



## **PARKIT ENTERPRISE INC.**

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION FOR  
THE THREE MONTH PERIOD ENDED JANUARY 31, 2016



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This Management’s Discussion and Analysis (“MD&A”) is prepared as of March 29, 2016 and outlines the business strategy, risk profile, business outlook and analysis of financial performance and financial position of Parkit Enterprise, Inc. (“Parkit,” or “the Company”) for the period ended January 31, 2016 (“Q1 2016”). This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the period ended January 31, 2016.

This MD&A is based on financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). All dollar amounts are in millions of Canadian dollars (“CAD”), unless otherwise stated.

## SECTION 1

### FORWARD LOOKING STATEMENTS

Certain statements contained in this Management Discussion & Analysis (“MD&A”) constitute forward-looking statements. These statements reflect, among other things, management’s expectations regarding the Company and the Company’s business. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or event to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements are current only as of the date of the MD&A. The Company disclaims any obligation to publicly update or revise such statements to reflect any change in expectations, events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those in the forward looking statements, except as required by National Instrument 51-102.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- Establishment and expansion of business segments
- Capital and general expenditures;
- Projections of market prices and costs;
- Expectations regarding the ability to raise capital; and
- Treatment under governmental regulatory regimes.

Actual results could differ materially from those anticipated in this MD&A as a result of the risk factors set forth below and elsewhere in the MD&A:

- Liabilities inherent in our operations;
- Uncertainties associated with estimated market demand and sector activity levels;
- Competition for, among other things, capital, acquisitions and skilled personnel;
- Fluctuations in foreign exchange or interest rates and stock market volatility; and
- The other factors discussed under “Risk Factors”.

These factors should not be construed as exhaustive.



## NON-IFRS MEASURES

Certain terms used in the MD&A such as “Earnings Before Interest, Tax, Depreciation and Amortization” (“EBITDA”), “Net Operating Income” (“NOI”), Funds From Operations (“FFO”), “Yield”, “Occupancy”, “Gross Book Value”, “Appraised Value”, “Capitalisation (Cap) Rates”, “Investor Rate of Return” and any related per Unit amounts used by management to measure, compare and explain the operating results and financial performance of the Company are not recognized terms under IFRS, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. Management believes that these terms are relevant measures in comparing the Company’s performance to industry data, and the Company’s ability to earn cash from, and invest cash in parking real estate. These terms are defined in this MD&A. Such terms do not have standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publically traded companies.

EBITDA is a non-IFRS measure commonly used as a measurement tool in Canadian businesses. For the purposes of this MD&A, EBITDA is calculated as earnings determined under IFRS less amounts included for interest, taxes, depreciation and amortization included in the IFRS financial statements.

NOI is a non-IFRS measure commonly used as a measurement tool in real estate businesses. For the purposes of this MD&A, NOI is calculated as earnings determined under IFRS less amounts included for corporate expenses, other expenses, interest, taxes, depreciation and amortization included in the IFRS financial statements.



## SECTION 2

### BUSINESS OVERVIEW

Parkit Enterprise Inc. is an alternative real estate investment firm engaged in the acquisition, optimization, and asset management of income-producing parking facilities across the United States. As asset manager and investor, the Company has multiple sources of revenue (management fees, acquisition fees, and earnings in equity). Parkit will aggregate a large portfolio of assets, the market value of which will benefit from yield improvement and scale premium. Upon disposition, Parkit will realize capital gains and incentive distributions.

As a listed asset manager and investor, the combination of income streams and gains in intrinsic value (unrealized capital gains) provide Parkit shareholders a rare opportunity for leveraged returns alongside institutional private equity.

Following a transformative 2015, the Company’s primary asset and source of revenue became a 22% equity interest in OP Holdings JV LLC (“OP Holdings,” or “the joint venture”). The majority member of OP Holdings is Och-Ziff Real Estate (“Och-Ziff”), a division of an institutional asset manager with US\$45 billion in assets under management. OP Holdings will seek to acquire and aggregate US\$500 million of assets over a three to five year period. In addition, the Company holds an investment in Fly-Away Airport Parking, servicing the Nashville International Airport.

Parkit and its strategic partner, Parking Real Estate LLC (“PRE”), are responsible for the asset management activities of OP Holdings and Fly-Away Parking. PRE is comprised of senior executives at Propark America, Inc. (“Propark”), an established parking manager with a three-decade history of managing and developing parking facilities.

Parkit’s shares trade on the TSX-Venture Exchange under the symbol PKT, and the OTCQX under the symbol PKTEF.

Additional information related to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Trading History and Market Capitalization





## STRATEGIC DIRECTION

Parkit's investment strategy is to maximize shareholder value through growing income streams, and increasing the intrinsic value of portfolio assets. Investments provide income growth through management fees, incentive fees and returns on invested equity. Targeted acquisition will have 2% to 3% yield improvement potential, and portfolio scale will lead to aggregation premium, this will allow for aggregation premium on sale. Combined, these factors increase the Company's intrinsic value significantly over time. While Parkit's assets are not marked-to-market, and gains in intrinsic value are not recognized in the Company's financial statements, this value is ultimately monetized on disposition.

Management believes that a geographically diversified parking real estate portfolio possesses excellent potential to generate attractive risk-adjusted returns. On a macro level, both the improving fundamentals of the US economy and the continued strength of the US dollar should provide positive long-term benefits for shareholder value.

Parkit's primary investment is in a joint venture, OP Holdings, alongside with Och-Ziff Real Estate and Parking Real Estate LLC. This joint venture brings together best-of-class alternative real estate investment expertise and parking management expertise. Along with asset level debt financing, OP Holdings has access to sufficient equity capital to grow the portfolio.

As its initial contribution towards the joint venture, Parkit divested substantially all of its equity in Canopy Airport Parking, Denver and Espresso Airport Parking, Oakland, into OP Holdings. Concurrently, as part of a larger acquisition strategy, the joint venture invested in four additional assets, for a total asset value of \$82.6 million, assuming the full repayment of all associated conditional earn-outs.

Since acquisition, the yield on this portfolio has improved 1.5% through execution of our optimization strategies that continue to improve returns. As a result, management believes Parkit's intrinsic valuation is significantly more than its book value, and expects the gap to grow over time.

As with Fly-Away Airport Parking, Parkit will also acquire assets independent of OP Holdings, either outright or jointly, with the objective of incubating or optimizing assets for sale into the joint venture or elsewhere.

For further information visit the Company's website at [www.parkitenterprise.com](http://www.parkitenterprise.com).



## FINANCIAL AND OPERATIONAL HIGHLIGHTS

	January 31, 2016	January 31, 2015
<b>Summary of Company Financial Information</b>		
Profit from owned properties	-	383,594
Fee income	73,144	-
Share of profit from joint venture	244,778	260,682
Foreign Exchange gain	193,370	154,764
Expenses	<u>(363,100)</u>	<u>(392,166)</u>
<b>Profit</b>	<b>148,192</b>	<b>(406,874)</b>
<i>Profit attributable to non-controlling interest</i>	-	<i>(134,474)</i>
<b>Profit attributable to Parkit</b>	<b>148,192</b>	<b>272,400</b>
<b>Net asset value</b>	<b>16,637,511</b>	<b>1,725,719</b>

## SUMMARY OF SIGNIFICANT EVENTS

### ***Investment in OP Holdings exceeds optimization targets***

The Company has an investment in OP Holdings, a joint venture owning six US parking facilities. Parkit's investment has a book value of \$8.7 million, and generated income of \$260,000 for the three month period ended January 31, 2016. Although November to January represents the low season for these assets, the portfolio achieved record revenues for the period, and NOI of those assets increased 11.7% over the same period last year. This growth resulted in a 1.5% yield improvement since acquisition, well ahead of optimization improvements of 2% - 3% targeted for the life of the investment.

In addition, the investment generated cash of \$487,000 in Q1 2016. Total cash distributions of \$927,000 have been received during the term of this investment, and cash yield is anticipated to be in excess of 15% for the first year. Management believes this will continue to grow with further optimization expected.

### ***Nashville off-airport facility turn-around strategy implemented***

On October 30, 2015 the Company invested, through its joint venture PAVe LLC in Fly Away Airport Parking, Nashville. Management has made significant progress implementing a turn-around strategy for this asset, and despite a book loss of \$15,000 in the period, Fly-away continues to provide positive cash flows, and NOI. Significant progress has been made in implementing yield improvement strategies, and it is expected that this will result in significant growth in NOI over the balance of the year.



## SECTION 3

### SUMMARY OF OPERATIONS

Detailed Statements of Operations are contained in the condensed consolidated interim financial statements and notes for the three month period ended January 31, 2016. A summary of the results of operations for the three month period ended January 31, 2016 and 2015 are as follows:

	January 31, 2016	January 31, 2015
Property Revenue	-	\$ 2,803,095
Property operating expenses	-	<u>(1,752,649)</u>
Net profit	-	1,050,446
Mortgage interest	-	(246,101)
Depreciation	-	<u>(420,751)</u>
Profit from owned properties	-	383,594
Fee Income	73,144	-
Share of profit from joint venture	244,778	260,682
Corporate Expenses	(363,100)	(392,166)
Foreign exchange gain	<u>193,370</u>	<u>(154,764)</u>
<b>Profit/ (Loss)</b>	<b>148,192</b>	<b>406,874</b>
Profit allocated to non-controlling interests	-	(134,474)
<b>Profit attributable to Parkit</b>	<b>148,192</b>	<b>272,400</b>

Note: All revenues, operating expenses and share of profit from joint venture are in US dollars and translated to CAD dollars for the financial statements. Thus quarter on quarter comparisons are subject to variation in foreign exchange fluctuation.

The Company sold its consolidated property in Q2 2015, and therefore in Q1 2016 there is no profit from owned properties. Investments in owned properties were rolled into an investment in six properties through a joint venture vehicle, and are reported as share in profit from joint venture.

The Company continues to receive service fees as asset manager of the joint venture noted above. These fees were \$73,144 in the period (2015 – NIL).

For the period ended January 31, 2016, the Company recorded \$244,778 in book profits from joint ventures. \$260,067 was recorded from investment in OP Holdings whilst the investment in Fly-away provided a loss of \$15,289. The Company did not hold these investments in the comparative period. Q1 covers the low season for the parking assets, however the portfolio continues to perform strongly with trailing twelve month revenues and NOI increasing every month for the last nine months, and out-performing forecasts. For the same period, cash distributions of \$486,780 were received.

Corporate expenses decreased to \$363,100 (Q1 2015 - \$392,166). The following are included in corporate expenses:

- General and administrative expenses increased \$91,386. This includes professional fees that increased \$30,000 as a result of additional tax service billings related to the sale of Canopy and Espresso in the prior year. In Q1 2015, a one-time credit of \$24,000 is due to the write off of legal fees was recorded to general and administrative fees. This also includes travel expenses that increased \$13,000 as a result of increased investor relations activities in the period.
- Interest on short-term loans decreased to Nil (2015 – \$151,603). A short term loan of \$5,476,000 was repaid in Q2 2015, and not replaced, therefore no interest was recorded in the current period.
- Management salaries increased \$54,681. This reflects changes in salaries for fiscal 2016.



- Director’s fees increased \$18,900. There are three additional directors in Q1, 2016 compared to the same period last year.
- No share based payments were issued in the period compared to \$45,164 in Q1 2015 for the grant of 200,000 options to a new director.

## FINANCIAL POSITION

The following table presents consolidated information compared to the two most recently completed fiscal years:

	January 31, 2016	October 31, 2015	October 31, 2015
Current Assets	\$1,554,933	\$1,306,641	\$ 1,097,960
Long Term Investment	2,039,955	1,941,952	1,082,400
Equipment	20,179	22,054	29,554
Income Producing Property	-	-	15,581,319
Investment in Associate	4,871,362	4,708,364	-
Investment in Joint Venture	8,718,218	9,018,751	6,323,172
Total Assets	17,204,647	16,997,762	24,114,405
Current Liabilities	567,136	612,864	7,489,508
Long Term Liabilities	-	-	15,832,527
Total Liabilities	567,136	612,864	23,322,035
Equity (Deficiency)	16,637,511	16,384,898	792,370

Current assets are composed of \$1.4 million of cash and \$0.1 million of accounts receivable and deposits. The cash assets are retained by the corporate entity for operational expenses and future investment.

Long Term Investment represents advances of \$2.0 million (US \$1.6 million) made by Parkit to PRE for the purpose of funding the acquisition of future investments and income producing properties. The Company will receive US \$0.2 million per annum for three years with the balance to be repaid upon disposition of those investments or parking assets. This advance does not receive interest. The Company received repayments of \$45,000 in the period, offset by foreign exchange gains of \$150,000.

Investment in associate is the Company’s equity share of assets held in Green Park Denver, and represents the fair value of conditional consideration to be received from the sale of Canopy Airport parking. In the period the fair value increased \$0.16 million as a result of a decreasing discount period. The company is on target to receive the first earn-out on April 22, 2016. This will result in an increase in the investment in joint venture of approximately \$1.7 million with the balance being received as cash.

Investment in Joint Venture has decreased from \$9.0 million at the conclusion of 2015 to \$8.7 million as at January 31, 2016. This is as a result of \$0.2 million of book profit recorded using the equity method of accounting, offset by cash distributions of \$0.5 million. As cash distributions exceed book profits, the book value of this investment will decrease, however there has been no decrease in the underlying value of the properties. Properties in the portfolio are not marked-to-market, resulting in a gap between the book and intrinsic value of the properties. The erosion of book value due to excess cash distributions further increases this gap. There have been no indicators of impairment of the portfolio assets, and management believes that the intrinsic value of the properties is significantly higher than the carrying value as a result of improved yield, aggregation and the ability to achieve a premium price on the eventual sale.



There have been no significant changes to current liabilities compared to October 31, 2015.

## INVESTMENTS

**\*ALL INVESTMENTS ARE IN THE UNITED STATES. ALL RESULTS IN THE INVESTMENT SECTION DISCUSSION ARE IN US DOLLARS\***

### OP Holdings (Investment in Joint Venture)

OP Holdings is an investment vehicle that will seek to acquire and aggregate up to \$500 million in income producing parking assets. Parkit acquired a 22% membership in OP Holdings (through its PAVe joint venture) for \$6.2 million. The majority member of the joint venture is Och-Ziff Real Estate, a real estate private equity firm based in the United States. In addition to its equity membership, Parkit will serve as the entity's asset manager, alongside PRE.

OP Holdings has acquired six assets at an 8% cap rate, for a total of \$82.6 million, assuming full payment of associated conditional earn-outs. The initial property portfolio includes two assets in which Parkit held equity, Canopy and Espresso, as well as four additional facilities described below.

- 'Chapel Square' located in New Haven, Connecticut (Commercial/business district)
- 'Terra Park' located in Jacksonville, Florida Commercial/business district)
- 'Riccio Lot' located in New Haven, Connecticut (University and medical facility)
- 'Z Parking' located in East Granby, Connecticut (Bradley International Airport)

Going forward, Parkit will provide 5% of the equity component of future acquisitions made by OP Holdings.

In the period ended January 31, 2016, the Company received \$53,000 for management of the portfolio.

Equity earnings were \$189,000, compared to \$285,000 in the prior quarter, and \$256,000 in Q3 2015. Q1 is the low season for the parking assets in the portfolio, however revenues and NOI for the six assets was a record for the November to January period. Revenues increased over 2% compared to that period, with NOI increasing 11.7%. Comparing the trailing 12 month results as at January 31, 2016 for these assets, revenues increased 5.3% with NOI increasing 14.7%.

Over the term of investment, the Company has targeted yield optimization of 2% to 3%. This portfolio has achieved a yield optimization of 1.5% in the first nine months, and management is confident that targets will be surpassed in the near term, with room for continued growth over the next few years.

In addition, the investment generated cash of \$354,000. Total cash distributions of \$645,000 have been received during the term of this investment, and cash yield is anticipated to be in excess of 15% for the first year. Management believes this will continue to grow with further optimization expected.

A central component of the Parkit strategy is to realize capital gains on the assets. The Company does not fair value the assets in its portfolio. This disconnect occurs because the accounting rules that apply to controlled companies are materially different from those used in valuing marketable securities. The net result of this is an unrealized gain not captured on the statement of operations, or in the carrying value on the balance sheet. The carrying value is further reduced where cash distributions are in excess of book profits. These factors combine to provide a book value that Management believes is significantly lower than fair value, and provides a notable premium per-share intrinsic value for Parkit shareholders.



## Nashville Fly-Away Parking

On October 30, 2015, Parkit, through its joint venture PAVE LLC, acquired Fly Away Airport Parking, a 1,140 stall, 8.5 acre facility servicing the Nashville International Airport. The US\$ 8.0 million acquisition was completed with \$5.4 million of financing at LIBOR plus 230 basis points, amortizing for periods up to 25 years. In addition, \$1.2 million of vendor financing was utilized at 4% amortizing over 5 years. As at January 31, 2016 the company recorded a \$15,000 loss on investment, however significant progress has been made implementing improvements, and Management anticipates strong yield growth from optimization strategies and operational efficiencies through the life of this investment.

## SECTION 4

### LIQUIDITY AND CAPITAL RESOURCES

At January 31, 2016, the Company had working capital of \$987,797 (October 31, 2015 - \$693,777), and current liabilities of \$567,136 (October 31, 2015 - \$612,864). The working capital includes cash of \$1,436,490 (October 31, 2015 - \$1,237,061). The Company expects to settle existing liabilities through existing cash resources, and revenue generated from operations. The Company does not anticipate any additional debt or equity financings to fund current operations.

Management believes that based on its current cash flow projections, the Company will be able to meet its liquidity requirements for the foreseeable future.

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company has a commitment to contribute 5% of any capital call made by the joint venture. Capital calls will be made for the purpose of acquiring new parking real estate assets, capital expenditures at assets currently owned by the joint venture and at other times as the Joint Venture may require capital. Management estimates this commitment to be US \$7.5 million over 5 years.

There are no other sources of financing that the Company has arranged but not yet utilized.

### OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

### PROPOSED TRANSACTIONS

Unless otherwise mentioned in the Management's Discussion & Analysis there were no proposed transactions.

### OUTSTANDING SHARE DATA

As at the date of this report, the Company has 32,245,723 issued and outstanding common shares, 2,495,000 common share stock options outstanding, and 3,290,113 common share purchase warrants outstanding.



## SECTION 5

### SELECTED QUARTERLY INFORMATION

The following table sets forth the selected financial information of the Company on a consolidated basis for each of the eight most recent financial quarters (in thousands '000's):

Financial	January 31, 2016	October 31, 2015	July 31, 2015	April 30, 2015
Property Income*	\$ -	\$ -	\$ -	\$ 476
Gain from sale of assets*	-	-	-	26,130
Non-controlling interest*	-	-	-	(12,538)
Allocation of income for Parkit	-	-	-	14,068
Fee Income	73	69	69	-
Share of profit from joint venture	245	392	351	564
Expenses	(363)	(603)	(307)	(735)
Foreign exchange gain	193	281	771	(166)
Net profit/ (loss) for the period	148	139	884	13,729
Per Share – basic	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.43

Financial	January 31, 2015	October 31, 2014	July 31, 2014	April 30, 2014
Property Income (loss)*	\$ 355	\$ 686	\$ 578	\$ 178
Non-controlling interest*	(134)	(118)	(118)	(33)
	221	568	460	145
Share of profit from joint venture	273	150	-	-
Expenses	(347)	(818)	(238)	(368)
Share based compensation	45	-	(1,136)	-
Foreign exchange gain (loss)	154	115	(2)	-
Net profit/ (loss) for the period	256	16	(914)	(224)
Per Share – basic and diluted	\$ 0.02	\$ 0.00	\$ (0.03)	\$ (0.01)

\*consolidated

## SECTION 6

### RELATED PARTY TRANSACTIONS

#### Remuneration of directors and senior management

Senior management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. Remuneration below includes all amounts paid to Rick Baxter (CEO), Simon Buckett (CFO), Patrick Bonney (CIO), Joel Dumaresq (Chair), Pesach Goldman (Director), Robert Emri (Director), David Mullen (Director) and Bryan Wallner (Director). Senior management personnel include the Company's executive officers and members of the Board of Directors.



	January 31, 2016	January 31, 2015
Total for all senior management		
Short-term benefits	\$ 180,681	\$ 126,000
Share based payments	<u>-</u>	<u>-</u>
	180,681	126,000
Total for all directors		
Short-term benefits	31,500	12,600
Share based payments	<u>-</u>	<u>45,164</u>
	31,500	57,764
Total	\$ 212,181	\$ 183,764

#### *Short-term benefits*

In addition to fees paid to the non-executive chairman and non-executive directors, these amounts comprise, for executive directors and senior managers, management fees and benefits earned during the period, plus cash bonuses awarded for the period.

#### *Share based payments*

This is the cost to the Company of senior management’s participation in share-based payment plans, as measured by the fair value of options accounted for in accordance with IFRS 2 ‘Share-based Payments’.

The following balances were owing to directors and senior management:

	January 31, 2016	October 31, 2015
Short Term benefits	\$ 211,667	\$ 160,000
Expenses	10,758	-
Total	222,425	160,000

## SECTION 7

### SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in Notes 2 and 3 of the Company’s Consolidated Financial Statements for the year ended October 31, 2015.

#### **New accounting policies**

##### Contingent consideration receivable

An earnings-based contingency meets the definition of a financial assets as it represents a contractual right to receive cash or other financial assets. As the underlying earning-based variable is a financial variable that meets the definition of a derivative, the Company accounts for the contingent consideration receivable as a derivative and



classifies it as financial assets fair value asset held for sale. Gains in fair value are recorded as other comprehensive income.

The contingent consideration receivable is recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations under fair value adjustments.

### **Critical judgments and estimates in applying accounting policies**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgement uncertainty that management has made at the end of the reporting period may result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made.

The following highlights some of the key estimates, judgements and policies applied by the Company:

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts and valuations of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period reported. Management uses its best estimates for these purposes, based on assumptions that it believes reflect the most probable set of economic conditions and planned courses of action. While actual results could differ materially from these estimates, and other than as described below in the fair value of the contingent consideration receivable, no specific sources of estimation uncertainty have been identified by management that are believed to have a significant risk of resulting in a material adjustment within the next financial year to the carrying amount if the Company's assets and liabilities as recorded at January 31, 2016.

#### **(a) Judgements**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the condensed consolidated interim financial statements:

##### *Accounting for subsidiaries and joint arrangements*

On April 22, 2015, the Company entered into a transaction with an affiliate of Och-Ziff Real Estate ("Och-Ziff"), a real estate private equity firm based in the United States and PRE LLC ("PRE"). As a result of the transaction, the Company has shareholding and membership units in three newly created companies – Parking Ventures (US). Ltd ("PV"), PAVe Admin LLC ("PAVe Admin") and Parking Acquisition Ventures LLC ("PAVe LLC").

The Company has determined that it controls and consolidates the subsidiaries in which it owns a majority of the shares. The Company owns 100% of PV through its wholly owned subsidiaries Greenswitch Canada Inc. and Greenswitch America Inc.

PAVe Admin LLC is owned and managed by the Company and PRE LLC, each of which has a 50% ownership interest. The operating agreement of PAVe Admin requires relevant activities of PAVe Admin be made with unanimous consent from both the Company and PRE.

PAVe LLC is managed by PAVe Admin LLC. Through its role as manager of PAVe LLC, PAVe Admin has power and control over PAVe LLC as it is exposed and has rights to variable returns from its involvement. In addition the Company has investment units entitling it to economic distributions. These units do not carry any control or



management rights. The Company has determined that it could also exercise joint control with PRE over PAVe LLC as managers of PAVe Admin.

The Company has determined that it does not control the above two investments as investees as the ownership and power is shared with PRE. These investments are accounted for as joint arrangements. The joint arrangements are separately incorporated. It is determined that the joint arrangements are separate from the Company as the Company has no interest in the individual assets and obligations of the joint arrangements. The Company has (after considering the structure and form of the arrangements, the terms agreed by the parties in the contractual arrangements and the Company's rights and obligations arising from the arrangements) classified its interests as joint ventures in accordance with IFRS 11. It accounts for these investments using the equity method. The two investments have different class of membership units. The entitlements to distributions from these investments are different among each class. Accordingly, the Company has determined that it will equity account for its economic share of interest in these investments rather than its equity participation.

(b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

*Contingent Consideration Receivable*

Estimates are required in respect of the amount of contingent consideration receivable on disposals, which is determined according to formulae agreed at the time of the disposal and is normally related to the future earnings of the disposed business. Contingent consideration receivable on disposals is valued at fair value at the disposal date. As the contingent consideration receivable meets the definition of a financial asset and management accounts for the accounts for the contingent consideration as a derivative, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on the discounted value of anticipated future receipts. The key assumptions take into consideration the probability of meeting each performance target, level of future profits of the disposed business and the discount factor.

The following are the key assumptions taken into consideration to determine the fair value as at January 31, 2016:

- Probability of meeting performance target: 90%
- Discount factor: 10%

**Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. The Company's presentation currency is the Canadian dollar. The principal subsidiaries of the Company as at January 31, 2016 and January 31, 2015 were as follows:



Name of Subsidiary	Place of Incorporation	Percentage Ownership January 31, 2016	Percentage Ownership January 31, 2015	Principal Activity	Functional Currency
Greenswitch Capital Ltd.	Canada	100%	100%	Holding	CAD
Greenswitch America Inc.	USA	100%	100%	Holding	US
Parking Ventures (US). Ltd	USA	100%	-	Holding	US
Green Park Denver LLC	USA	-	40.6%	Operator of Canopy	US

Intercompany assets and liabilities, equity, income, expenses, and cash flossed between the Company and its subsidiaries are eliminated.

These consolidated financial statements also include the following investments in affiliates that are accounted for using the equity method:

Name of Affiliate	Place of Incorporation	Percentage Ownership January 31, 2016	Percentage Ownership January 31, 2015	Principal Activity	Functional Currency
880 Doolittle Dr, LLC	USA	50%	50%	Operator of Espresso	US
PAVe Admin LLC	USA	50%	-	Administrator of PAVe LLC	US
PAVe LLC	USA	50%	-	Member/ Administrator of OP Holdings LLC	US
Green Park Denver LLC	USA	40.6%	-	Operator of Canopy	US

## SECTION 8

### RISKS AND UNCERTAINTIES

#### Liquidity Concerns and Future Financing Requirements

We may require additional financing in order to fund our businesses or business expansion. Our ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as our business success. There can be no assurance that we will be successful in our efforts to arrange additional financing on terms satisfactory to us. If additional financing is raised by the issuance of shares from treasury, control of the Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to operate our businesses at their maximum potential, to expand, to take advantage of other opportunities, or otherwise remain in business.

#### General Economic Factors



The willingness of airline passengers to spend money on parking instead of using sources of public transit may be dependent upon general economic conditions. Additionally, if general economic forces lag there is a possibility that air transport demand will decrease thereby directly affecting demand for airport related parking facilities.

### Competition

The parking facilities compete with other parking facilities and results are affected by availability of other facilities servicing the same geographic region. The proximity of competitors that will have an impact on operations varies between different categories of parking (off-airport, stadium, central business district etc).

### Future Acquisitions

As part of our business strategy, we may seek to grow by acquiring companies, assets or establishing business relations that we believe will complement our current or future business. We may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel or acquire assets for our business. We cannot guarantee that we can complete any acquisition we pursue on favourable terms, or that any acquisitions completed will ultimately benefit our business.

### Industry Regulation

There can be no assurances that we may not be negatively affected by changes in United States, Canadian federal, provincial or other legislation, or by any decisions or orders of any governmental or administrative body or applicable regulatory authority.

Our operations are governed by a broad range of federal, state, provincial and local environmental, health and safety laws and regulations, permits, approvals, common law and other requirements that impose obligations relation to, among other things: worker health and safety. As such there are potential liability risks (including potential civil actions, compliance or remediation orders, fines and other penalties) with respect to certain aspects of our businesses.

### Conflicts of Interest

Certain of our directors and officers are, and may continue to be, involved in consulting activities outside of their roles with the Company. Situations may arise where the other interests of these directors and officers may conflict with our interests. Directors and officers of the Company with conflicts of interest will be subject to and follow the procedures set out in applicable corporate and securities legislation, regulation, rules and policies.

### Dependence on, and Protection of, Key Personnel

We depend on the continued support and involvement of our directors and officers to develop our business and operations, and the services of our key technical, sales, marketing and management personnel. The loss of any of these key persons could have a material adverse effect on our business, our results of operations, our ability to implement our business plans, and our financial condition. Our success is also highly dependent on our continuing ability to identify, hire, train, motivate and retain highly qualified technical, sales, marketing and management personnel. Competition for such personnel can be intense, and we cannot provide assurance that we will be able to attract or retain highly qualified personnel in the future. Our inability to attract and retain highly qualified technical, sales, marketing and management personnel may adversely affect our future growth and profitability. It may be necessary for us to increase the level of compensation paid to existing or new employees to a degree that our operating expenses could be materially increased. We do not currently maintain corporate life insurance policies on key employees.

### Currency Fluctuations



Our revenue is earned in U.S. dollars, and our operating expenses are incurred in Canadian and U.S. dollars. Fluctuations in the exchange rate between the U.S. and Canadian dollar may have a material adverse effect on our business, financial condition and operating results.

## SECTION 9

### CONTROLS AND PROCEDURES

For the purposes of National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, the Company is a Venture Issuer and has made no representations relating to the design and evaluations of the disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") and it has not completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.