November 2013. No options have been subsequently granted.

The options outstanding at December 31, 2016 and December 31, 2017, are as follows:

Stock options awarded in	Number	Exercise Price	Expiry date	Fair Value at Grant Date
November 2013	48,529	\$8.50	December 2018	\$309,000

The fair value of the financial liability related to these options was \$2,000 at December 31, 2017, included in accounts payables and accrued liabilities, and a recovery of \$60,000 (2016 - expense \$2,000) has been recognized in stock based compensation (recovery) for the year ended December 31, 2017, comprising the mark to market adjustment on the options.

On September 13, 2016, the Company's board adopted a deferred share unit plan (the "DSU Plan") and approved the grant of 63,070 deferred share units (the "DSUs") to the directors in settlement of directors' fees accrued and unpaid during 2015 and the first two quarters of 2016, for an aggregated fair value amount of \$304,000. Included in the aggregate fair value at the time of the grant was \$121,000 of board compensation expenses already accrued in 2015 and \$183,000 of board compensation incurred in the first two quarters of 2016. The DSUs are currently to be settled in cash when a director ceases to be a director of the Company. The fair value of the financial liability related to DSUs as at December 31, 2017 was \$92,000, included in accounts payables and accrued liabilities, and a revaluation of \$176,000 (2016 - expense \$147,000) has been recognized in stock based compensation expense and change in fair value for the year ended December 31, 2017, comprising the mark to market adjustment on the unit.

Accordingly, the stock based compensation revaluation recognized in the Consolidated Statements of Net Loss and Comprehensive Loss for the year ended December 31, 2017 is \$236,000 (December 31, 2016 - expense \$149,000) from the recognition of the options and DSUs.

d) Warrants

As part of an equity financing completed on November 19, 2014, the Company issued 871,822 warrants. The warrants had a term of 36 months from the date of issue and expired on November 18, 2017.

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

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

12. Property revenues

Property revenues were comprised of the following:

For the year ended	December 31, 2017	December 31, 2016
Residential rent	\$4,634,996	\$4,783,232
Commercial rent	221,243	248,757
Recoveries and other income	280,417	269,532
Total	\$5,136,656	\$5,301,521

All of the Company's residential leases are for a non-cancellable term of one year or less. For the year ended December 31, 2017 residential leases account for approximately 90% (December 31, 2016 – 90%) of the Company's rental revenues. For the year ended December 31, 2017, approximately 86% (December 31, 2016 – 86%) of the Company's rental revenues were earned in the province of Ontario and 71% (December 31, 2016 – 66%) of total revenues were derived from the London Property, which was classified as held for sale

13. Property operating expenses

Property operating expenses were comprised of the following:

For the year ended	December 31, 2017	December 31, 2016
Realty taxes	\$780,351	\$822,169
Utilities	449,189	583,851
Wages and benefits	294,110	364,593
Repairs and maintenance	348,837	431,906
Management fees	66,919	99,727
General and marketing	79,702	94,593
Insurance	110,080	127,380
Bad debt expense	32,844	134,556
Other	39,301	24,474
Property Operating expenses	\$2,201,333	\$2,683,249

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

14. General and administrative expenses

General and administrative expenses were comprised of the following:

For the year ended	December 31, 2017	December 31, 2016
Legal and other professional	\$445,675	\$242,079
Audit and accounting	187,483	270,635
Wages and benefits	680,520	411,587
Rent	47,790	46,913
Marketing	22,090	24,684
Other	182,353	72,419
General and administrative expenses	\$1,565,911	\$1,068,317

15. Interest expense

Interest expense was comprised of the following:

For the year ended	December 31, 2017	December 31, 2016
Interest on mortgages payable	\$2,873,169	\$2,630,244
Amortization of financing transaction costs	87,542	108,229
Total	\$2,960,711	\$2,738,473

16. Transaction costs/(concessions)

Transaction costs/(concessions) were comprised of the following:

For the year ended	December 31, 2017	December 31, 2016
Legal and other professional	-	\$78,456
Concessions	-	(765,044)
Transaction costs/(concessions)	-	\$(686,588)

In 2016, the Company engaged in discussions with certain key vendors regarding their past fees associated with the failed equity offering which was terminated in the second quarter of 2015. These vendors agreed to take combined concessions of \$765,044 from their fees which was realized during the year ended December 31, 2016.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

17. Income taxes

No income taxes are charged to other comprehensive income or equity for the years ended December 31, 2017 and December 31, 2016.

The Company's statutory income tax rate has remained consistent at 39.5% in 2017.

Reconciliation of tax expense and accounting income for the year ended December 31, 2017, are set out below:

For the year ended	December 31, 2017	December 31, 2016
Net loss for the year	\$(2,031,793)	\$(650,890)
Expected income recovery	(802,558)	(257,102)
Permanent differences	(132,213)	58,065
Non-recognition of the benefit of current year's tax losses	934,771	199,037
Income tax expense	\$ -	\$ -

Deferred income tax assets and liabilities as at December 31, 2017, relate to the following:

As at	December 31, 2017	December 31, 2016
Non-capital losses	\$5,162,695	\$3,263,171
Difference in basis	1,892,377	1,121,549
Non-recognition of deferred tax assets	(7,055,072)	(4,384,720)
Total net deferred tax asset	\$ -	\$ -

The future benefit of these losses and deductible temporary differences has not been recognized in the financial statements.

The Company is a "mutual fund corporation" for income tax purposes. As such, the Company can manage, and intends to manage, its affairs such that capital gains will ultimately not be taxed within the Company, but rather in the hands of its shareholders. Accordingly, deferred taxes are not recognized in respect of temporary differences on capital account, specifically, temporary differences on capital account related to Investment Properties. As at December 31, 2017, the unrecognized deductible temporary difference related to Investment Properties and Investment Property Held for Sale was \$1.5 million (2016 - \$1 million).

As at December 31, 2017, the expiry dates of the unrecognized deferred tax assets are 2033 to 2037.

18. Related party transactions

The Company obtains certain management services from an entity owned by certain officers and a director of the Company, for which no management fees have been charged. During the year this entity provided certain corporate service to the Company in the amount of \$181,366 (2016 - \$218,807). Included in the Company's accounts payable and accrued liabilities at December 31, 2017 is an amount of \$582,862 (2016 - \$401,496) payable to this entity. In 2017, a related party was compensated for management services in the amount of \$93,892 (2016 - \$127,111).

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

19. Investment property held for sale

Investment property, London Property, held for sale is an asset that the Company had intended to sell rather than hold on a long-term basis. The property is located at 675 Richmond Street in London Ontario and was listed for sale in September 2017. This property is a 17-storey building providing student housing primarily for students at Western University. Subsequent to year end the property is no longer held for sale. For more information see "Subsequent events" Note 24.

	December 31, 2017	December 31, 2016
<i>Property</i>	1	-
<i>Suites</i>	387	-
Investment property	\$53,300,000	\$ -
Furniture & equipment	296,394	-
Assets held for sale	\$ 53,596,394	\$ -
Mortgages payable	\$ 46,750,000	-
Tenant rental deposits	562,713	-
Liabilities related to assets held for sale	\$ 47,312,713	\$ -

Both of the mortgages payable on this property, one for \$33,000,000, with a floating rate of three month banker's acceptance rate plus 2.15%, and the other for \$13,750,000, with a fixed rate of 9.5%, are payable on demand.

20. 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 it holds.

Key financial covenants are reviewed on an ongoing basis by management to monitor compliance with the agreements. As at December 31, 2017 the Company was not in compliance with the specified minimum debt service coverage ratio for the London Property. Subsequent to year end the lender extended the term of the loan (see Note 24).

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.

21. 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 are satisfied through a variety of sources including cash, net operating income and capital markets, 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.

If the Company is otherwise unable to satisfy its current liabilities through suitable agreements for debt refinancing, equity financing or other measures, planned operations could be scaled back and a portion of the Company's assets could be sold.

CHC Student Housing Corp.
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21. Financial risk management (continued)

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

	Total	2018	2019	Thereafter
Mortgages payable and mortgages payable on investment property held for sale ⁽¹⁾	\$50,443,909	\$49,026,356	\$1,417,553	\$-
Accounts payable & accrued liabilities	3,646,951	3,646,951	-	-
	\$54,090,860	\$52,673,307	\$1,417,553	\$-

⁽¹⁾ Includes both principal and interest

Refer to note 1 for a discussion regarding the Company's ability to carry on its operations through the next operating period.

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 principal debtors are the Company's residents who 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 or on the fair value of other financial instruments. The Company has both fixed and floating rate mortgages. The fixed rate mortgages range in term from on demand to 19 months. The floating rate mortgage is on demand. The impact of a 50 basis point change in floating rate debt would be an increase or decrease in interest expense of \$165,000 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 \$86,540 on an annual basis.

22. Fair value measurements

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, and mortgages payable, accounts payable and accrued liabilities. Except for the mortgages payable, the carrying values of these financial instruments approximate fair value due to their short term nature.

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.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

22. Fair value measurements (continued)

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, 2017, 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. Mortgages payable are measured at amortized cost and the fair value measurement in the table below is presented for disclosure purposes only.

Recurring measurements or disclosures	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 (Note 5)	\$-	\$-	\$5,400,000	\$5,400,000
Investment property held for sale (Note 5)	-	-	53,300,000	53,300,000
Liabilities				
Mortgages payable	\$-	\$3,610,165	\$-	\$3,610,165
Mortgages payable held for sale	\$-	\$46,750,000	\$-	\$46,750,000

23. Net change in working capital

For the year ended	December 31, 2017	December 31, 2016
Deposits and prepaid expenses	\$43,074	\$5,120
Accounts receivable	24,061	53,110
Accounts payable and accrued liabilities	(404,484)	591,640
Net change in working capital items	(\$337,349)	\$649,870

24. Subsequent events

The Company listed the London Property for sale in September 2017. An executed purchase and sale agreement for this property which also included the Kingston Property, located in Kingston Ontario, was received on January 22, 2018. This was approved by the Company's board of directors on February 14, 2018 subject to shareholders' approval. The meeting of shareholders took place on March 5, 2018 where the offer was subsequently rejected.

On March 7, 2018, the Company entered into an interest free loan agreement with a shareholder for \$150,000, repayable on March 1, 2019.

On March 29, 2018, the Company listed for sale the Kingston Property located in Kingston Ontario and is currently accepting offers on the property. If a transaction is successful, the Company expects to use the proceeds from the sale to repay debt and improve its financial position, fund its ongoing operations and continue its strategic alternatives process. There can be no assurance that the Company will be able to sell the Kingston Property on favourable terms or on terms that will enable it to repay any material amount of its debt, improve its financial position and fund its ongoing operations.

On April 17, 2018 one of the mortgages for \$33,000,000 on the London Property located in London Ontario, which was held for sale at December 31, 2017, was extended to July 3, 2018 with the incumbent lender under similar terms. CHC is seeking a longer-term financing solution to be available at termination of this extension.

CHC Student Housing Corp.
Notes to the Audited Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

25. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the December 31, 2017 financial statements.

26. Approval of financial statements

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on April, 30 2018.