FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

CAPITAL PRESERVATION • DISCIPLINED INVESTING

FINANCIAL STATEMENTS

FOURTH QUARTER 2017
DECEMBER 31, 2017

Consolidated Financial Statements of

Firm Capital American Realty Partners Corp.

For the Years Ended December 31, 2017 and 2016

(Expressed In US Dollars)

Firm Capital American Realty Partners Corp.

Consolidated Balance Sheets
(Expressed in US Dollars)

	December 31, 2017	December 31, 2016
Assets	$	$
Current assets		
Cash and cash equivalents	6,224,567	4,520,508
Restricted cash	1,881,968	1,686,152
Accounts receivable	366,573	378,126
Other assets	386,350	239,888
Promissory note receivable (note 18(i))	-	977,554
Assets held for sale (note 19)	16,019,657	24,911,959
Total current assets	24,879,115	32,714,187
Non-current assets		
Investment properties (note 4)	42,651,982	44,671,717
Equity investments (note 5)	12,694,453	6,104,137
Preferred capital investments (note 6)	2,513,990	-
Property and equipment, net	10,122	49,960
Total non-current assets	57,870,547	50,825,814
Total assets	82,749,662	83,540,001
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,255,649	2,230,872
Provisions (note 20)	-	40,034
Mortgages payable (note 9)	285,097	159,774
Notes payable (note 7)	-	10,976,288
Derivative financial instruments (note 13)	-	5,495
Deferred share unit liabilities (note 22)	37,916	30,880
Liabilities associated with assets held for sale (note 19)	273,201	286,673
Total current liabilities	2,851,863	13,730,016
Non-current liabilities		
Mortgages payable (note 9)	18,379,832	18,628,977
Convertible debentures payable (note 8)	12,118,400	16,296,118
Deferred tax liability (note 24)	654,472	177,441
Total non-current liabilities	31,152,704	35,102,536
Total liabilities	34,004,567	48,832,552
Shareholders' Equity		
Share capital (note 11)	76,842,700	64,720,400
Contributed surplus (notes 12 and 13)	5,100,195	4,073,613
Equity portion of convertible debentures (note 8)	1,242,017	1,242,017
Accumulated foreign currency translation reserve	3,331,940	3,331,940
Deficit	(37,771,757)	(38,660,519)
Total shareholders' equity	48,745,095	34,707,449
Total liabilities and shareholders' equity	82,749,662	83,540,001

Subsequent Events (note 25)

See accompanying Notes to Consolidated Financial Statements

(signed) "*Keith Ray*"	(signed) "*Sandy Poklar*"
Keith Ray	Sandy Poklar
Director	CFO & Director

Firm Capital American Realty Partners Corp.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
Years Ended December 31, 2017 and 2016
(Expressed in US Dollars)

	December 31, 2017	December 31, 2016
	$	$
Revenue		
Rental	$ 4,546,115	4,616,662
Operating expenses		
Operating costs	1,171,201	938,695
Utilities	389,927	349,947
Property taxes	627,808	576,161
Total operating expenses	2,188,936	1,864,803
Net rental income	2,357,179	2,751,859
Income from equity investments (note 5)	420,279	19,136
Income from preferred capital investments (note 6)	28,575	-
General and administrative (note 21)	1,456,474	1,724,347
Professional fees	130,027	242,972
Net finance costs	3,032,620	3,834,301
Depreciation	19,371	17,117
	4,638,492	5,818,737
Net loss before other income (expenses) and income taxes	(1,832,459)	(3,047,742)
Other income (expenses)		
Foreign exchange gain	278,039	31,409
Fair value adjustments of investment properties (note 4)	1,861,977	2,643,710
Loss on extinguishment of debt (note 7)	-	(454,105)
Share based compensation (notes 12,13 and 22)	(483,651)	18,013
Fair value gain on derivative financial instruments (notes 12 and 13)	34,179	67,120
Gain/(Loss) on conversion of convertible debentures (note 8)	-	(902,353)
Gain on disposition of investment properties	117,945	-
Gain on disposition of property and equipment	-	8,295
Total other income (expenses)	1,808,489	1,412,089
Net loss before income taxes and discontinued operations	(23,970)	(1,635,653)
Income tax recovery (note 24)	(6,352)	(433,448)
Net loss from continuing operations	(17,618)	(1,202,205)
Net income/(loss) from discontinued operations (note 23)	1,347,245	(4,678,997)
Net income/(loss) and comprehensive income/(loss)	1,329,627	(5,881,202)
Basic net income / (loss) per share		
From continuing operations (note 14)	$ (0.00)	$ (0.55)
From discontinued operations (note 14)	$ 0.28	$ (2.14)
	$ 0.28	$ (2.69)
Diluted net income / (loss) per share		
From continuing operations (note 14)	$ (0.00)	$ (0.55)
From discontinued operations (note 14)	$ 0.22	$ (2.14)
	$ 0.22	$ (2.69)

See accompanying Notes to Consolidated Financial Statements

Firm Capital American Realty Partners Corp.

Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2017 and 2016
(Expressed in US Dollars)

	Share capital	Contributed surplus	Equity portion of convertible debentures	Accumulated foreign currency translation reserve	Deficit	Total
	$	$	$	$	$	$
Balance at December 31, 2015	49,260,267	4,073,613	1,549,831	3,331,940	(32,779,320)	25,436,331
Issuance of shares from Convertible Debentures conversion (note 11(a))	5,500,167	-	(307,814)	-	-	5,192,353
Issuance of shares from Rights Offering (note 11(b))	9,959,966	-	-	-	-	9,959,966
Net loss and comprehensive loss for the year	-	-	-	-	(5,881,202)	(5,881,202)
Balance at December 31, 2016	64,720,400	4,073,613	1,242,017	3,331,940	(38,660,519)	34,707,449
Issuance of shares from Equity Offering (notes 11(c),(d),(e),(f))	13,285,610					13,285,610
Issuance of warrants from Equity Offering (notes 11(c) and 13(a)(i))	-	573,692	-	-	-	573,692
Issuance of options (notes 12 and 13(b)(i))	-	476,615	-	-	-	476,615
Issuance costs	(1,163,310)	-	-	-	-	(1,163,310)
Expiration of warrants	-	(23,725)	-		-	(23,725)
Net income and comprehensive income for the year	-	-	-	-	1,329,627	1,329,627
Dividends (note 15)	-	-	-	-	(440,867)	(440,867)
Balance at December 31, 2017	76,842,700	5,100,195	1,242,017	3,331,940	(37,771,757)	48,745,095
Shares Outstanding	6,127,666					

See accompanying Notes to Consolidated Financial Statements

Firm Capital American Realty Partners Corp.

Consolidated Statement of Cash Flows
Years Ended December 31, 2017 and 2016
(Expressed in US Dollars)

	December 31, 2017	December 31, 2016
	$	$
Operating activities		
Net loss before income taxes and discontinued operations	(23,970)	(1,635,653)
Income tax recovery (note 24)	(6,352)	(433,448)
Net loss from continuing operations	(17,618)	(1,202,205)
Net income/(loss) from discontinued operations (note 23)	1,347,245	(4,678,997)
Net income/(loss) and comprehensive income/(loss)	1,329,627	(5,881,202)
Add (Deduct):		
Depreciation	19,371	17,117
Accretion expense	761,604	935,788
Fair value adjustments of investment properties (notes 4 and 19)	(2,933,626)	797,727
Share based compensation (notes 12,13 and 22)	483,651	(18,013)
Fair value gain on derivative financial instruments (note 12 and 13)	(34,179)	(67,120)
Gain on disposition of investment properties	(117,945)	-
Loss on early conversion of debentures (note 8)	-	902,353
Gain on disposition of property and equipment	-	(8,295)
Deferred taxes (note 24)	477,031	(289,835)
Changes in non-cash operating working capital:		
Accounts receivable	11,553	(286,101)
Other assets	(146,462)	787,916
Accounts payable and accrued liabilities	(356,223)	180,122
Provisions	(40,034)	(287,209)
Total operating activities	(545,632)	(3,216,753)
Investing activities		
Acquisition of preferred capital investments, net of distributions (note 6)	(2,513,990)	-
Acquisition of equity investments, net of distributions (note 5)	(6,590,316)	(6,085,000)
Capital expenditures on investment properties (notes 4 and 19)	(1,246,260)	(301,906)
Acquisition of property and equipment	-	(37,468)
Proceeds from disposition of assets held for sale (note 19)	15,243,998	10,941,219
Proceeds from disposition of property and equipment	-	16,079
Total investing activities	4,893,432	4,532,924
Financing activities		
Loss on early extinguishment of debt	-	491,340
Proceeds from equity and warrant issuances, net of issue costs (notes 11(c),(d),(e),(f))	12,695,992	-
Warrant expiration	(23,725)	-
Proceeds from promissory note receivable (note 18(i))	977,554	1,306,476
Net proceeds from rights offering (note 11(b))	-	9,959,966
Cash dividends paid	(96,186)	-
Repayment of notes payable (note 7)	(11,002,738)	(9,625,017)
Repayment of convertible debentures (note 8)	(4,875,000)	-
Repayment of mortgages (note 9)	(123,822)	(130,498)
Total financing activities	(2,447,925)	2,002,268
Increase in cash and cash equivalents and restricted cash	1,899,875	3,318,439
Cash and cash equivalents and restricted cash, beginning of year	6,206,660	2,888,221
Cash and cash equivalents and restricted cash, end of year	**8,106,535**	**6,206,660**
Consisting of:		
Cash and cash equivalents	6,224,567	4,520,508
Restricted cash	1,881,968	1,686,152

See accompanying Notes to Consolidated Financial Statements

1. Nature of operations

Firm Capital American Realty Partners Corp. (formerly known as Delavaco Residential Properties Corp.) (the "**Company**") was incorporated under the Business Corporations Act (Ontario) on March 19, 2007. On August 2, 2016, the Company officially changed its name to "Firm Capital American Realty Partners Corp." The Company trades on the TSX Venture Exchange ("**TSXV**") under the trading symbols "FCA.U" and "FCA". The address of the Company's registered office is 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5.

The Company is focused on the following investment platforms:

Income Producing Real Estate Investments: Acquiring income producing real estate assets in major cities across the United States. Acquisitions are completed solely by the Company or in joint-venture partnerships with local industry expert partners who retain property management; and

Mortgage Debt Investments: Real estate debt and equity lending platform in major cities across the United States. Focused on providing all forms of bridge mortgage loans and joint venture capital.

The financial statements were authorized for issue by the Board of Directors on April 3, 2018.

2. Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

Basis of presentation

The consolidated financial statements are prepared on a going concern basis and have been presented in US dollars, which is the Company's reporting currency. Standards and guidelines not effective for the current accounting period are described in note 3(a). A summary of the significant accounting policies are set out below.

Basis of measurement

The consolidated financial statements have been prepared on the cost basis except as otherwise noted.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Subsidiaries are consolidated from the date control commences and until control ceases.

Functional currency

As at December 31, 2017, the Company and all of its subsidiaries' functional currencies are the US Dollar ("USD").

Investment properties

The Company's investment properties include multi-family residential properties that are held to earn rental income. Investment properties acquired through a business combination are recognized at fair value. Investment properties acquired through an asset purchase are initially recognized at cost, which includes all amounts directly related to the acquisition of the properties. All costs associated with upgrading and extending the economic life of the existing properties, other than ordinary repairs and maintenance, are capitalized to investment properties. Investment properties are re-measured to fair value at each reporting date. Fair value is determined based on internal valuation models, statistical market evidence and valuations by third-party appraisers. Changes in the fair value of investment properties are recorded in the consolidated statement of loss and comprehensive loss in the period in which they arise. Investment properties are not amortized.

Equity Investments

Investments in entities where the Company exercises significant influence are accounted for using the equity method and are recorded initially at cost plus the Company's share of income or loss to date less dividends or distributions received.

Preferred Capital Investments

Preferred capital investments are debt and/or equity investments provided to sponsors or borrowers to acquire real estate investments that are typically ranked above common equity and generate a fixed rate of return over the life of the investment.

Assets held for sale and discontinued operations

Non-current assets and groups of assets and liabilities which are comprised of disposal groups are presented as assets held for sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan. Where an asset or disposal group is acquired with a view to resale, it is classified as a current asset held for sale if the disposal is expected to take place within one year of the acquisition. Non-current assets held for sale and disposal groups are carried at the lesser of carrying amount and the fair value less costs to sell.

When a component of an entity has been disposed, or is reclassified as held for sale, and it represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, the related results of operations and gain or loss on reclassification or disposition are presented in discontinued operations. The profit or loss arising on disposition of assets or disposal groups that do not represent discontinued operations are presented in gains (losses) on disposition of investment properties.

Accounting for acquisitions

The Company assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("**IFRS 3**"). This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business, as defined in IFRS 3, and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the Company obtains controls of the business.

Financial instruments

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. These categories are defined and measured as follow:

Classification	Definition	Measurement
FVTPL	Classified as FVTPL when the financial asset is either held for trading or it is designated as at FVTPL as discussed below:	
	Classified as held for trading if:	
	It has been acquired principally for the purpose of selling it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
	Classified as FVTPL upon initial recognition if:	
	Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group	Stated at fair value, with gains or losses arising on

	which is managed and its performance is evaluated on a fair value basis;	measurement recognized in profit or loss.
Held-to-maturity investments	Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity.	Measured at amortized cost using the effective interest method less any impairment. (1) (2)
Available-for-sale	Non-derivative financial assets that either are designated as available- for-sale or are not classified as (a) loans and receivables, (b) held-to- maturity investments or (c) financial assets at FVTPL.	Measured at fair value through other comprehensive income. (2)
Loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.	Measured at amortized cost using the effective interest method less any impairment. (1)(2)

(1) The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

(2) Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Generally, the carrying amount of the financial asset is reduced by the impairment loss.

The Company's financial assets are classified and measured as follows:

Financial assets	Classification	Measurement
Cash and cash equivalents	FVTPL	Fair Value
Restricted cash	FVTPL	Fair Value
Preferred capital investments	Loans and receivables	Amortized cost
Accounts receivables	Loans and receivables	Amortized cost
Promissory note receivable	Loans and receivables	Amortized cost

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Impairment of financial assets

Financial assets that are measured at amortized cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the assets have been affected.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Debt and equity issued are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities categories are defined and measured as follow:

Classification	Definition	Measurement
FVTPL	Classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL as discussed below:	
	Classified as held for trading if:	
	It has been acquired principally for the purpose of repurchasing it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
	Classified as FVTPL upon initial recognition if:	
	Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liability forms part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
Other financial liabilities	All other liabilities	Measured at amortized cost using the effective interest method. (1)

(1) The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company's financial liabilities are as follows:

Financial liabilities	Classification	Measurement
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Notes payable	Other financial liabilities	Amortized cost
Mortgages payable	Other financial liabilities	Amortized cost
Convertible debentures payable	Other financial liabilities	Amortized cost
Derivative financial instruments	FVTPL	Fair value

The Company derecognizes a financial liability when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivative financial instruments, which are comprised of the forced conversion feature related to the convertible debentures payable, are initially recognized at fair value and are recorded as a separate component of equity.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand to fund acquisition and other operating requirements. Cash and cash equivalents consists of cash on deposit and liquid money market funds, which are held at major Canadian and American banking institutions.

Accounts receivable

Accounts receivables include amounts due from tenants from providing services in the ordinary course of business. Accounts receivables are classified as current assets if payment is due within one year or less. Accounts receivables are recognized initially at fair value and subsequently are measured at amortized cost, less any impairment.

The Company maintains an allowance for doubtful accounts to provide for impairment of accounts receivables. The expense relating to doubtful accounts is included within “operating costs” in the consolidated statements of income/(loss) and comprehensive income/(loss).

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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. All residential leases are for one year terms or less and revenue is recognized on a straight-line basis over the term of the lease, when collectability is reasonably assured.

Rental revenue includes payments received pursuant to Section 8 of the United States Housing Act of 1937, as amended, which authorizes the payment of rental housing assistance to private landlords on behalf of low-income households, and certain other government subsidies. These payments are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Finance costs

Finance costs comprise interest expense on borrowings and impairment losses, if any, recognized on financial assets.

Deferred share units

The Company’s deferred share unit (“DSU”) plan provides for grants to non-employee directors as a long-term incentive component of their compensation. DSU’s vest immediately upon grant and are paid out in either cash or shares when a participant ceases to be a director of the Company. The DSUs are recorded as a liability at fair value at the date of grant. Each subsequent reporting period, the liability is updated to the period end fair value of the DSU’s and changes are recorded as a deferred share unit compensation expense. The fair value of the DSU’s are calculated based on the period ended share price of the Company.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income (loss) except for items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax basis, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in net income (loss) in the year of change.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Warrants classified as derivative financial instruments

The Company's warrants, all of which have a CAD exercise price, which were issued in connection with its loan and notes payable are all considered derivative financial instruments as the Company's functional currency is USD. The instruments are initially recognized at fair value and are subsequently remeasured at fair value at each reporting period with the change being recorded in the consolidated statement of income/(loss) and comprehensive income/(loss) using the Black-Scholes option pricing model.

Share-based compensation

The fair value of options awarded to employees, directors, and lenders is measured using the Black-Scholes option pricing model and is recognized over the vesting periods in the consolidated statement of income/(loss) and comprehensive income/(loss) and in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon exercise of the option, consideration received, together with the amount previously recognized in contributed surplus, is reclassified as an increase to share capital.

Income (loss) per share

Basic income (loss) per share is computed by dividing the net income (loss) applicable to common shares of the Company by the weighted average number of common shares outstanding for the period. Diluted income per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. When there is a loss, no potential shares are included in the computation of the denominator as they are anti-dilutive.

Consolidated Statement of cash flows

The Company prepares its consolidated statement of cash flows using the indirect method. The Company classifies interest received and paid as part of operating activities in the consolidated statement of cash flows.

Significant estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and judgements. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required.

The estimates and judgements used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

Equity investments
Equity investments are recognized initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, these investments are valued at fair value at each reporting date and income generated is recognized less any provision for impairment, any dividends and distributions received.

Preferred capital investments
Preferred capital investments are classified as loans and receivables. Such investments are recognized initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, the

investment loans are measured at amortized cost using the effective interest method, less any impairment provisions. The investments are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Allowance for doubtful accounts receivable and impairment of receivables
Assessment is made of the collectability of accounts receivable based on several factors including the credit risk of the counter-party and the age of the receivable. The allowance is assessed quarterly against the actual experience of unrecoverable accounts, and assumptions are adjusted if appropriate.

Investment properties and assets held for sale
Investment properties are re-measured at fair value at each reporting date. The values are determined annually by a combination of an internal valuation model and external appraisals. To value the investment properties, significant estimates are used in the calculations such as capitalization rates, inflation rates, vacancy rates, and Net Rental Income.

Convertible debentures and valuation of derivative financial instruments
The Company has issued convertible debentures that have an embedded derivative feature, relating to the forced conversion upon the Company completing a going public transaction while meeting certain financing requirements. The derivative financial instrument is valued at the estimated additional equity value to be received above the par value of the convertible debentures upon conversion. The Company was required to estimate the period of time until the convertible debentures will be converted as well as the value of the forced conversion option.

Share-based compensation
The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments on the date on which they are granted if the fair value of the goods or services received by the Company cannot be reliably estimated. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including expected life of the share-based payment, volatility and dividend yield, and making assumptions about them.

Deferred income taxes
Tax interpretations and regulations in the jurisdictions of operations are subject to change, and as such, income taxes are subject to measurement uncertainty. Deferred income tax assets and liabilities are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable income. Judgment is required in determining the manner in which the carrying amounts will be recovered.

3. Accounting policy changes

(a) Future accounting policy changes

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2018 and have not been applied in preparing these consolidated financial statements. A summary of these standards is as follows:

IFRS 7 - Financial Instruments: Disclosures ("**IFRS 7**") was amended in October 2010. The amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of and risks associated with an entity's continuing involvement in derecognized financial assets and the offsetting of financial assets and liabilities. The amendments are effective for annual periods beginning on or after January 1, 2018 and are required to be applied in accordance with the standard. The Company intends to adopt IFRS 7 on its effective date and it is not expected to have a material impact.

IFRS 9 - Financial Instruments **("IFRS 9**") was issued by the IASB in its final form in June 2014, and will replace IAS 39 Financial Instruments: Recognition and Measurement ("**IAS 39**"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the

financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt IFRS 9 on its effective date. The Company has assessed the impact of IFRS 9 to its consolidated financial statements and has concluded that there is no significant impact to the consolidated financial statements as a result of adopting this new standard.

IFRS 15 - Revenue from Contracts with Customers ("**IFRS 15**") was issued by the IASB in May, 2014. IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. The Company intends to adopt IFRS 15 on its effective date. The Company has assessed the impact of IFRS 15 to its consolidated financial statements and has concluded that the pattern of revenue recognition will remain unchanged upon adoption of the standard.

IFRS 16 - Leases ("**IFRS 16**"). IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Company is currently assessing the impact of IFRS 16 to its consolidated financial statements. Based on a preliminary assessment of the standard, the Company does not expect this standard to have a significant impact on its consolidated financial statements as leases with tenants are expected to be accounted for as operating leases in the same manner they currently are.

(b) New change in accounting policy

A new amendment to standard IAS 7 – Statement of Cash Flows ("IAS 7") became effective for annual periods beginning on or after January 1, 2017 and has been applied in preparing these consolidated financial statements. A summary of this amendment is as follows:

IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016. The amendment enhances disclosure requirements to aid financial statement users in evaluating the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes in financial assets and the offsetting of financial assets and liabilities.

Please refer to note 10 of these consolidated financial statements for the disclosures required by this amendment.

4. Investment properties

	December 31, 2017	December 31, 2016
	$	$
Balance, beginning of year	44,671,717	51,476,087
Additions:		
Building improvements	218,288	139,970
Transfers to assets held for sale (note 19)	(4,100,000)	(9,588,050)
Fair value adjustments to investment properties	1,861,977	2,643,710
Balance, end of year	42,651,982	44,671,717

The investment properties as at December 31, 2017 consist of 311 multifamily apartment units in three buildings located in Florida and Texas.

The Company determined the fair value of the remaining investment properties using a combination of an internally managed valuation model and property appraisals. The key valuation assumptions for the properties are set out in the following table on a stabilized basis:

	December 31, 2017	December 31, 2016
Key Assumptions		
Capitalization rate	5.25%	5.25% - 6.0%
Occupancy rate	95% - 97%	95% - 97%
Weighted average net rental income	$ 915,994	780,829

The fair values of the Company's investment properties are sensitive to changes in key valuation assumptions. Changes in capitalization rates would result in a change in fair value of the Company's investment properties as set out in the following table:

	December 31, 2017	December 31, 2016
	$	$
Capitalization rate increase by 25 basis points	(1,938,700)	(1,989,938)
Capitalization rate decrease by 25 basis points	2,132,600	2,182,622

5. Equity Investments

On December 20, 2016, the Company closed a joint venture investment that consists of eight multi-family buildings comprised of 127 residential units and two commercial units located in New York City. The purchase price for 100% of the investment was $38.4 million. The Company invested approximately $6.1 million in a combination of 46% of the preferred equity ($4.6 million) and common equity ($1.5 million), which represents a 22.5% ownership interest. The preferred equity has a fixed rate of return of 8% per annum.

On January 18, 2017, the Company closed a joint venture investment that consists of eight multi-family buildings comprised of 115 residential units located in Brentwood, Maryland. The purchase price for 100% of the investment was $9.8 million. The Company invested $1.0 million in a combination of 50% of the preferred equity ($0.7 million) and common equity ($0.3 million), which represents a 25% ownership interest. The preferred equity has a fixed rate of return of 8% per annum.

On August 16, 2017, the Company closed a joint venture investment that consists of fourteen multi-family buildings comprised of 462 residential units located in Bridgeport, Connecticut. The purchase price for 100% of the investment was $30.5 million. The company invested approximately $5.1 million in a combination of 60% of the preferred equity ($3.8 million) and common equity ($1.3 million), which represents a 30% ownership interest. The preferred equity has a fixed rate of return of 9% per annum.

The Company has significant influence over these joint venture investments as further outlined below:

New York City: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 14.6% of the preferred equity and 7.3% of the common equity in the joint venture investment;

Brentwood, Maryland: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 40.0% of the preferred equity and 20.0% of the common equity in the joint venture investment.

Bridgeport, Connecticut: Certain officers and directors of the Company have an indirect interest or management oversight of approximately 18.0% of the preferred equity and 9.0% of the common equity in the joint venture investment.

Outlined below are the details of the Company's equity investment in the joint venture, along with the balance sheet and statement of income (each at 100% of the joint venture) and income allocation from the joint venture for the period ended December 31, 2017 with comparable figures for the period ended December 31, 2016:

	December 31, 2017	December 31, 2016
Equity Accounted Investments, Beginning of Year	$ 6,104,137	$ -
Investments		
- Preferred Equity	4,471,957	4,563,750
- Common Equity	1,810,856	1,521,250
Income Earned		
- Preferred Equity	548,345	11,004
- Common Equity	(128,066)	8,133
Less: Distributions	(112,775)	-
Equity Accounted Investments, End of Year	**$ 12,694,453**	**$ 6,104,137**

	December 31, 2017	December 31, 2016
Assets		
Cash	$ 4,674,216	$ 1,700,441
Accounts Receivable	253,098	108,603
Other Assets	675,884	187,927
Investment Properties	80,337,489	37,846,104
	$ 85,940,687	**$ 39,843,075**
Liabilities		
Accounts Payable	$ 1,482,291	$ 71,541
Security Deposits	584,037	153,462
Mortgages	54,561,321	22,882,359
	$ 56,627,649	**$ 23,107,362**
Equity		
Retained Earnings / (Deficit)	$ (662,962)	$ 35,713
Preferred Equity	17,698,262	10,020,000
Common Equity	12,277,738	6,680,000
	$ 29,313,038	**$ 16,735,713**
	$ 85,940,687	**$ 39,843,075**
Investment Allocation for the Company		
Preferred Equity	$ 9,035,707	$ 4,563,750
Common Equity	3,332,107	1,521,250
	$ 12,367,814	**$ 6,085,000**

		December 31, 2017		December 31, 2016
Net Income				
Rental Revenue	$	4,954,116	$	272,808
Property Operating Expenses		(2,269,904)		(25,600)
Net Rental Income		**2,684,212**		**247,208**
General & Administrative		(413,741)		(162,229)
Interest Expense		(1,734,923)		(25,108)
Net Income Before Preferred Equity Dividend	**$**	**535,548**	**$**	**59,871**
Less: Preferred Equity Dividend		(1,124,107)		(24,158)
Net Income	**$**	**(588,559)**	**$**	**35,713**
Income Earned by the Company				
Preferred Equity	$	548,345	$	11,004
Common Equity		(128,066)		8,132
	$	**420,279**	**$**	**19,136**

6. Preferred capital investments

On December 18, 2017, the Company closed a participation of $2.5 million in a $12.0 million preferred capital loan (the “Preferred Capital”) to fund the acquisition of a portfolio of three apartment buildings located in New York, New York. The Preferred Capital earns an interest rate of 12% per annum during its initial term of three years and, if the term is extended for a further two years, at an interest rate thereafter that is the greater of 13% or London Interbank Offered Rate (“LIBOR”) plus 10% per annum. The investment is interest only and may be repaid prior to maturity in whole or in part upon 30 days prior written notice.

7. Notes payable

The balance of notes payable is comprised as follows:

		December 31, 2017		December 31, 2016
New Jersey Secured 5.5% Promissory Note	$	-	$	2,917,459
Senior Secured 7.5% Note		-		8,058,829
Notes Payable	**$**	**-**	**$**	**10,976,288**

New Jersey Secured Promissory Note

On May 1, 2014, the Company completed the acquisition of a portfolio of multi-family homes in New Jersey. As part of the acquisition, the Company issued a secured promissory note payable in the amount of $3,188,685. The promissory note was secured by a portfolio of multi-family homes located in New Jersey and allowed for partial repayments as homes under the security are disposed of. The promissory note originally matured on November 1, 2014.

On December 1, 2015, the Company signed an amendment to the promissory note under which the Company agreed to work towards selling the investment properties securing the note, and upon completion of sale, proceeds would be used to repay the balances owing. As part of the amendment the maturity date of the promissory note was revised to the earlier of September 1, 2016, and the date on which the sale of all or part of the investment properties was completed and sufficient proceeds were applied to repay the promissory note. Subsequently, the promissory note was extended to December 31, 2017.

For the year ended December 31, 2017, the Company repaid approximately $2.9 million of the promissory note (December 31, 2016 - $0.3 million).

Senior Secured $25,000,000 Financing

On June 4, 2012, the Company closed a private placement debt offering (the "Offering") comprised of 7.50% Senior Secured Notes (the "Notes"), due June 30, 2016. The Company contemporaneously entered into an Underwriting Agreement (the "Agreement") and a 7.50% Senior Secured Notes Trust Indenture Agreement (the "Indenture") which governs the Notes issuance. The Company raised a total amount of $25,000,000 under the Agreement by way of issuing 25,000 units, each unit consisting of: (i) one (1) $1,000 principal amount 7.50% Note issued pursuant to the Agreement and Indenture; and (ii) 5 common share purchase warrants of the Company. As the Company did not meet certain liquidity conditions within a specified time frame, the warrants were exercisable at CAD$34.70 and expired on June 3, 2017.

On issuance, the total instrument amount was allocated amongst the notes payable and the warrants. The financial liability portion was determined by calculating the fair value of the Notes using the expected discounted cash flows assuming a 9% discount rate. Accordingly, $23,751,941 was allocated to the Notes payable, which was their fair value on the date of issuance, less transaction costs of $1,871,417, and the residual amount of $1,248,059 was allocated to the warrants less transaction costs of $98,334.

On June 30, 2016, the Company signed an amending agreement to the Notes extending the maturity date to December 31, 2017.

For the year ended December 31, 2017, the Company repaid approximately $8.1 million of the Notes (December 31, 2016 - $9.4 million).

8. Convertible debentures payable

$21,600,000 Convertible Debentures

During the year ended December 31, 2013, the Company completed a multi-tranche private placement financing raising gross proceeds of $21,600,000 through the issuance of unsecured subordinated convertible debentures (the "Debentures"). The Debentures bear interest at 7% per annum, payable quarterly and mature on July 31, 2018. The Debentures also hold a conversion feature which allows the holder to convert at any time after the Company becomes a publicly traded entity, at a price of $33.82 per common share (the "Conversion Price"). If the Company has a closing price of $58.82 or greater for a period of ten consecutive trading days, the debentures will automatically convert at the Conversion Price. The Company incurred transaction costs of $1,410,450.

The Company used the residual method to allocate the liability and equity portion of the convertible debenture. The Company allocated a fair value of $19,310,699 less transaction costs of $1,277,208 to the debt component and $2,289,301 less transaction costs of $133,242 to equity. The fair value of the liability was measured using a discounted cash flow method. In determining fair value of the liability, the Company applied an interest coupon of 10%.

On February 29, 2016, the Company, with the approval of the convertible debenture holders, agreed to convert 20% of the $21,600,000 convertible debentures into common shares at a price of $15.00 per common share for a total of 286,018 common shares issued. This reduced the total amount payable under the convertible debentures to $17,310,000.

The Company also amended the terms of the remaining convertible debenture such that the interest rate was reduced from 7% to 5.5% for a period of 12 months, following which the interest rate reverted back to 7% per annum. The maturity date of the convertible debentures was amended from July 31, 2018 to July 31, 2019. The remaining 80% of the Debentures will be repaid in cash from proceeds from the sale of single family homes after repayment of the Notes. Upon full repayment of the principal amount outstanding of the Notes, the Debentures were granted the same security over the assets and undertaking of the Company as was formerly held by Note holders so that the Debentures are no longer unsecured.

As at December 31, 2017, the Debentures balance was $12.1 million (December 31, 2016 - $16.3 million).

9. Mortgages payable

	December 31, 2017	December 31 2016
	$	$
Mortgages payable	$ 18,664,929	$ 18,788,751
Less: current portion	(285,097)	(159,774)
	$ 18,379,832	$ 18,628,977

As at December 31, 2017 the Company had mortgages payable secured by the multi-family properties and 120 single family home properties of $18,664,929 (including the current portion and net of unamortized financing costs), which bear interest at an average rate of 4.24% per annum, and have maturity dates ranging between July 1, 2019 and June 1, 2023.

The following annual payments of principal and interest are required over the next five years in respect of the mortgages:

2018	1,084,234
2019	4,977,228
2020	871,967
2021	871,967
2022	7,943,147
Thereafter	6,195,246
Total	21,943,789

10. Changes in net debt

The following table sets out an analysis of the movements in net debt for the year ended December 31, 2017:

	Cash & Cash Equivalents	Mortgages	Convertible Debentures	Notes Payable	Net Debt
	$	$	$	$	$
As at December 31, 2016	6,206,660	(18,788,751)	(16,296,118)	(10,976,288)	(39,854,497)
Cash Flows	2,431,041	123,822	4,875,000	11,002,738	18,432,601
Non Cash Changes	(531,166)	-	(697,282)	(26,450)	(1,254,898)
As at December 31, 2017	8,106,535	(18,664,929)	(12,118,400)	-	(22,676,794)

11. Share capital

The Company is authorized to issue an unlimited number of common shares. The common shares are voting and entitle the holder to dividends as and when declared by the board of directors of the Company. The following is a summary of changes in common share capital:

	Number of shares	Value
Balance at December 31, 2015	1,853,862	$ 49,260,267
Issuance of shares from conversion of convertible debentures (a)	286,018	4,290,000
Loss on conversion of convertible debentures (a)	-	1,210,167
Issuance of shares from rights offering (b)	2,139,879	10,069,418
Less: Issue Costs	-	(109,452)
Balance at December 31, 2016	4,279,759	$ 64,720,400
Issuance of shares from equity offering (c)	850,160	5,802,508
Issuance of shares from equity offering (d)	510,000	3,825,000
Issuance of shares from equity offering (e)	20,747	155,602
Issuance of shares from equity offering (f)	467,000	3,502,500
Less: Issue Costs	-	(1,163,310)
Balance at December 31, 2017	6,127,666	$ 76,842,700

(a) On February 29, 2016, the Company, with the approval of the convertible debenture holders, agreed to convert 20% of the $21,600,000 convertible debentures into common shares at a price of $15.00 per common share for a total of 286,018 common shares issued. This resulted on a loss on conversion of $902,353 and accretion expense of $398,887.

(b) On December 15, 2016, the Company issued 2,139,879 common shares at a price of $4.71 per share for total gross proceeds of approximately $10.0 million ($10.0 million net of closing costs) in the form of a Rights Offering to existing shareholders of the Company.

(c) On May 29, 2017, the Company issued 850,160 common shares at a price of $7.50 per share (CAD$10.24 per share based on the Bank of Canada daily noon rate of exchange of 1.36535 as of May 10, 2017). The Company raised total gross proceeds of approximately $6.3 million. Net of the value of the warrants as further described in note 13(a) of these consolidated financial statements, the common shares had a value of approximately $5.8 million upon issuance.

(d) On December 11, 2017, the Company issued 510,000 common shares at a price of $7.50 per share for total gross proceeds $3,825,000.

(e) On December 27, 2017, the Company issued 20,747 common shares at a price $7.50 per share (CAD$9.64 per share based on the Bank of Canada daily noon rate of exchange of 1.28565 as of December 1, 2017) for total gross proceeds of $155,602.

(f) On December 28, 2017, the Company completed its underwritten public offering of 451,000 common shares at a price of $7.50 per share (CAD$9.64 per share based on the Bank of Canada daily noon rate of exchange of 1.28565 as of December 1, 2017) and 16,000 common shares at a price of $7.50 per share for aggregate total gross proceeds of $3,502,500.

12. Share-based compensation

The Company has a 10% rolling incentive stock option plan which provides for the issuance of incentive stock options to directors, management, employees and consultants of the Company.

As at December 31, 2017, the Company has 507,159 options issued and outstanding (December 31, 2016 – 69,704) at a $10.92 weighted average exercise price per share (December 31, 2017 - $32.35). Further details around the outstanding balances are detailed in note 13(b) of these consolidated financial statements.

13. Derivative financial instruments

As at December 31, 2017, the Company's derivative financial instruments consist of options and warrants. The exercise price for the options are in USD and the exercise price for the warrants are in both USD and CAD. Because some of the warrants have an exercise price that is denominated in a currency other than the Company's functional currency, the fair value of the exercise proceeds can vary due to foreign exchange rate fluctuations between CAD and USD and the warrants are therefore considered a derivative financial instrument.

Warrants

(a) A continuity of the warrants liability and reserve is as follows:

	Number of warrants	Warrants reserve		Weighted average exercise price
December 31, 2015	165,950	23,725	$	25.00
Revaluation/expiry of warrants	(3,400)	-		CAD $26.47
December 31, 2016	162,550	23,725	$	25.71
Issuance of warrants (note 13(a)(i))	850,160	573,692	$	8.50
Revaluation/expiry of warrants	(130,908)	(23,725)	$	26.05
December 31, 2017	881,802	573,692	$	8.87

The warrant reserve as at December 31, 2017, and December 31, 2016, was calculated using the Black Scholes option-pricing model. The key assumptions used in the model were; stock price of $6.86 (2016 - $5.29); exercise price ranging from $8.50 to CAD$24.29 (2016 - $24.12 to $24.70); expected life ranging, in years, from 1.2 to 2.7 (2016 – 0.67 to 2.2); 30% volatility (2016 - 60%); risk free rate of 1.57% (2016 – 0.73%); and annual dividends of $0.225 per share.

The Company had the following warrants outstanding and exercisable as at December 31, 2017:

Issuance date	Number of warrants		Weighted average exercise price	Expiry date
December 23,2014	31,642		CAD $24.29	December 22, 2018
May 29, 2017 (note 13(a)(i))	850,160	$	8.50	May 29, 2020
Total / weighted average	881,802	$	8.87	

(i) On May 29, 2017, the Company issued 850,160 Warrants to participants in the common share offering as described in note 11(c) of these consolidated financial statements. The Warrants have an exercise price of $8.50 per warrant and expire on May 29, 2020.

Options

(b) A continuity of the option liability and reserve is as follows:

	Number of options	Options reserve		Weighted average exercise price
December 31, 2016	69,704	-	$	32.35
Issuance of Options (note 13(b)(i))	437,455	476,615	$	7.50
December 31, 2017	507,159	476,615	$	10.92

The option reserve as at December 31, 2017, was calculated on the issuance date using the Black Scholes option-pricing model. The key assumptions used in the model were; stock price of $6.20; exercise price of $7.50; expected life of approximately 10 years; volatility of 30%; risk free rate of 1.69%; and dividends of $0.225 per share.

(i) On August 17, 2017, the Company issued 437,455 Options to members of senior management and the board. The Options have an exercise price of $7.50 per warrant and expire on August 17, 2027.

14. Net income / (loss) per share

	Years Ended December 31, 2017	2016
	$	$
Net loss before income taxes and discontinued operations	(23,970)	(1,635,653)
Income tax (recovery)/expense (note 24)	(6,352)	(433,448)
Net income/(loss) from continuing operations	(17,618)	(1,202,205)
Net income/(loss) from discontinued operations	1,347,245	(4,678,997)
Net income/(loss) and comprehensive income/(loss)	$ 1,329,627	$ (5,881,202)
Weighted average shares - basic	4,817,612	2,186,538
Weighted average shares - diluted	5,998,994	2,186,538
Basic net income / (loss) per share		
From continuing operations	$ (0.00)	$ (0.55)
From discontinued operations	$ 0.28	$ (2.14)
	$ 0.28	$ (2.69)
Diluted net income / (loss) per share		
From continuing operations	$ (0.00)	$ (0.55)
From discontinued operations	$ 0.22	$ (2.14)
	$ 0.22	$ (2.69)

15. Dividends

For the year ended December 31, 2017, the Company declared dividends of $0.075 per common share resulting in total dividends of $440,867.

16. Financial instruments and risk management

Risk management

In the normal course of its business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the market prices and includes foreign currency and interest rate risk.

Foreign currency risk

The Company's operations are based principally in the United States of America, but it has exposure to foreign exchange risk from the CAD. Foreign exchange risk arises from the recognized financial assets and liabilities denominated in CAD. The following CAD amounts are presented in USD to demonstrate the effects of changes in foreign exchange rates:

	CAD
	$
Cash and other assets	4,341,078
Accounts payable and accrued liabilities	(369,453)
Total	3,971,625
Effect of +/- 10% change in exchange rate	397,163

Interest rate risk

The Company is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. As all mortgages, loans and notes payable bear interest at fixed rates, interest rate risk is limited

to potential decreases on the interest rate offered on cash held with chartered Canadian and American financial institutions. The risk also exists of a change in interest rates when the Company is required to renew its debt. The Company's objective of managing interest rate risk is to minimize the volatility of earnings. Interest rate risk has been minimized as mortgages have been financed at fixed interest rates. As a result of debt not being subject to floating interest rates, changes in prevailing interest rates would not be expected to have a material impact on profit or loss.

Credit risk and concentration risk

Credit risk refers to the risk that a tenant or counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial instruments which are potentially subject to credit risk for the Company consists primarily of non-payment of accounts receivable. The Company mitigates this risk by monitoring the credit worthiness of its tenants. To ensure that tenants continue to meet their credit terms, the financial viability of tenants is kept under review. Credit risk, or the risk of a counterparty defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate, the Company obtains security deposits as collateral.

The credit risk on cash is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk.

The Company derives approximately 15% of its revenues from tenant subsidies received pursuant to Section 8 of the United States Housing Act of 1937, as amended, and certain other government subsidies.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations as they fall due. The Company's strategy is to satisfy its liquidity needs using cash on hand, cash flow generated from operating activities, cash flow provided by financing activities, and divestitures of long term assets.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer or settle a liability in an orderly transaction between market participants at the measurement date. The fair values of the Company's cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities are estimated by management to approximate their carrying values due to their short-term nature.

The Company classifies its fair value measurements in accordance with the three levels fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table summarizes information about assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position and categorized by level of significance of the inputs used in making the measurements:

December 31, 2017	Level 1	Level 2	Level 3
	$	$	$
Assets held for sale	-	-	16,019,657
Investment properties	-	-	42,651,982
Equity investments	-	-	12,694,453
Preferred capital investments			2,513,990

There were no transfers between level 1 and 2 during the year ended December 31, 2017.

December 31, 2016	Level 1	Level 2	Level 3
	$	$	$
Assets held for sale	-	-	24,911,959
Investment properties	-	-	44,671,717
Equity investments	-	-	6,104,137
Derivative financial instruments	-	(5,495)	-

17. Capital risk management

The capital of the Company includes equity, which is comprised of issued share capital, contributed surplus, equity portion of convertible debentures, warrants, accumulated foreign currency translation reserve and deficit. The Company's objective when managing its capital, which was unchanged during the period, is to safeguard the ability to continue as a going concern in order to provide returns for its shareholders, and other stakeholders and to maintain a strong capital base to support the Company's core activities, the acquisition, ownership, management and rental of residential real estate properties as discussed in note 1 of these consolidated financial statements.

Although the Company is not subject to any formal covenants, there are certain restrictions under the different debts and mortgages that the Company must target to stay in compliance with. The debt and mortgage holders have the option to enforce temporary restrictive measures against the Company if these targets are not met.

On October 2, 2015, as the Company did not meet certain restrictions on the $4,000,000 mortgage in Georgia, the mortgage administrator declared a trigger period. During the trigger period, the Company only receives a fixed amount of disbursement funds based on the 2017 budget, after payments are made for the tax escrow, insurance escrow, capex reserve and interest payments, and the remainder of funds are held in trust until the Company meets certain debt service coverage ratios for three consecutive months, thus ending the trigger period.

18. Related party transactions

The Company has entered into the following transactions with related parties:

(i) The Company signed a revised promissory note on April 26, 2016, effective December 31, 2015 with the former CEO under which the $352,500 referenced in note 18(ii) of the consolidated financial statements, was included in the promissory note, along with a 1% renewal fee of $22,614. The revised promissory note previously bore interest at 9% per annum, calculated and due monthly to June 30, 2016, and 10% thereafter to maturity February 28, 2017, which was subsequently increased to 11%. The revised promissory note allowed for a one month extension to March 31, 2017, at the borrower's request, provided that all accrued interest was paid in full. However, on May 3, 2017, the former CEO and the Company agreed to a further amended and restated promissory note that increased the interest rate to 12.5% on the outstanding balance and extended the maturity date to February 1, 2018 effective April 1, 2017. On July 11, 2017, the Company signed a revised promissory note effective July 1, 2017 with the former CEO. The revised promissory note bore interest at 13.5% per annum, calculated and due monthly from July 1, 2017 through to the new maturity date of February 1, 2018. As at December 31, 2017 the remaining balance on the promissory note with the former CEO was $nil (December 31, 2016 - $977,554).

(ii) On December 30, 2013, the Company signed an advisory services agreement with a company controlled by the former CEO and director of the Company, where services were provided related to the multifamily properties that were acquired, including acting as a required guarantor on the mortgages payable. Under the terms of the agreement, the Company was paying $23,500 per month. This agreement was terminated effective March 31, 2015. It was agreed that $352,500 of the amount paid as an advisory fee would be repaid to the Company on or before June 30, 2016. This amount receivable had been rolled into the promissory note in note 18(i).

(iii) On November 1, 2015, The Company entered into a Management Agreement with Firm Capital Realty Partners Advisors Inc. (the "**Manager**"), an entity related to a director of the Company. Under the terms of the Agreement, the Manager provides a number of services to the Company, and is entitled to certain fees payable monthly, as follows:

a. **Asset Management Fee:** 0.75% of the Gross Invested Assets of the Company,
b. **Acquisition Fee:**
    i. 1.0% of the first $300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter
    ii. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.
c. **Performance Incentive Fees:** 15% of Adjusted Funds from Operation ("AFFO") once AFFO exceeds 8.0% of Net Asset Value ("**NAV**") per share.
d. **Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.
e. **Property Management Fees:**
    i. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;
    ii. Multi-unit residential properties with more than 120 units. 3.5% of Gross Revenue collected from the property.
    iii. Industrial or commercial property, 4.25% of Gross Revenue are collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property.
f. **Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not subject to a long-term listing agreement, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property.
g. **Commercial Leasing Renewal Fees:** Renewals of space leased on commercial terms (including lease renewals at the option of the tenant) which are handled exclusively by the Manager shall be subject to a 0.50% commission on the net rental payments for each year of the renewed lease. When a long-term listing agreement is in effect for leasing and marketing of space with a party other than the Manager, the Manager shall cooperate fully with the broker and the leasing fees will not be payable to the Manager.
h. **Construction Development Property Management Fees:** Where the Manager is requested by the Company to construct tenant improvements or to renovate same, or where the Manager is requested by the Company to construct, modify, or re-construct improvements to, or on, the Properties (collectively, "**Capital Expenditures**"), the Manager shall receive 5.0% of the cost of such Capital Expenditures, including the cost of all permits, materials, labour, contracts, and subcontracts; provided, however, that no such fee shall be payable unless the Capital Expenditures are undertaken following a tendering or procurement process wherein the total cost of such Capital Expenditures exceed $50,000.
i. **Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the Company's cash balances or Non-Performing Loans held by the Company, except that the Manager shall be entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Company's Mortgage Investments. The Manager will retain all overnight float interest and related loan servicing fees as charged such as advance fees, discharge statement fees, realty tax escrow account charges, late payment and dishonoured payment charge fees, and all other such fees as charged by a loan servicing agent. This will only apply to the Mortgage Investments of the Company.
j. **Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Company:
    i. 25% of all originating fees, commitment fees and renewal fees it receives from borrowers on mortgages it originates for the Company (prorated to reflect the Company's participation in the investment). The Manager will retain 100% of all originating fees, commitment fees, renewal fees and will remit 25% of such fees to the Company calculated on the Company's investment amount; and
    ii. 75% of any profit sharing, discharge fees, participation fees and profit made on discounted debt that the Mortgage Banker receives in respect of all Non-Conventional Mortgages and Special Profit Transactions it originates for the Company (with a 8.0%

annual preferential return to be given to the Company on the Company's investment amount prior to the Manager receiving its share of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.

k. **Term and Termination:** Initial term of ten years with automatic renewal for successive five year terms. The Company may terminate the Agreement any time after November 1, 2025 other than for cause upon the approval of two-thirds of the votes cast by shareholders at a meeting and upon 24 months prior written notice. Upon termination, the Company shall pay to the Manager the following:

   i. 2% of the Gross Invested Assets of the Properties and the Company's other assets; and
   ii. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "**Termination Payment**").

For the year ended December 31, 2017, the Company has accrued and/or paid approximately $1,009,794 (December 31, 2016 - $813,855) in the form of asset, property, loan servicing, acquisition, placement and construction development property management fees. The Company has accrued $708,291 (December 31, 2016 - $613,856) under this Management Agreement, which is included in accounts payable and accrued liabilities.

Key management compensation

Key management personnel are comprised of the Company's directors and executive officers. Key management personnel compensation is as follows:

	December 31, 2017	December 31, 2016
	$	$
Salaries, incentives, short-term benefits and board fees	198,000	181,974
	198,000	181,974

19. Assets held for sale

As at December 31, 2017, the Company had 160 single family homes comprised of 227 units (December 31, 2016 – 449 units) located in Florida, Georgia and New Jersey. The Company has classified the single family units as held for sale as the Company is actively marketing and intends to sell these properties within one year.

	December 31, 2017	December 31, 2016
	$	$
Balance, beginning of year	24,911,959	29,544,629
Transfers from investment properties (note 4)	4,100,000	9,588,050
Building Improvements	1,027,972	161,936
Dispositions	(15,078,192)	(10,941,219)
Fair value adjustments to assets held for sale	1,057,918	(3,441,437)
Balance, end of year	16,019,657	24,911,959
Liabilities		
Accounts payable and other liabilities	273,201	286,673
Liabilities related to assets held for sale	273,201	286,673

During the year ended December 31, 2017, the Company completed a disposition of its entire Florida mini-multi portfolio for gross cash proceeds (before transaction costs) of approximately $4.2 million. As a result, the Company valued these properties at their net forecasted cash proceeds and reclassified them to assets held for sale.

The net cash flows associated with discontinued operations are as follows:

	December 31, 2017	December 31, 2016
	$	$
Operating activities	759,238	(1,485,407)
Investing activities	14,216,026	10,779,283
Net cash inflow	14,975,264	9,293,876

20. Provisions

As at December 31, 2017, the Company had recorded a liability relating to outstanding fines and penalties relating to liens totaling $Nil (December 31, 2016 - $40,034) placed by municipal authorities relating to various code violations pertaining to some of the Florida investment properties.

21. General and administrative.

	Years Ended December 31,	
	2017	2016
	$	$
General and administrative	1,311,236	1,075,132
Salaries and wages	145,238	649,215
Total	1,456,474	1,724,347

22. Deferred share units

On March 31, 2015, the Company adopted a deferred share unit (“DSU”) plan. Under the terms of the plan, any units issued must be issued at a share price which is a minimum of the volume weighted average trading price of the shares on the TSXV for the five days trading immediately preceding the date on which DSUs are granted. Dividend equivalents are awarded in respect of DSU holders on the same basis as shareholders, and credited to the DSU holders account as additional DSUs. The maximum DSUs which may be awarded under the DSU plan shall not exceed 10% of the issued and outstanding common shares. The DSU plan is designed such that the board may elect to pay out the DSUs in either cash or common shares of the Company.

23. Segmented information

The Company defines its reportable segments based on geographical locations and on asset types including single family buildings, multi-family buildings, equity investments and corporate. The segmented information based on geographical and asset types are outlined below. Note that the reportable segment of single family homes also represents the Company’s discontinued operations:

Note: *New York Tri State Area defined as New York, New Jersey and Connecticut.

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
Year Ended December 31, 2017	$	$	$	$	$	$	$
Rental revenue	1,154,735	2,799,775	-	816,260	1,858,452	-	6,629,221
Operating costs	(199,924)	(1,071,941)	-	(235,008)	(342,150)	-	(1,849,023)
Utilities	(91,203)	(289,937)	-	(139,042)	(118,838)	-	(639,020)
Property taxes	(193,557)	(369,226)	-	(227,728)	(234,509)	-	(1,025,020)
Net rental income	670,051	1,068,671	-	214,481	1,162,955	-	3,116,158
Income From equity investments	-	-	120,798	299,481	-	-	420,279
Income from preferred capital investments	-	-	-	28,575	-	-	28,575
General and administrative	-	-	-	-	-	(1,456,474)	(1,456,474)
Professional fees	-	-	-	-	-	(130,027)	(130,027)
Finance costs	-	-	-	-	-	(3,032,620)	(3,032,620)
Depreciation and amortization	-	-	-	-	-	(19,371)	(19,371)
Segment income (loss) from operations	670,051	1,068,671	120,798	542,537	1,162,955	(4,638,492)	(1,073,480)
Foreign exchange gain	-	-	-	-	-	278,039	278,039
Fair value adjustments of properties	2,178,878	1,467,796	-	(474,072)	(238,975)	-	2,933,626
Share based compensation	-	-	-	-	-	(483,651)	(483,651)
Gain on disposition of investment properties	-	117,945	-	-	-	-	117,945
Fair value gain on derivative financial instruments	-	-	-	-	-	34,179	34,179
Net income (loss) before income taxes	2,848,929	2,654,412	120,798	68,465	923,980	(4,809,925)	1,806,658
Income tax (recovery)/expense (note 24)	753,233	703,419	32,011	18,143	244,855	(1,274,630)	477,031
Net income (loss) for the period	2,095,696	1,950,993	88,787	50,322	679,125	(3,535,295)	1,329,627

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
Year Ended December 31, 2016	$	$	$	$	$	$	$
Rental revenue	1,371,442	3,166,076	-	1,113,928	1,868,888	-	7,520,334
Operating costs	(1,101,124)	(1,609,132)	-	(764,627)	(370,745)	-	(3,845,628)
Utilities	(36,658)	(338,924)	-	(183,973)	(112,605)	-	(672,160)
Property taxes	(258,149)	(588,699)	-	(282,095)	(215,690)	-	(1,344,633)
Net rental income	(24,489)	629,320	-	(116,767)	1,169,848	-	1,657,913
Income from equity investments	-	-	-	19,136	-	-	19,136
General and administrative	-	-	-	-	-	(1,724,347)	(1,724,347)
Professional fees	-	-	-	-	-	(242,972)	(242,972)
Finance costs	-	-	-	-	-	(3,834,301)	(3,834,301)
Depreciation and amortization	-	-	-	-	-	(17,117)	(17,117)
Segment income (loss) from operations	(24,489)	629,320	-	(97,631)	1,169,848	(5,818,737)	(4,141,688)
Foreign exchange gain	-	-	-	-	-	31,409	31,409
Fair value adjustments of properties	(1,024,348)	(633,351)	-	(719,668)	1,579,640	-	(797,727)
Gain on disposition of property and equipment	-	-	-	-	-	8,295	8,295
Loss on early extinguishment of debt	-	-	-	-	-	(454,105)	(454,105)
Share based compensation	-	-	-	-	-	18,013	18,013
Fair value gain on derivative financial instruments	-	-	-	-	-	67,120	67,120
Loss on conversion of debentures	-	-	-	-	-	(902,353)	(902,353)
Net income (loss) before income taxes	(1,048,837)	(4,031)	-	(817,299)	2,749,488	(7,050,358)	(6,171,037)
Income tax (recovery)/expense (note 24)	(474,657)	(1,824)	-	(369,873)	1,244,296	(687,777)	(289,835)
Net income (loss) for the period	(574,180)	(2,207)	-	(447,426)	1,505,192	(6,362,581)	(5,881,202)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
As at December 31, 2017							
Total current assets	12,223,687	1,185,822	-	4,493,287	397,851	6,578,468	24,879,115
Total non-current assets	-	23,758,972	1,025,929	14,182,515	18,893,010	10,121	57,870,547
Total liabilities	(4,054,200)	(8,157,479)	-	(147,534)	(7,204,417)	(14,440,937)	(34,004,567)

	Georgia	Florida	Maryland	New York Tri State Area*	Texas	Corporate	Total
As at December 31, 2016							
Total current assets	15,049,910	4,882,650	-	6,644,182	302,784	5,834,661	32,714,187
Total non-current assets	-	25,721,050	-	6,104,137	18,950,667	49,960	50,825,814
Total liabilities	(3,977,777)	(8,468,422)	-	(236,768)	(7,291,590)	(28,857,995)	(48,832,552)

	Single	Multi-Family	Preferred Capital Investments	Equity Investments	Corporate	Total
Year Ended December 31, 2017	$	$			$	$
Rental revenue	2,083,106	4,546,115	-	-	-	6,629,221
Operating costs	(677,822)	(1,171,201)	-	-	-	(1,849,023)
Utilities	(249,093)	(389,927)	-	-	-	(639,020)
Property taxes	(397,212)	(627,808)	-	-	-	(1,025,020)
Net rental income	758,979	2,357,179	-	-	-	3,116,158
Income From equity investments	-	-	-	420,279	-	420,279
Income from preferred capital investments	-	-	28,575	-	-	28,575
General and administrative	-	-	-	-	(1,456,474)	(1,456,474)
Professional fees	-	-	-	-	(130,027)	(130,027)
Finance costs	-	-	-	-	(3,032,620)	(3,032,620)
Depreciation and amortization	-	-	-	-	(19,371)	(19,371)
Segment income (loss) from operations	758,979	2,357,179	28,575	420,279	(4,638,492)	(1,073,480)
Foreign exchange gain	-	-	-	-	278,039	278,039
Fair value adjustments of properties	1,071,649	1,861,977	-	-	-	2,933,626
Share based compensation	-	-	-	-	(483,651)	(483,651)
Gain on disposition of investment properties	-	117,945	-	-	-	117,945
Fair value gain on derivative financial instruments	-	-	-	-	34,179	34,179
Net income (loss) before income taxes	1,830,628	4,337,101	28,575	420,279	(4,809,925)	1,806,658
Income tax (recovery)/expense (note 24)	483,383	1,149,332	7,572	111,374	(1,274,630)	477,031
Net income (loss) for the period	1,347,245	3,187,769	21,003	308,905	(3,535,295)	1,329,627

	Single	Multi-Family	Preferred Capital Investments	Equity Investments	Corporate	Total
Year Ended December 31, 2016	$	$	$	$	$	$
Rental revenue	2,903,672	4,616,662	-	-	-	7,520,334
Operating costs	(2,906,933)	(938,695)	-	-	-	(3,845,628)
Utilities	(322,213)	(349,947)	-	-	-	(672,160)
Property taxes	(768,472)	(576,161)	-	-	-	(1,344,633)
Net rental income	(1,093,947)	2,751,859	-	-	-	1,657,912
Income From equity investments	-	-	-	19,136	-	19,136
General and administrative	-	-	-	-	(1,724,347)	(1,724,347)
Professional fees	-	-	-	-	(242,972)	(242,972)
Finance costs	-	-	-	-	(3,834,301)	(3,834,301)
Depreciation and amortization	-		-	-	(17,117)	(17,117)
Segment income (loss) from operations	(1,093,947)	2,751,859	-	19,136	(5,818,737)	(4,141,689)
Foreign exchange gain	-	-	-	-	31,409	31,409
Fair value adjustments of properties	(3,441,437)	2,643,710	-	-	-	(797,727)
Gain on disposition of property and equipment	-	-	-	-	8,295	8,295
Loss on early extinguishment of debt	-	-	-	-	(454,105)	(454,105)
Share based compensation		-	-	-	18,013	18,013
Fair value gain on derivative financial instruments	-	-	-	-	67,120	67,120
Loss on conversion of debentures	-	-	-		(902,353)	(902,353)
Net income (loss) before income taxes	(4,535,384)	5,395,569	-	19,136	(7,050,358)	(6,171,037)
Income tax (recovery)/expense (note 24)	143,613	253,430	-	899	(687,777)	(289,835)
Net income (loss) for the period	(4,678,997)	5,142,139	-	18,237	(6,362,581)	(5,881,202)

	Single	Multi-Family	Preferred Capital Investments	Equity Investments	Corporate	Total
As at December 31, 2017						
Total current assets	17,077,327	1,223,320	-	-	6,578,468	24,879,115
Total non-current assets	-	42,651,982	2,513,990	12,694,453	10,121	57,870,547
Total liabilities	(4,215,035)	(15,348,595)	-	-	(14,440,937)	(34,004,567)

	Single	Multi-Family	Preferred Capital Investments	Equity Investments	Corporate	Total
As at December 31, 2016						
Total current assets	25,874,206	1,005,320	-	-	5,834,661	32,714,187
Total non-current assets	-	44,671,717	-	6,104,137	49,960	50,825,814
Total liabilities	(4,525,198)	(15,449,359)	-	-	(28,857,995)	(48,832,552)

24. Income Taxes

(a) Income tax expense

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 26.5% to the effective tax rates for the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
	$	$
Net income/(loss) before adjustments	1,806,658	(6,171,037)
Expected income tax recovery	478,764	(1,635,325)
Difference in foreign tax rates	(8,335)	(659,836)
Tax rate changes and other adjustments	(306,570)	(700,270)
Permanent differences	(211,130)	251,264
Unrealized foreign exchange	(249,923)	11,763
Changes in tax benefits not recognized	774,226	2,442,569
Income tax (recovery)/expense	477,031	(289,835)
Income tax recovery from continuing operations	(6,352)	(433,448)
Income tax expense from discontinued operations	483,383	143,613
Income tax (recovery)/expense	477,031	(289,835)

(b) Deferred taxes

The following table summarizes the components of recognized deferred taxes:

	December 31, 2017	December 31, 2016
Deferred tax assets	$	$
Other Assets	31,323	37,584
Non-capital losses carried forward	6,468,476	6,537,126
	6,499,798	6,574,710
Deferred tax liabilities		
Assets held for sale and investment properties	(7,203,722)	(6,440,406)
Equity investment	152,280	(7,215)
Notes payable and mortgages	1	(35,851)
Convertible debenture	(102,829)	(268,679)
	(7,154,270)	(6,752,151)
Net deferred income tax liabilities	(654,472)	(177,441)

Movement in net deferred tax liabilities:

	December 31, 2017	December 31, 2016
	$	$
Balance, beginning of year	(177,441)	(467,275)
Recognized in profit/loss	(477,031)	289,834
Balance, end of year	(654,472)	(177,441)

(c) Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible differences:

	December 31, 2017	December 31, 2016
	$	$
Capital losses carried forward - Canada	1,293,781	1,704,937
Non-capital losses carried forward - Canada	29,948,469	26,431,475
Share issuance costs	1,070,802	886,650
Other temporary differences	579,746	1,144,732

The non-capital loss carry forwards expire between 2026 and 2036. Share issuance costs will be fully amortized in 2021. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The company has unrecorded non-capital losses for US branch purposes of approximately $42.8 million which will expire between 2031 and 2037. However, as there is no future tax value expected to be realized from US branch losses, no deferred tax assets have been recognized for these loss carry-forwards.

25. Subsequent events

i. Single Family Home Sales

Subsequent to the quarter ended December 31, 2017, the Company closed sales on an additional 18 single family homes comprised of 20 units for gross proceeds of approximately $1.1 million (net proceeds of approximately $1.0 million).

ii. Debenture Repayment

Subsequent to the quarter ended December 31, 2017, the Company repaid approximately $1.5 million of the Debentures, leaving an outstanding balance of approximately $10.9 million.

iii. *Atlanta Single Family Homes*

Subsequent to the quarter ended December 31, 2017, the Company entered into a conditional contract with an unrelated third party to dispose of its entire portfolio of 120 single family homes located in Atlanta (the “Atlanta Portfolio”) for gross proceeds of approximately $10.6 million. The transaction is subject to customary closing conditions, including, but not limited to, financing conditions, and is expected to close in the second quarter of 2018.

iv. Dividend Payments

On January 15, 2018, dividends of $0.05625 per common share were accrued and paid to shareholders of record on December 31, 2017 resulting in total dividends of $344,681.

v. Supplemental Loan

On February 20, 2018, the Company closed the previously announced supplemental first mortgage loan of approximately $4.0 million from the existing lender on its multi-family residential property located in Sunrise, Florida with a fixed interest rate of approximately 5.8%, a term to maturity of approximately 4.6 years and co-terminous with the existing first mortgage loan, and a 30-year amortization period.

vi. Irvington, NJ Acquisition

On March 1, 2018, the Company acquired a multi-family residential portfolio in Irvington, New Jersey (the “NJ Portfolio”), comprised of 7 separate properties and 189 units in total (184 apartment units and 5 ground floor retail units). The NJ Portfolio was acquired by the Company (the “NJ Acquisition”) for a purchase price (excluding transaction costs) of approximately US$17.8 million. The NJ Acquisition was financed with 7 separate 20-year non-recourse first mortgage loans from a U.S. government-sponsored enterprise for approximately US$14.2 million at a weighted average interest rate of approximately 3.8% fixed for the first 5 years, with interest-only for the first 12 months, and a 30-year amortization period. The Company completed the NJ Acquisition through an investment of approximately US$3.4 million, for a 50% ownership interest in a joint venture with an unrelated third party.

vii. Houston, TX Acquisition

On March 1, 2018, the Company acquired a multi-family residential property in Houston, Texas (the "TX Property"), comprised of 12 buildings and 235 apartment units. The TX Property was acquired by the Company (the "TX Acquisition") for a purchase price (excluding transaction costs) of approximately US$15.3 million. The TX Acquisition was financed with a 10-year non-recourse first mortgage loan from a U.S. government-sponsored enterprise for approximately US$11.6 million, or approximately 76% loan-to-cost, at an interest rate of approximately 4.9% fixed for the 10-year term, with interest-only for the first 12 months, and a 30-year amortization period. The Company completed the TX Acquisition through an investment of approximately US$4.7 million, for a 50% ownership interest in a joint venture with an unrelated third party.

26. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation in these consolidated financial statements.