

Financial statements of

**Giavest Mortgage Investment  
Corporation**

December 31, 2021

# Giavest Mortgage Investment Corporation

December 31, 2021

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## Independent Auditor's Report

To the Shareholders of  
Giavest Mortgage Investment Corporation

### Opinion

We have audited the financial statements of Giavest Mortgage Investment Corporation (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statement of earnings (loss) and total comprehensive income (loss), statement of changes in equity and statement of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*

Chartered Professional Accountants  
March 22, 2022

# Giavest Mortgage Investment Corporation

## Statement of earnings (loss) and total comprehensive income (loss) year ended December 31, 2021

(In Canadian dollars)

	2021	2020
	\$	\$
<b>Revenue</b>		
Finance	107,173	140,004
Miscellaneous	101	147
	<b>107,274</b>	<b>140,151</b>
<b>Expenses</b>		
Dividends on Class A shares	87,127	106,096
Management fee (Note 11)	19,277	24,222
Bank charges and interest (Note 12)	4,076	346
Mortgage administration fee (Note 11)	2,016	2,529
Other	56	19
(Reversal of) impairment of mortgages receivable (Note 6)	(9,248)	2,315
	<b>103,304</b>	<b>135,527</b>
Earnings before other items	3,970	4,624
Retraction loss (Note 8)	-	(1,591)
Earnings before income taxes	3,970	3,033
Current income tax recovery (expense) (Note 10)	2,006	(3,658)
<b>Net earnings (loss) and total comprehensive income (loss)</b>	<b>5,976</b>	<b>(625)</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Giavest Mortgage Investment Corporation

## Statement of changes in equity year ended December 31, 2021

(In Canadian dollars)

	Capital stock	(Deficit) retained earnings	Total
	\$	\$	\$
Balance, January 1, 2020	100	(57)	43
Net loss for the year and total comprehensive loss	-	(625)	(625)
Balance, December 31, 2020	100	(682)	(582)
Net earnings for the year and total comprehensive income	-	<b>5,976</b>	5,976
<b>Balance, December 31, 2021</b>	<b>100</b>	<b>5,294</b>	<b>5,394</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Giavest Mortgage Investment Corporation

## Statement of financial position as at December 31, 2021

(In Canadian dollars)

	2021	2020
	\$	\$
<b>Assets</b>		
Cash (Note 5)	3,392	56,730
Finance income receivable	-	12,384
Mortgages receivable - net of allowance (Note 6)	-	1,716,149
Income taxes receivable (Note 10)	2,006	-
	<b>5,398</b>	<b>1,785,263</b>
<b>Liabilities</b>		
Accounts payable	-	7
Due to related companies (Note 11)	4	2,369
Dividends payable	-	2,922
Income taxes payable (Note 10)	-	2,567
Class A shares (Note 8)	-	1,777,980
	<b>4</b>	<b>1,785,845</b>
<b>Shareholders' equity</b>		
Capital stock (Note 7)	100	100
Retained earnings (deficit)	5,294	(682)
	<b>5,394</b>	<b>(582)</b>
	<b>5,398</b>	<b>1,785,263</b>

Approved by the Board



Director



Director

The accompanying notes to the financial statements are an integral part of this financial statement.

# Giavest Mortgage Investment Corporation

## Statement of cash flows year ended December 31, 2021

(In Canadian dollars)

	2021	2020
	\$	\$
<b>Operating activities</b>		
Net earnings (loss)	5,976	(625)
Finance income	(107,173)	(140,004)
Dividend expense	87,127	106,096
Retraction loss (Note 8)	-	1,591
Income tax (recovery) expense (Note 10)	(2,006)	3,658
Dividends reinvested (Note 8)	(45,299)	(68,995)
Changes in non-cash working capital (Note 13)	(2,372)	126
(Reversal of) impairment of mortgages receivable (Note 6)	(9,248)	2,315
Interest expense (Note 12)	3,780	-
Interest paid (Note 12)	(3,780)	-
Finance income received	119,557	137,976
Dividends paid	(44,750)	(35,311)
Income tax paid	(2,567)	(2,739)
	<b>(755)</b>	<b>4,088</b>
<b>Investing activities</b>		
Advances of mortgages receivable	(1,215,404)	(1,014,166)
Repayments of mortgages receivable	2,940,801	735,545
	<b>1,725,397</b>	<b>(278,621)</b>
<b>Financing activities</b>		
Loan advances (Note 12)	150,000	-
Loan repayments (Note 12)	(150,000)	-
Retraction of Class A shares (Note 8)	(1,933,179)	(116,937)
Issuance of Class A shares (Note 8)	155,199	303,795
	<b>(1,777,980)</b>	<b>186,858</b>
Net decrease in cash	<b>(53,338)</b>	<b>(87,675)</b>
Cash, beginning of year	<b>56,730</b>	<b>144,405</b>
<b>Cash, end of year (Note 5)</b>	<b>3,392</b>	<b>56,730</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

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### 1. Nature of operations

Giavest Mortgage Investment Corporation (the "Company") was incorporated under the Canada Business Corporations Act on May 12, 2017 and registered as an extra-provincial corporation in British Columbia on May 16, 2017 and in Alberta on February 15, 2019. The address of the registered office and principal place of business is Suite 1800, 555 – 4<sup>th</sup> Ave SW, Calgary, Alberta, T2P 3E7.

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 mortgages originated, structured, advanced and administered by CareVest Capital Inc. ("CCI") under an agreement with CCI.

The Company has appointed Carecana Management Corp. ("Carecana") as its investment fund manager and restricted portfolio manager pursuant to a management agreement.

The financial statements were approved by the directors, Mr. Mike Helfer and Mr. Roy Goddard, and authorized for issue on March 22, 2021.

### 2. Basis of presentation

#### *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

#### *Basis of preparation*

The financial statements have been prepared on a going concern basis and measured at historical cost. 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 year unless otherwise stated.

### 3. Significant accounting policies

#### *Cash*

The Company's policy is to present bank deposit balances under cash, including cash, cash held in trust and short term investments in money market instruments (if held). All components are liquid and any short-term investments have an original maturity of less than three months.

#### *Mortgages receivable*

Mortgages receivable are initially recorded at fair value plus any transaction costs and are subsequently measured at amortized cost using the effective interest method, less any impairment losses. The Company recognizes a loss allowance for mortgages receivable in accordance with the IFRS 9 expected credit loss ("ECL") model. The ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the mortgage contract agreement and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The amount of ECL is updated at each reporting date to reflect the changes in credit risk since initial recognition for each of the respective mortgages receivable. The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition on the mortgage

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

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### 3. Significant accounting policies (continued)

#### *Mortgages receivable (continued)*

receivable. If, on the other hand, the credit risk on the mortgages receivable has not increased significantly since initial recognition, the Company measures the loss allowance for that mortgage receivable at an amount equal to 12-month ECL ("12m ECL").

The Company measures the mortgage loss allowance on an individual basis, as the concentration of credit risk is limited due to the customer base being large and unrelated.

#### *Revenue recognition*

The Company purchases mortgage investments from CCI. Finance 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 and the amount of revenue can be measured reliably. Interest revenue is accrued with the passage of time, by reference to the principal outstanding balance and at the terms of the mortgage commitment it relates to.

In the event of mortgage impairment, interest income will be recognized using the rate of interest used to discount the future cash flows in measuring the impairment.

#### *Income taxes*

The income tax expense includes current tax. This expense is recognized in the statements of earnings (loss) and total comprehensive income (loss).

Income taxes recoverable and payable are obligations or claims for the current and prior periods to be paid to (or recovered from) taxation authorities that are still outstanding at the end of the reporting period. The tax currently payable or recoverable is based on taxable profit for the year. Taxable profit differs from profits as reported in the statements of earnings and total comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current taxes is calculated using tax rates and legislation that have been enacted or substantively enacted by the end of the reporting period and includes any adjustments for taxes payable or recoverable in respect to prior periods.

#### *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.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

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### 3. Significant accounting policies (continued)

#### *Financial instruments*

##### Financial assets

All financial assets are recognized and derecognized on the trade date in which 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. All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at December 31, 2021 there are no financial assets measured at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). All financial assets are measured at amortized cost.

##### 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.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method on any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see impairment of financial assets). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

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### 3. Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### Financial assets - Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost as well as on loan commitments and financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes the lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the 12m ECL. The assessment of whether the lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

The Company writes off a mortgage receivable and the corresponding ECL when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Mortgages receivable written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

#### Financial assets – 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 Company 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 recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

Type of financial asset	Treatment upon derecognition
Financial asset measured at amortized cost	The difference between the financial asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### Financial liabilities – classification as debt or equity

Debt and 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 amortized cost.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

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### 3. Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### Financial liabilities – classification as debt or equity (continued)

Financial liabilities at amortized cost, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

#### *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 tax effects.

Deficit includes the earnings and losses from the current period and prior periods.

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. These are recorded and subsequently measured at the retraction price as discussed in Note 8. The dividends on these preferred shares and any retraction gains or losses are recognized in profit or loss.

#### *Dividends*

Dividends paid on preferred shares are accounted for as an expense of the Company and comprise the interest earned less all expenses of the Company.

### 4. 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 Company is 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*

#### Recognition of ECL for mortgages

The measurement of expected credit losses is a function of the probability of default, loss given default (the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for mortgage assets, this is represented by the assets' gross carrying amount at the reporting date.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

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

*Critical judgments in applying accounting policies (continued)*

##### Recognition of ECL for mortgages (continued)

For mortgage assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The following table summarizes the impairment requirements under IFRS 9:

Change in credit quality since initial recognition			
	Stage 1	Stage 2	Stage 3
<i>Status</i>	Initial recognition	Significant increase in credit risk since initial recognition	Credit-impaired assets
<i>Recognition of ECL</i>	12m ECL	Lifetime ECL	Lifetime ECL
<i>Interest income recognition</i>	Applying the effective interest rate ("EIR") to the gross carrying amount of the mortgage	Applying the EIR to the gross carrying amount of the mortgage	Applying the EIR to the net carrying amount of the mortgage

- Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a mortgage.
- 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a mortgage that are possible within 12 months after the reporting date.

##### Significant increase in credit risk for mortgage allowance

In assessing whether the credit risk on a mortgage receivable has increased significantly since initial recognition, the Company compares the risk of a default occurring on the mortgage as at the reporting date with the risk of a default occurring on the mortgage as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the mortgage's credit rating by Carecana's Credit Committee;
- Timing of receipts on future cash flows, including repayments from the borrower and estimates of the value and timing of the collateral underlying the loan;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the mortgage borrower's ability to meet its debt obligations; and
- An actual or expected significant adverse change in the regulatory or economic environment of the mortgage borrower that results in a significant decrease in the borrower's ability to meet its debt obligations.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

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

*Critical judgments in applying accounting policies (continued)*

Significant increase in credit risk for mortgage allowance (continued)

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a mortgage receivable has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Definition of default

The Company considers that default on a mortgage receivable has occurred when:

- A mortgage is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the Company, in full.

Credit-impaired mortgage receivable

A mortgage receivable is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that mortgage have occurred. Evidence that a mortgage receivable is credit-impaired includes observable data about the following events:

- a) Significant financial difficulty of the mortgage borrower;
- b) A breach of contract, such as a default or past due event; or
- c) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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.

Measurement of ECL for Mortgages

The measurement of the ECL allowance for the mortgages receivable is an area that requires the use of significant assumptions about future economic conditions and credit behavior which includes the likelihood of borrower defaulting and the resulting losses. This 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. 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.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios for each type of mortgage and the associated ECL.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

#### 4. 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 on a monthly basis, for which they must make estimates and assumptions over factors involved. Retraction price is set at NAV, which is detailed in Note 8. The intent of NAV is to provide additional useful information to investors to make investment decisions and does not have any standardized meaning under IFRS. NAV should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate NAV differently. 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 NAV. The directors will review and, if required from time to time, consider the appropriateness of the valuation guidelines adopted by the Company.

##### COVID-19

Management continues to assess the impact of the novel coronavirus ("COVID-19") and governments' response to it on the Company. The amounts recorded in these financial statements are based on the latest reliable information available to management at the time the financial statements were prepared where that information reflects conditions as at the date of the financial statements. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Company in future periods.

#### 5. Cash

For the purposes of the statement of cash flows, cash includes cash on deposit and cash held-in-trust. 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 statement of financial position as follows:

	2021	2020
	\$	\$
Operating deposit bank account	597	590
Cash held in trust	2,795	56,140
	<b>3,392</b>	<b>56,730</b>

#### 6. Mortgages receivable

The mortgages receivable consist of short-term financing for commercial, industrial, and residential mortgages and term loans for completed or substantially completed income producing properties in British Columbia and Alberta.

As at December 31, 2020, the Company had mortgages receivable which earn fixed and variable interest rates ranging from 4.0% to 11.0% per annum and are secured by real property. The mortgages receivable are typically due within 6-18 months. During 2021 the Company disposed of all its mortgages receivable.

	2021	2020
	\$	\$
Mortgages due within the next 12-month period, net of allowance	-	1,407,512
Mortgages due after the next 12-month period, net of allowance	-	308,637
	-	<b>1,716,149</b>

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

### 6. Mortgages receivable (continued)

The gross mortgage and loss allowance balances at the end of the period are impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to mortgages receivables experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the year, and the consequent “step up” (or “step down”) between 12m or lifetime ECL;
- Additional allowance for new mortgages recognized during the period, as well as releases for mortgages de-recognized during the period;
- Impact on the measurement of ECL due to changes in probability of default, loss given default and the exposure at default;
- Impact on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; or
- Mortgages receivable derecognized during the year and write-offs of allowances related to assets that were written-off during the year.

The following is a reconciliation of the mortgage gross carrying amounts between the beginning and end of the annual period.

#### Reconciliation of mortgage gross carrying amount

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL		12m ECL	Lifetime ECL	Lifetime ECL	
<b>Gross carrying amount as at January 1</b>	<b>1,725,397</b>	-	-	<b>1,725,397</b>	1,446,776	-	-	1,446,776
<i>Transfers</i>								
Transfer from Stage 1 to Stage 2	-	-	-	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
Mortgage assets derecognized other than write-offs	-	-	-	-	-	-	-	-
New mortgages originated	<b>1,215,404</b>	-	-	<b>1,215,404</b>	1,014,166	-	-	1,014,166
Paydowns on mortgages	<b>(2,940,801)</b>	-	-	<b>(2,940,801)</b>	(735,545)	-	-	(735,545)
Write offs	-	-	-	-	-	-	-	-
<b>Gross carrying amount as at December 31</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	1,725,397	-	-	1,725,397

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

### 6. Mortgages receivable (continued)

The following table is a reconciliation of the mortgage loss allowance between the beginning and the end of the annual period.

#### Reconciliation of mortgage loss allowance

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL		12m ECL	Lifetime ECL	Lifetime ECL	
<b>Gross carrying amount as at January 1</b>	<b>9,248</b>	-	-	<b>9,248</b>	6,933	-	-	6,933
<i>Transfers</i>								
Transfer from Stage 1 to Stage 2	-	-	-	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
Impairments losses recognized	50	-	-	<b>50</b>	2,315	-	-	2,315
Impairment losses reversed	(9,298)	-	-	<b>(9,298)</b>	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
<b>Gross carrying amount as at December 31</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,248</b>	<b>-</b>	<b>-</b>	<b>9,248</b>

In 2021, the Company recovered \$9,298 (2020 - \$Nil) for mortgages that were previously impaired as they had been deemed to be uncollectible. This amount has been netted against impairment of mortgages receivable.

The Company does not hold any additional 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.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

### 6. Mortgages receivable (continued)

#### Maximum exposure to credit risk

	Commercial Mortgages					Commercial Mortgages				
	As at December 31, 2021					As at December 31, 2020				
	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total		Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
# of days outstanding										
current	-	-	-	-	-	213,117	-	-	-	213,117
less than 30 days	-	-	-	-	-	-	-	-	-	-
between 30 and 90 days	-	-	-	-	-	-	-	-	-	-
greater than 90 days	-	-	-	-	-	-	-	-	-	-
<b>Gross carrying amount</b>	-	-	-	-	-	213,117	-	-	-	213,117
Loss allowance	-	-	-	-	-	3,457	-	-	-	3,457
<b>Carrying amount</b>	-	-	-	-	-	209,660	-	-	-	209,660

	Residential Mortgages					Residential Mortgages				
	As at December 31, 2021					As at December 31, 2020				
	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total		Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
# of days outstanding										
current	-	-	-	-	-	1,512,280	-	-	-	1,512,280
less than 30 days	-	-	-	-	-	-	-	-	-	-
between 30 and 90 days	-	-	-	-	-	-	-	-	-	-
greater than 90 days	-	-	-	-	-	-	-	-	-	-
<b>Gross carrying amount</b>	-	-	-	-	-	1,512,280	-	-	-	1,512,280
Loss allowance	-	-	-	-	-	5,791	-	-	-	5,791
<b>Carrying amount</b>	-	-	-	-	-	1,506,489	-	-	-	1,506,489

Mortgages classified as residential are provided for buildings and structures which are intended for human habitation, together with any property that is intended to be improved, converted or developed to provide housing accommodation, or services in support of housing accommodation, and property that is associated with housing accommodation. Commercial mortgages, in this context, would pertain to properties that are intended to generate ongoing income producing cash flow, including but not limited to office buildings, shopping complexes or industrial warehouses.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

### 6. Mortgages receivable (continued)

Province	As at December 31, 2021				As at December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL		12m ECL	Lifetime ECL	Lifetime ECL	
Alberta	-	-	-	-	809,694	-	-	809,694
British Columbia	-	-	-	-	906,455	-	-	906,455
	-	-	-	-	1,716,149	-	-	1,716,149

Type of Mortgage	As at December 31, 2021				As at December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL		12m ECL	Lifetime ECL	Lifetime ECL	
Land	-	-	-	-	720,979	-	-	720,979
Construction	-	-	-	-	947,739	-	-	947,739
Inventory	-	-	-	-	47,431	-	-	47,431
Servicing	-	-	-	-	-	-	-	-
	-	-	-	-	1,716,149	-	-	1,716,149

Mortgages classified as land are provided to support land development, typically construction of services to produce serviced lots for sale. This could also include raw land expected to become actively developed within the short term. Mortgages classified as construction support the construction of buildings for eventual occupancy, including single family homes, townhomes and condominiums, as well as properties that are or have the potential to become income producing. Mortgages classified as inventory are provided to finance projects that are available for sale. Lastly, mortgages classified as servicing provide financing for completed projects that will produce business income, which are typically rental properties or owner/occupied businesses.

The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition on the mortgage receivable. If, on the other hand, the credit risk on the mortgages receivable has not increased significantly since initial recognition, the Company measures the loss allowance for that mortgage receivable at an amount equal to the 12 month ECL.

In assessing whether the credit risk on a mortgage receivable has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Company measures the mortgage loss allowance on an individual basis as the concentration of credit risk is limited due to the customer base being large and unrelated.

Valuation techniques and assumptions are discussed in Note 4.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

### 7. Capital stock

*Authorized*, unlimited number

Voting shares redeemable

*Issued*

	2021	2020
	\$	\$
100 voting shares (2020 - 100)	<b>100</b>	100

Voting shares are fully paid, without a par value and carry one vote per share and redeemable at the option of the Company.

### 8. 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, non-voting, purchasable for cancellation, retractable and redeemable

Class F shares, non-voting, purchasable for cancellation, retractable and redeemable

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

*Issued*

	2021	2020
	\$	\$
Nil (2020 - 177,798) Class A shares	-	1,777,980

The following table details the transactions that occurred during the year and total shares issued as at December 31, 2021 and December 31, 2020:

	Class A shares #
Number of shares outstanding, January 1, 2020	159,112
Shares issued for dividends	6,900
Shares issued	23,480
Shares retracted	(11,694)
Number of shares outstanding, December 31, 2020	177,798
Shares issued for dividends	4,530
Shares issued	10,990
Shares retracted	(193,318)
Number of shares outstanding, December 31, 2021	-

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

### 8. Class A shares (continued)

	Class A shares
	\$
Value of shares outstanding, January 1, 2020	1,589,531
Shares issued for dividends	68,995
Shares issued	234,800
Shares retracted	(116,937)
Unrealized retraction loss	1,591
Value of shares outstanding, December 31, 2020	1,777,980
Shares issued for dividends	45,299
Shares issued	109,900
Shares retracted	(1,933,179)
Value of shares outstanding, December 31, 2021	-

At December 31, 2021, there were no (2020 - 6,689) Class A shares scheduled for retraction in the next fiscal year.

Class A, B, C, F, and I shares are not entitled to vote. The Class A, B, C, F, and I shares are entitled to receive distributions. Any distribution declared on the respective class of shares will be payable out of that class of shares pro rata portion of the funds available with respect to all classes of shares. Class A, B, C, F and I shares can be purchased for cancellation or redeemable, at the option of the Company. Class A, B, C, F and I shares are retractable at the option of the holder.

In the event of a liquidation, dissolution or winding up or distribution of assets of the Company, *pari passu* with the voting shares, the holders of i) the Class A shares shall be entitled to receive from the assets of the Company for each Class A share an amount, in cash or property, equal to the NAV per Class A share, ii) the Class B shares shall be entitled to receive from the assets of the Company for each Class B Share an amount, in cash or property, equal to the NAV per Class B share, iii) the Class C shares shall be entitled to receive from the assets of the Company for each Class C share an amount, in cash or property, equal to the NAV per Class C share, iv) the Class F shares shall be entitled to receive from the assets of the Company for each Class F share an amount, in cash or property, equal to the NAV per Class F share, and v) the Class I shares shall be entitled to receive from the assets of the Company for each Class I share an amount, in cash or property, equal to the NAV per Class I share. The Class A shares shall rank equally with each other and the Voting Shares, but in priority to any shares ranking junior to the Class A shares.

#### *Cancellation rights*

The Company may at any time purchase shares for cancellation at a price per share not exceeding the NAV per share of that class of share on the business day immediately prior to such purchase.

#### *Redemption rights*

The Company may redeem at any time and from time to time in its sole discretion, by providing written redemption notice to the holder, any outstanding class of shares on payment in cash for each share of an amount not less than the NAV per share, calculated as at the end of the business day immediately preceding the redemption date.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

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### 8. Class A shares (continued)

#### *Retraction provisions*

Each holder of shares shall be entitled to present and surrender for retraction at any time during a quarterly retraction notice period, in respect of all or any part of shares registered. Each retracting shareholder who elects to present a retraction request to the Company for retracting shares must deliver a valid retraction request in the form specified by the Company, to such place or places in Canada as shall be specified by the Company from time to time. The retracting shareholder must surrender the original share certificates issued, if any, for the retracting shares. Retracting shareholders whose retracting shares are surrendered for retraction will be entitled to receive a retraction price per retraction share equal to the amount of the applicable NAV per share calculated as of the last business day of the month immediately preceding the applicable retraction date, less the early retraction charges if applicable. Payment of the proceeds of retraction will be made on or before the last business day of the month following the retraction date.

For any retraction date of the Company, the Company will not accept for retraction retracting shares representing more than 3% of the aggregate shares of each class outstanding on the first day of the applicable retraction notice period (the "Quarterly Limit"). In the event that the number of retracting shares tendered for retraction in respect of a retraction date exceeds the Quarterly Limit, unless such limits are waived by the Board of Directors pursuant to the articles of the Company, the Company shall retract the Quarterly Limit for the applicable retraction date on a pro rata basis. Pro rata calculations shall be rounded up to the next whole share amount as no fractional shares are permitted. Retracting shareholders who have submitted retracting shares to be tendered for retraction that exceed the Quarterly Limit ("Excess Quarterly Retracting Shares") do not need to re-submit a retraction request for the Excess Quarterly Retracting Shares for any subsequent retraction notice periods until the annual limit is reached for a given retraction date. Subject to the annual limit set forth in the articles of the Company, Excess Quarterly Retracting Shares will automatically be included in the next retraction date, and will be subject to the provisions set forth in the articles of the Company.

During any given calendar year of the Company, the Company will also not accept for retraction on any retraction date within such calendar year of the Company, retracting shares representing more than 12% of the aggregate shares of each class outstanding on January 1st of such calendar year (the "Annual Limit"). The Company will not accept further retraction requests for the balance of the calendar year once the Annual Limit has been reached. In the event that the number of retracting shares tendered for retraction in respect of a retraction date exceeds the Annual Limit ("Excess Annual Retracting Shares"), unless such limits are waived by the Board of Directors pursuant to the articles of the Company, the Company shall retract the Annual Limit on a pro rata basis. The pro rata amount will be paid over the remaining retraction dates in the calendar year and will be subject to the Quarterly Limit as set forth in the articles of the Company. Pro rata calculations shall be rounded up to the next whole share amount as no fractional shares are permitted. Any retracting shareholder holding Excess Annual Retracted Shares not retracted or paid in the calendar year will require a new retraction request to be submitted during the Company's next calendar year, and the new retraction request will be subject to the provisions set forth in the articles of the Company. The Company or Carecana shall notify shareholders via Carecana's website once the Annual Limit in respect of a given calendar year of the Company is reached.

#### *NAV*

The NAV of the Company at any time means the aggregate value of all assets of the Company less the value of all liabilities of the Company at such time (including any accrual of any performance fee provided for in the management agreement); provided that, for the purposes only of calculating the NAV, the liabilities will be reduced by the stated capital of any shares to the extent that such stated capital is included in the value of liabilities of the Company.

#### *Dividend Reinvestment Plan ("DRIP")*

The Company has adopted a DRIP under which holders of Class A Shares and Class C Shares may elect to reinvest cash dividends received from such shares to purchase additional shares of the same class or series.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

### 9. Financial instruments and risk management

#### *Financial instruments*

#### Fair value of financial instruments

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 judgment.

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.

The carrying values of cash, finance income receivable, accounts payable, due to related companies and dividends payable approximate their fair values due to their short-term nature.

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

The carrying values of Class A shares are measured and recorded at the retraction price which approximates their fair values.

The carrying value, fair value and fair value category for the Company's financial instruments are as follows:

	<b>2021</b>			
	<b>Fair value measurements using</b>			
	<b>Carrying value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	\$	\$	\$	\$
Financial assets				
Mortgages receivable - Stage 1 (Performing)	-	-	-	-
Mortgages receivable - Stage 2 (Doubtful)	-	-	-	-
Mortgages receivable - Stage 3 (Credit-impaired)	-	-	-	-
	-	-	-	-
Financial liabilities				
Class A shares	-	-	-	-

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

### 9. Financial Instruments and risk management (continued)

*Financial instruments (continued)*

*Fair value of financial instruments (continued)*

		2020		
		Fair value measurements using		
	Carrying value	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Financial assets				
Mortgages receivable - Stage 1 (Performing)	1,716,149	-	-	1,716,149
Mortgages receivable - Stage 2 (Doubtful)	-	-	-	-
Mortgages receivable - Stage 3 (Credit-impaired)	-	-	-	-
	<u>1,716,149</u>	<u>-</u>	<u>-</u>	<u>1,716,149</u>
Financial liabilities				
Class A shares	1,777,980	-	-	1,777,980

There were \$Nil transfers (2020 - \$Nil) into or out of Level 3 of the fair value hierarchy during the year.

A reconciliation of preferred shares at December 31, 2021 is as follows:

	\$
Class A shares, December 31, 2019	1,589,531
Issuance of Class A shares	303,795
Retraction of Class A shares	(116,937)
Unrealized retraction loss	1,591
Class A shares, December 31, 2020	<u>1,777,980</u>
Issuance of Class A shares	155,199
Retraction of Class A shares	(1,933,179)
Class A shares, December 31, 2021	<u>-</u>

#### *Risk management*

The Company holds various financial instruments and its activities expose it to a variety of financial risks: 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 and mortgages receivable, the carrying amount of which represents the Company's exposure to credit risk in relation to financial assets.

In order to reduce its risk, the Company has adopted investment restrictions that it will not:

- make any investment or conduct any activity that would result in the Company failing to qualify as a mortgage investment corporation within the meaning of the Tax Act;
- invest in securities other than mortgages, mortgage related investments and authorized interim investments;

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

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### 9. Financial Instruments and risk management (continued)

#### *Risk management (continued)*

##### *i) Credit risk (continued)*

- c) guarantee securities or obligations of any person or Company;
- d) borrow amounts greater than 30% of its total assets;
- 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 sub-prime mortgages.

The Company assesses the creditworthiness 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 have a high credit quality as the Company only invests in mortgages receivable with counterparties that have been independently reviewed by CCI and are considered to be in good credit standings and have the ability to make both principal and interest payments as required.

The Company has tasked its credit committee to develop and maintain the Company's credit risk grading to categorize exposures according to their degree of risk of default. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

Category	Description	Basis for recognizing expected credit losses
<b>Performing</b>	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL (Stage 1)
<b>Doubtful</b>	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired (Stage 2)
<b>Credit-impaired</b>	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired (Stage 3)
<b>Write-off</b>	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

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.

The tables below detail the credit quality of the Company's financial assets and other items, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

### 9. Financial instruments and risk management (continued)

#### *Risk management (continued)*

##### *i) Credit risk (continued)*

<b>December 31, 2021</b>	# days past due	Category	12m of Lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash (Note 5)	-	N/A	N/A	3,392	-	3,392
		-	-	<b>3,392</b>	-	<b>3,392</b>

  

December 31, 2020	# days past due	Category	12m of Lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash (Note 5)	-	N/A	N/A	56,730	-	56,730
Finance income receivable	-	Stage 1	12m	12,384	-	12,384
Mortgages receivable	-	Stage 1	12m	1,725,397	9,248	1,716,149
		-	-	1,794,511	9,248	1,785,263

The credit exposure related to mortgages receivable is outlined in Note 6.

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 is exposed to interest rate risk on the variable interest rate mortgages receivable to the extent of changes in the prime interest rate. As of December 31, 2021 the Company currently has no variable interest bearing mortgages totaling \$0 (2020 - 27 variable interest bearing mortgages, \$1,668,434). The variable rate mortgages existing in 2020 were protected by individual floor rates. For some of these mortgages, the floor rate may already be higher than the prime plus variable rate and therefore would not be fully impacted or impacted at all by an increase in prime rate of 0.5%. No mortgages would have been impacted by a decrease in prime rate.

##### *iii) Liquidity risk*

The 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 and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

### 9. Financial instruments and risk management (continued)

*Risk management (continued)*

iii) *Liquidity risk (continued)*

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

			2021	
	Carrying value	Current 0 to 60 days	Due between 61 to 365 days	Due greater than 365 days
	\$	\$	\$	\$
Due to related companies	4	4	-	-
	4	4	-	-

  

			2020	
	Carrying value	Current 0 to 60 days	Due between 61 to 365 days	Due greater than 365 days
	\$	\$	\$	\$
Accounts payable	7	7	-	-
Due to related companies	2,369	2,369	-	-
Dividends payable	2,922	2,922	-	-
Class A shares (Note 8)	1,777,980	55,120	11,766	1,711,094
	1,783,278	60,418	11,766	1,711,094

Mortgage investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and 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 was 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 refinancing will not be as favourable as the terms of the existing indebtedness.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

### 10. Income taxes

*Income taxes recognized in net earnings*

	2021	2020
	\$	\$
Tax expense		
Current tax (recovery) expense	<b>(2,006)</b>	3,658

*Income taxes reconciliation*

	2021	2020
	\$	\$
Earnings before income taxes	<b>3,970</b>	3,033
Tax expense	<b>1,509</b>	1,122
Effects of expenses that are not deductible in determining taxable profit		
Stage 1 (reversal of) impairment of mortgages receivable		
\$9,248, (\$2,315)	<b>(3,514)</b>	856
Unrealized retraction gain (\$1,591)	-	589
Other - adjusted 2020 effective tax rate	-	1,091
Tax (recovery) expense recognized in net earnings	<b>(2,006)</b>	3,658

The tax rate used for the 2021 reconciliation above is the 2019 corporate tax rate of 38.00% due to the carry back of losses to that year, (2020 - 36.995%) payable by corporate entities in Canada on taxable profits under tax law in applicable jurisdictions.

*Current tax assets and liabilities*

	2021	2020
	\$	\$
Current tax liability		
Income taxes (receivable) payable	<b>(2,006)</b>	2,567

### 11. Related party transactions

The Company invests in mortgages originated, structured and advanced by CCI under an agreement with CCI. The entities are related by virtue of common shareholders. Under this agreement, CCI receives a mortgage administration fee of 0.15% per annum, plus applicable taxes, of the gross outstanding aggregate principal balance of all mortgages in the mortgage portfolio, calculated daily, aggregated and paid monthly in arrears and prorated for any partial month.

The Company has appointed Carecana as its sole and exclusive investment fund manager and restricted portfolio manager pursuant to a management agreement. The entities are related by virtue of common management, directors and shareholders. Under this agreement, Carecana receives a management fee of 1.35% per annum, plus applicable taxes, of the gross assets of the Company attributable to the Class A shares, calculated daily, aggregated and paid monthly in arrears and prorated for any partial month.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

### 11. Related party transactions (continued)

The Company has appointed CVC Market Point Inc. as its agent to sell the shares under the offering memorandum. The entities are related through common shareholders. In return for the agent's services, Carecana has agreed to pay the agent a commission of up to 2.0% of the gross proceeds of each Class A share and up to 2.0% of the gross proceeds of each Class C share, sold through the agent. The commission is payable only on completed sales and will be paid to the agent within three weeks following the closing date of each sale.

During the year, the Company entered into the following transactions with related companies:

	Expenses	
	2021	2020
	\$	\$
Management fee		
Carecana Management Corp.	19,277	24,222
Mortgage Administration fee		
CareVest Capital Inc.	2,016	2,529
	<b>21,293</b>	<b>26,751</b>

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

	2021	2020
	\$	\$
Due to		
Carecana Management Corp.	4	2,143
CareVest Capital Inc.	-	226
	<b>4</b>	<b>2,369</b>

#### *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 any director (whether executive or otherwise) of the Company. The Company had no employees and there was \$Nil remuneration for directors during the year (2020 - \$Nil).

### 12. Loan agreement

In 2021 the Company entered into a loan agreement with 2038231 Alberta Ltd, a related company through common management and directors, in order to utilize leverage to maximize income to the Company by providing it with funds to invest in eligible investments. The loan agreement operated as a demand loan in the amount of up to \$150,000, bearing interest at a rate equal to the Scotiabank prime rate plus 1.50% per annum. The loan was due and payable in full on the date that was 30 days following the date of the lender's written demand for repayment. During the year the full \$150,000 of the loan was drawn on and subsequently repaid prior to year end.

# Giavest Mortgage Investment Corporation

## Notes to the financial statements

December 31, 2021

(In Canadian dollars)

### 13. Changes in non-cash working capital

	2021	2020
	\$	\$
Accounts payable	(7)	7
Due to related companies	(2,365)	119
	(2,372)	126

### 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 reinvestment 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 shareholders, return capital to shareholders, issue new shares, or sell assets.

There have been no changes in how the Company defines or manages its capital structure.

The Company has the following capital outstanding at the reporting date.

	2021	2020
	\$	\$
Capital stock	100	100
Class A shares	-	1,777,980
	100	1,778,080