Financial statements of

CareVest Mortgage Investment Corporation

January 1, 2013 and December 31, 2012

CareVest Mortgage Investment Corporation
January 1, 2013 and December 31, 2012

Table of contents

Deloitte.

Deloitte LLP
700, 850 - 2nd Street SW
Calgary AB T2P 0R8
Canada

Tel: (403) 267-1700
Fax: (403) 213-5791
www.deloitte.ca

Independent Auditor's Report

To the Directors of
CareVest Mortgage Investment Corporation

We have audited the accompanying financial statements of CareVest Mortgage Investment Corporation, which comprise the statements of financial position as at January 1, 2013 and December 31, 2012 and the statements of changes in equity and cash flows for the period from the date of incorporation, November 2, 2012 to December 31, 2012 and for the one day period ended January 1, 2013 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CareVest Mortgage Investment Corporation as at January 1, 2013 and December 31, 2012 and its cash flows for the period from the date of incorporation, November 2, 2012 to December 31, 2012 and for the one day period ended January 1, 2013 in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
May 3, 2013

CareVest Mortgage Investment Corporation

Statements of changes in equity
for the one day period ended January 1, 2013 and for the period ended December 31, 2012
(In Canadian dollars)

	Capital stock	Retained earnings	Total
	$	$	$
Balance, November 2, 2012	**-**	**-**	**-**
Issuance of shares (Note 9)	99	-	99
Balance, December 31, 2012	**99**	**-**	**99**
Issuance of shares (Note 9)	320	-	320
Amalgamation of retained earnings	-	6,067,606	6,067,606
Balance, January 1, 2013	**419**	**6,067,606**	**6,068,025**

See accompanying notes to the financial statements.

CareVest Mortgage Investment Corporation

Statements of financial position
as at January 1, 2013 and December 31, 2012

(In Canadian dollars)

	2013	2012
	$	$
Assets		
Cash (Note 6)	**7,156,005**	99
Accounts receivable	**10,816**	-
Mortgages receivable - net of allowance (Note 7)	**233,069,089**	-
Inventory (Note 8)	**7,362,199**	-
Investments (Note 11)	**276,284**	-
Other assets	**36,566**	-
Prepaid expenses and deposits	**34,714**	-
Deferred income taxes (Note 12)	**6,085,780**	-
	254,031,453	99
Liabilities		
Accounts payable and accrued liabilities	**695,338**	-
Dividends payable	**227,493**	-
Class A shares (Note 10)	**247,040,597**	-
	247,963,428	-
Shareholders' equity		
Capital stock (Note 9)	**419**	99
Retained earnings	**6,067,606**	-
	6,068,025	99
	254,031,453	99

Approved by the Board

"Roy Goddard", Director

"Mike Helfer", Director

See accompanying notes to the financial statements.

CareVest Mortgage Investment Corporation

Statements of cash flows
for the one day period ended January 1, 2013 and for the period ended December 31, 2012
(In Canadian dollars)

	2013	2012
	$	$
Investing activities		
Assets acquired on amalgamation		
Accounts receivable	**(10,816)**	-
Mortgages receivable (Note 7)	**(233,069,089)**	-
Inventory (Note 8)	**(7,362,199)**	-
Investments (Note 11)	**(276,284)**	-
Other assets	**(36,566)**	-
Prepaid expenses and deposits	**(34,714)**	-
Deferred taxes	**(6,085,780)**	-
Accounts payable and accrued liabilties	**695,338**	-
Dividends payable	**227,493**	-
Shareholder contribution acquired on amalgamation	**6,067,606**	-
	(239,885,011)	-
Financing activities		
Issuance of Class A shares (Note 10)	**247,040,597**	-
Issuance of capital stock (Note 9)	**320**	99
	247,040,917	99
Increase in cash	**-**	99
Cash acquired on amalgation	**7,155,906**	-
Cash, beginning of period	**99**	-
Cash, end of period (Note 6)	**7,156,005**	99

See accompanying notes to the financial statements.

1. Nature of operations

CareVest Mortgage Investment Corporation (the "Company") was incorporated under the Canada Business Corporations Act on November 2, 2012. On January 1, 2013 CareVest Second Mortgage Investment Corporation ("CV 2nd"), CareVest Blended Mortgage Investment Corporation ("CV Blended"), CareVest Capital Blended Mortgage Investment Corp. ("CC Blended"), Canadian Horizons Blended Mortgage Investment Corporation ("CH Blended"), and CareVest Mortgage Investment Corporation ("CV MIC"), together "the Amalgamated Entities", were amalgamated to form the Company's current structure. The Company's year-end is December 31. The address of the registered office and principal place of business is Suite 900, 645 - 7th Avenue S.W. Calgary, Alberta T2P 4G8.

The Company operates as a mortgage investment corporation, carrying on the business of investing directly or indirectly in mortgages granted as security for loans to builders, developers and owners of commercial, industrial and residential real estate located in various provinces of Canada.

The Company invests in first mortgages originated, structured, advanced and administered by CareVest Capital Inc. ("CCI") either directly or indirectly through licensed service providers, under an agreement with CCI. Under this agreement, CCI is entitled to percentage of the outstanding aggregate principal balance of all such mortgage loans, paid to CCI as a mortgage brokerage fee.

From the date of incorporation on November 2, 2012 to January 1, 2013 the Company did not carry on business or have operations. The financial statements were approved by the directors, Mr. Roy Goddard and Mr. Mike Helfer, and authorized for issue on May 3, 2013.

2. Basis of presentation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's accounting policies and the financial information presented are consistent with the recommendations of the IASB.

Basis of preparation

The financial statements have been prepared on a going concern basis and measured at historical cost except for financial instruments classified as fair value through profit or loss, which are measured at fair value. These financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. Historical cost is based on the fair value of the consideration given in exchange at the transaction date.

General

The Company's financial statements are prepared using the significant accounting policies described in Note 3. These policies have been applied throughout the period unless otherwise stated.

Changeover from Canadian generally accepted accounting principles

Prior to amalgamation, for the period from the date of incorporation, November 2, 2012 to December 31, 2012 the financial statements of the Company were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Upon amalgamation, the financial statements represent the first financial statements of the Company prepared in accordance with IFRS, as issued by the IASB. The first date at which IFRS was applied was November 2, 2012 ("Transition Date"). On adoption of IFRS, the accounting policies of the Company were altered as necessary to ensure consistency with the policies of IFRS. Effects of the transition are described in Note 15.

3. Significant accounting policies

Amalgamation

Prior to amalgamation, the Amalgamated Entities were all under common control, therefore the amalgamation was excluded from the scope of IFRS 3 – Business Combinations. Using the hierarchy in IAS 8 – Accounting Polices, Changes to Accounting Estimates and Errors, such guidance resulted in the common control transaction being accounted for by the Company recording the transaction at the carrying amounts of the Amalgamated Entities.

Cash

The Company's policy is to disclose bank deposit balances under cash, including cash held in trust by Canadian Horizons Settlement Corp ("CH Settlement Corp").

Inventory

Inventory includes all costs associated with the acquisition of the lands, its development, and all directly attributable costs to bring the land to being substantially complete and ready for sale. Inventory is stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price of the completed projects less all estimated costs of completion and costs necessary to make the sale. Borrowing costs cease to be capitalized when there is no further associated developmental activity.

Revenue recognition

The Company purchases fully serviced mortgage investments from CCI. Interest income is accounted for on an accrual basis and is measured at the fair value of the consideration received or receivable.

Finance income

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company (while mortgages are in good standing) and the amount of revenue can be measured reliably. Interest revenue is accrued on a timely basis, by reference to the principal outstanding balance and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Upon impairment of a mortgage receivable, subsequent interest income is recorded using the rate of interest used to discount the future cash flows in measuring impairment.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. Significant accounting policies (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of a past event, if 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 (where the effect of the time value of money is material).

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. Provisions are not recognized for future operating losses.

Financial instruments

Financial assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company has classified its financial assets as follows:

Cash	Loans and receivables
Investments	Available for sale
Accounts receivable	Loans and receivables
Mortgages receivable	Loans and receivables

Financial assets - available for sale

Financial instrument classified as available for sale are originally recorded at fair value. As there is no tradable market for the financial instruments, subsequent measurement is recorded at cost.

3. Significant accounting policies (continued)

Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of financial assets and liabilities 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.

Loans and receivables

Cash, accounts receivable and mortgages receivable, that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets recorded at amortized costs

At each reporting date, the Company assesses whether there is any evidence that a financial asset or group of financial assets is impaired. The Company reviews the carrying amounts of its financial assets recorded at amortized costs, including mortgages receivable to determine whether there is objective evidence that those financial assets have suffered an impairment loss. A financial asset, or group of financial assets, is impaired when objective evidence demonstrates that the estimated future cash flows for the financial asset or group of financial assets have been negatively impacted. Objective evidence that a financial asset is impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower on interest and principal repayments, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, or other observable data which indicates that there is a measureable decrease in the estimated cash flows.

Impairment of cash, accounts receivable and mortgages receivable

If an impairment loss has occurred, the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in profit and loss and classified as a financing expense. Interest revenue continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The total amount to be realized as interest revenue is equal to the difference between the present value of the future cash flows of the mortgage and the non-discounted value, resulting in this portion of the loss being accreted back into income through the recording of interest revenue. The interest revenue is classified as finance income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

If, in subsequent reporting period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If an impairment is later recovered, the recovery is credited to profit and loss and classified as financing income.

3. Significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets

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. A transfer is considered to have occurred if the Company transfers the contractual rights of the cash flows, or if it retains the rights to the contractual cash flows, but assumes an obligation to pay these cash flows to another recipient. If it is determined that the Company has transferred a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the Company will derecognize it. If the entity retains substantially all the risks and rewards of ownership of the financial asset, the Company will continue to recognize the asset. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

Financial liabilities - classification as debt or equity

Equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. The Company has classified non-voting preferred shares redeemable at the option of the holder as liabilities.

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. 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 has classified its financial liabilities as follows:

Accounts payable and accrued liabilities	Other financial liabilities
Dividends payable	Other financial liabilities
Class A shares	Other financial liabilities

Equity

Capital stock is recorded at the value of the shares issued. Costs directly related to the issuance of shares are reported as a reduction from equity, net of any tax effects.

Retained earnings include the earnings from the Amalgamated Entities and current period earnings from the Company.

Dividends are included under liabilities in the period in which the dividend is declared and approved by the Board of Directors, until they are paid by the Company.

Class A shares

Class A shares, which are retractable and redeemable, are initially recorded at fair value, net of any costs that are directly related to the issuance of the shares. The shares are subsequently measured at amortized cost using the effective interest method. The dividends on these Class A shares and any redemption gains or losses are recognized in profit or loss.

3. Significant accounting policies (continued)

Earnings per share

Basic earnings per share is calculated by dividing the net loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated based on the weighted average number of common shares plus dilutive common share equivalents outstanding. Given there were no operations from the date of incorporation November 2, 2012 to January 1, 2013 no earning per share has been presented.

Dividends

Dividends paid are accounted for as an expense of the Company and are comprised of the interest earned on the mortgages receivable less all expenses of the Company.

4. Future accounting changes

IFRS 9 - Financial Instruments

IFRS 9, “Financial Instruments” (“IFRS 9”), was issued by the IASB on November 12, 2009 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 it financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This 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, 2015. The Company is currently evaluating the impact of this standard on its financial statements.

5. Critical accounting judgments and key source of estimation uncertainty

In the application of the Company’s significant accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Company’s accounting policies, the directors have made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements.

Critical judgments in applying accounting policies

Inventory

The classification of items included in inventory requires significant judgment on management’s part surrounding the derecognition of its financial instruments. At each reporting period management reviews its outstanding mortgages following the requirements of IAS 39 in order to determine if any mortgages receivable may be required to be derecognized. Management looks to the legal structure of the action taken over mortgages that are or may be impaired in order to determine the classification as either an impaired financial asset, or derecognition of a financial asset resulting in recognition of another class of asset. If an item qualifies for derecognition, management uses its judgment taking into account all facts and conditions at the time of derecogniton, and applying the standards of IAS 2 to determine classification of the asset as inventory after foreclosure. Additionally, calculating the net realizable value of inventory requires considerable judgment to estimate forecasted selling prices, including assumptions about demand variables.

5. Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical judgments in applying accounting policies (continued)

Allowance for mortgage impairment

An allowance for mortgage impairment consists of specific reserves that are maintained at a level that, in management's judgment, is adequate to absorb all credit related losses in the Company's portfolio. The judgments include inputs such as liquidity risk, credit risk, and volatility. Changes in the assumptions about these factors could result in changes to the reported fair value of financial instruments. In management's judgment, no unusual credit risk exists and the levels of mortgage impairment provisions are adequate to absorb all credit related losses in the Company's portfolio, given existing conditions. Management's policies for addressing credit risk are discussed in Note 13.

Tax position

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that the taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

When applicable, the Company adjusts the previously recorded tax provision and associated tax assets and liabilities to reflect changes in estimates and for any tax assessments levied.

Critical accounting estimates and assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for mortgage impairment

Determining whether or not a mortgage is impaired requires management to make an estimation of the recoverable amount of the mortgage. Estimating the recoverable amount requires the Company to determine the present value of the estimated future cash flows, using an appropriate discount rate for the related mortgage, which involves a number of significant estimates and assumptions with respect to The value of the properties involved including but not limited to the value placed on collateralized assets, the timing of future cash inflows and outflows, costs to complete and costs to be incurred in making the sale. Valuation techniques include using the discounted cash flow model. Inputs into these models are taken from observable markets where possible, but where this is not feasible, estimations are required to establish fair values. Note 7 provides detailed information about the key assumptions used in the determination of impairment of financial instruments, as well as the detailed sensitivity analysis for these assumptions. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the future cash flows of its financial instruments.

Inventory

The Company makes estimates in determining the net realizable value of its inventory. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made. Estimating the net realizable value requires the Company to determine the present value of the estimated future cash flows, which involves a number of significant estimates and assumptions with respect to the value of the properties involved including but not limited to the value placed on the land and property to be sold, the timing of future cash inflows, costs to maintain and complete, and costs to be incurred in making the sale. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. Changes to these estimates could be caused by a variety of factors including change in market demand and changing market prices. A new assessment of net realizable value is made in each subsequent period.

5. Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical accounting estimates and assumptions (continued)

Retraction price

The retraction price of a Class A share is determined by the directors, for which they must make estimates and assumptions over factors involved. Retraction price is set at Net Asset Value (“NAV”). Factors that may be considered in determining NAV include the valuation of certain assets and liabilities to be included or deducted for the purpose of calculating the NAV. The directors will review and, if required from time to time, consider the appropriateness of the valuation guidelines adopted by the Company.

6. Cash

For the purposes of the statement of cash flows, cash includes cash on deposit in banks. Cash at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the balance sheet as follows:

	2013	2012
	$	$
Operating deposit bank account	**1,886**	99
Cash held in trust	**7,154,119**	-
	7,156,005	99

7. Mortgages receivable

The mortgages receivable consist of short-term financing for residential and commercial construction projects and term loans for completed or substantially completed income producing properties in British Columbia, Alberta and Ontario. At each reporting period, an impairment review is conducted on the mortgages receivable. The impairment review involves assessing objective evidence which may indicate the mortgage is impaired. If an impairment is considered to have occurred, the present value of the future cash flows of the mortgages is compared to the carrying value, with any excess of carrying value over the present value of future cash flows booked as an impairment charge to the mortgage receivable. As at January 1, 2013, the Company has mortgages receivable which earn interest at rates of 5.00% to 10.50% and are secured by real property. The mortgages receivable are typically due within six to eighteen months.

	2013
	$
Mortgages due within the next 12 month period	**221,937,694**
Mortgages due after the next 12 month period	**11,131,395**
	233,069,089

Mortgage receivables disclosed above include amounts that may be past due at the end of the reporting period but against which the Company has not recognized an allowance for mortgage impairment on specific mortgages because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

7. Mortgages receivable (continued)

Aging of mortgage receivables in arrears but not impaired

A mortgage is defined to be in arrears when the principal is not received in accordance with the terms of the original agreement. Mortgages receivable in arrears are broken out as follows:

	2013
	$
0-90 days past due	**19,930,039**
91-365 days past due	**10,217,088**
Over 365 days past due	**4,357,698**
	34,504,825

Mortgages receivable impairment provision

	2013
	$
Mortgage receivable impairment	**29,534,170**

In determining the recoverability of a mortgage receivable, the Company considers any change in the credit quality of the receivable from the date credit was granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Valuation techniques and assumptions applied for the purpose of measuring the present value of future cash flows

A scenario analysis is used to determine the present value of future cash flows for the impaired mortgages receivable. Values are input with reference to quoted market prices when available, including third party appraisals, listing agreements, purchase agreements, and property tax assessments. Cash outflows include costs to complete and costs incurred to make the sale, including marketing and legal costs. Assumptions use in calculating the above are discussed in Note 5.

The mortgages receivable has been divided for information purposes as follows:

	2013
	$
Residential mortgages	**208,688,445**
Commercial mortgages	**24,380,644**
	233,069,089

8. Inventory

Inventory consists of two components: purchased inventory and derecognized financial assets reclassified as inventory. The table below distinguishes between the two.

As a result of mortgage foreclosures, the Company has an undivided interest in townhouse units to facilitate sales of these units. The amount of consideration was established at current market pricing for the units. The nine units are available for sale and are listed at current market pricing with the intention that they are sold in the future.

8. Inventory (continued)

Additionally, under the guidance of IAS 39 – Financial Instruments, certain mortgages receivable qualified for derecognition as a result of past legal actions taken by the Company, which terminated the Company's contractual rights to cash flows from the borrower. The asset qualifies for classification as inventory following the guidelines of IAS 2 – Inventory, as once court proceedings are completed, the Company has title to the land which it now intends to sell. Any additional expenditures relating to the asset are capitalized and added to the cost of inventory until it is substantially complete and ready for sale.

Inventory consists of raw land, land made available for sale, full serviced lots, and residential and commercial buildings held for sale. Inventories are valued at the lower of cost and net realizable value. The valuation techniques to determine net realizable value are discussed in Note 5.

	2013
	$
Townhouse units (purchased inventory, related to mortgage foreclosures)	**703,176**
Foreclosed mortgages inventory (derecognized financial asset)	**6,659,023**
	7,362,199

9. Capital stock

Authorized , unlimited number

Voting Shares redeemable

Issued

	2013	2012
	$	$
114 (2012: 99) Voting Shares	**419**	99

The following table details the transactions that occurred during the period:

	#	$
Voting Shares outstanding, November 2, 2012	-	-
Voting Shares issued November 2, 2012	99	99
Voting Shares outstanding, December 31, 2012	99	99
Shares converted to Voting shares due to amalgamation	15	320
Voting Shares outstanding, January 1, 2013	**114**	**419**

Voting Shares are fully paid, without a par value, carry one vote per share.

10. Class A shares

Authorized , unlimited number

Class A Shares, non-voting, purchasable for cancellation, retractable and redeemable

Class B Shares, non-voting, purchasable for cancellation, retractable and redeemable

Class C Shares, terms to be fixed by directors

Class I Shares, non-voting, purchasable for cancellation, retractable and redeemable

Issued

	2013
	$
24,951,760 Class A shares	**247,040,597**

	Class A shares
Number of shares outstanding December 31, 2012	-
Shares converted to Class A shares due to amalgamation	24,951,760
Shares redeemed	-
Number of shares outstanding January 1, 2013	**24,951,760**
Value of share outstanding January 1, 2013	**$ 247,040,597**

Certain shareholders dissented from the amalgamation and were deemed to have transferred their shares to each of the respective Amalgamated Entities at the time of amalgamation and were entitled to receive a payment amount equal to the fair value of the shares and will be considered to have disposed of the shares. Accounts payable and accrued liabilities include $241,768 due to these shareholders with the corresponding amount removed from Class A shares.

At January 1, 2013, there are $18,292,680 Class A Shares scheduled for redemption in the next fiscal year.

Class A, B and I Shares shall not be entitled to vote. The Class A, B and I Shares are entitled to receive dividends, payments on a reduction of stated capital or any combination of any such distribution.
Class A, B and I Shares can be purchased for cancellation or redeemable (prior to listing date), at the option of the Company. Class A, B and I Shares are retractable, at the option of the holder. Class B and I Shares are exchangeable for Class A Shares. In the event of a liquidation, dissolution or winding up or distribution of assets of the Company the holders Class A, B and I Shares rank equally with each other and any other shares of the Company ranking junior to the Class A, B and I Shares, and are entitled to receive payment pari passu with Voting Shares. Class C designation, rights, privileges, restrictions and conditions to be fixed by the directors prior to the issue thereof.

11. Related party transactions

The Company invests in first mortgages originated, structured, advanced and administered by CCI either directly or indirectly through licensed service providers, under an agreement with CCI. The entities are related by virtue of common officers, directors or shareholders. Under this agreement, CCI is entitled to a mortgage brokerage fee, which is aggregated and payable in monthly instalments on the last day of each month and prorate for any partial month.

The Company has appointed Carecana Management Corp. ("Carecana") as its investment fund manager and portfolio manager. The companies are related by way of common management. The Company pays monthly management fees to Carecana.

The Company owns shares in CareVest First MIC Fund Inc., Canadian Horizons First MIC Fund Inc., and Canadian Horizons Blended MIC Fund Inc., all related companies by way of common management. These investments meet the guidelines of the Company's investment policy and are a result of management decisions regarding optimal utilization of idle funds.

Interest earned from mortgage investments and interest paid to investors throughout the period and idle funds available for investment for the Company are held in trust by Canadian Horizons Settlement Corp. ("CH Settlement Corp."), a company related through common management. Any amounts receivable or payable at period end remain in trust. Advances and repayments are made to and from CH Settlement Corp. throughout the period at the request of the Company.

The following balances were outstanding at the end of the reporting period:

	2013
	$
CareVest First MIC Fund Inc. Series B1 preferred shares	**148,284**
Canadian Horizons First MIC Fund Inc. Series B1 preferred shares	**18,000**
Canadian Horizons Blended MIC Fund Inc. Series B1 preferred shares	**110,000**
	276,284

Additionally, the Company has amounts in accounts payable relating to inventory that are due to CCI in the amount of $252,057.

These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including and director (whether executive or otherwise) of the Company. The Company had no employees and there was no remuneration for directors during the period. The Company paid $Nil to Carecana in its capacity as the investment fund manager.

12. Income taxes

Deferred income tax reflects the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	2013
	$
Deferred income tax asset	
Non-capital loss carry forwards	**22,568,652**
Cumulative inventory write down	**1,774,466**
Tax rate	**25%**
	6,085,780

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and during the loss carry-forward periods. Management considers the scheduled reversal of deferred tax assets and liabilities, projected future taxable income, and tax planning strategies in making this assessment. Due to future expected operating results, management has determined that it is probable that the deferred income tax assets will be realized. The Company has tax loss carry-forwards of $22,568,652 which expire between 2030 and 2032.

13. Financial instruments and financial risk management

Financial instruments

Fair value of financial instruments

The Company's financial instruments consist of cash, accounts receivable, mortgages receivable, investments, accounts payable and accrued liabilities, dividends payable and Class A shares. The fair value of these financial instruments approximates their carrying values due to their short term and/or demand nature.

The fair values of mortgages receivable approximate their carrying values as they have a short-term to maturity and bear interest at market rates.

In determining the fair value of financial instruments, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs reflect market-driven or market-based information obtained from independent sources, while unobservable inputs reflect the Company's estimate about market data. Based on the observability of significant inputs used, the Company classifies its fair value measurements in accordance with a three-level hierarchy. This hierarchy is based on the quality and reliability of the information used to determine fair value.

Level 1: Valuations are based on quoted prices in active markets for identical assets or liabilities. Since the valuations are based on quoted prices that are readily available in an active market, they do not entail a significant degree of judgement.

Level 2: Valuations are based on observable inputs other than quoted prices.

Level 3: Valuations are based on at least one unobservable input that is supported by little or no market activity and is significant to the fair value measurement.

In assigning the appropriate levels, the Company performs a detailed analysis of the financial assets and liabilities. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. The level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Therefore, an item may be classified in Level 3 even though there may be other significant inputs that are readily observable.

As at January 1, 2013 there were no financial assets and financial liabilities that were measured at FVTPL.

13. Financial instruments and financial risk management (continued)

Risk management

The Company holds various financial instruments and its activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Company's Directors have overall responsibility for the establishment and oversight of the Company's risk management framework.

i) *Credit risk*

The Company's principal financial assets are cash, investments, accounts receivable, and mortgages receivable, the carrying amount of which represents the Company's exposure to credit risk in relation to financial assets.

The Company's credit risk is primarily attributable to its mortgages receivable. The amounts disclosed in the Statement of Financial Position are net of mortgage impairment provisions estimated by the Company based on previous experience and its assessment of the current economic environment. In order to reduce its risk, the Company has adopted investment restrictions that it will not:

a) Make any investment or conduct any activity that would result in its failing to quality as a Mortgage Investment Corporation;

b) Invest in securities other than mortgages, Mortgage Related Investments and Authorized Interim Investments;

c) Invest in a mortgage or loan any funds to be secured by a mortgage unless at the date the mortgage is acquired or funds are initially committed (as the case may be) the indebtedness secured by such mortgage plus the amount of additional secured third-party indebtedness of the borrower registered in priority to the Company, if any, does not exceed 85% of the appraised value of the real property securing the mortgage, as determined by Carecana or such person(s) authorized by Carecana from time to time, provided that the appraised value may be based on stated conditions including, without limitation, construction, "as complete" or other conditions or assumptions;

d) Guarantee securities or obligations of any person or company;

e) Engage in securities lending;

f) Engage in derivative transactions for any purpose, other than derivative transactions to hedge interest rate risk and not for speculative purposes; or

g) Invest in asset-backed commercial paper or in securitized pools of mortgage loans, including pools of sub-prime mortgages.

The Company assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Mortgages receivable are fully secured by a charge against the underlying assets. Mortgages receivable that are considered to be neither outstanding nor impaired have a high credit quality as the Company only invests in mortgage receivables with counterparties that have been independently reviewed by CCI and are considered to be in good credit standings and have the ability to pay both principal and interest payments as required. Accordingly, the Company views the credit risk on these amounts as normal for the industry. The credit risk on cash on deposit is with Canadian chartered banks with high credit-ratings assigned by Moody's and Standard and Poor's.

13. Financial instruments and financial risk management (continued)

Risk management (continued)

i) Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure and therefore, the credit risk at the reporting date was as follows:

	2013
	$
Cash	**7,156,005**
Accounts receivable	**10,816**
Mortgages receivable -net of allowance	**233,069,089**
Investments	**276,284**
	240,512,194

	2012
	$
Cash	99

The credit exposure related to mortgages receivable are outlined in Note 7.

Although the Company seeks to manage its credit risk exposure, there can be no assurance that the Company will be successful in eliminating the potential adverse impact of such risks.

ii) Interest rate risk

The Company currently has no variable interest bearing loans or investments. The Company is exposed to interest rate risk on the mortgages receivable to the extent of changes in prime interest rate.

Interest rate risk sensitivity analysis

As at January 1, 2013 an increase or decrease of 0.5% interest revenue earned on the ending mortgage receivables would have the following impact on net earnings and comprehensive income:

	2013
	$
0.5% increase in interest revenue	**1,165,345**
0.5% decrease in interest revenue	**(1,165,345)**

iii) Liquidity risk

Ultimate responsibility for liquidity risk management rests with management which has established an appropriate liquidity risk management for the management of the Company’s short, medium, and long-term funding and liquidity management requirements. The Company’s objective is to have sufficient liquidity to meet its liabilities when due. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

13. Financial instruments and financial risk management (continued)

Risk management (continued)

iii) *Liquidity risk (continued)*

The Company has the following financial liabilities at the reporting date:

				January 1, 2013
	Carrying value	**Current**	**Due between 61 to 365 days**	**Due greater than 365 days**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	**695,339**	**695,339**		**-**
Dividends payable	**227,493**	**227,493**		**-**
Class A shares (Note 10)	**247,040,597**	**7,956,161**	**10,336,519**	**228,747,917**
	247,963,429	**8,878,993**	**10,336,519**	**228,747,917**

Mortgage investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and for the perceived desirability of the investment. Such illiquidity may tend to limit the Company's ability to vary its mortgage investments promptly in response to changing economic or investment conditions. If the Company were required to liquidate its real property mortgage investments, the proceeds to the Company might be significantly less than the total value of its investments. The Company will be subject to the risks associated with debt financing, including the risk that mortgage indebtedness secured by the properties of the Company will not be able to be refinanced or that the terms of re-financing will not be as favourable as the terms of the existing.

14. Capital disclosures

The Company defines capital as Class A shares and capital stock as recognized in the financial statements. The Company's management of capital is to safeguard the Company's ability to continue as a going concern in order to provide shareholders with sustainable income while preserving capital for distribution or re-investment by investing in mortgages receivable commensurately with the Company's investment policies.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares, or sell assets.

15. Transition to IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP; however, significant differences exist in certain matter in recognition, measurement, and disclosures. Adoption of IFRS has not changed the amount of cash the Company generates, nor has it has resulted in any changes to the Company's financial statements.

The accounting policies described in Note 3 have been applied in preparing these financial statements as at January 1, 2013.

15. Transition to IFRS (continued)

Impact of applying IFRS 1 - First-time adoption of IFRS

The adoption of IFRS had no impact on the previously reported assets, liabilities and shareholder equity of the Company, and accordingly, no adjustments have been recorded in the comparative statements of financial position and statement of changes in equity and statement of cash flows for the one day period ended January 1, 2013. The adoption of IFRS also had no impact on the opening statement of financial position at November 2, 2012 which has been presented in accordance with IFRS 1 adoption requirements. Accordingly, ordinarily required reconciliations have not been provided in the financial statements.