# Amur Capital Conservative Income Fund Inc.

## (Formerly Manchester Investments Inc.)

## Financial Statements

*December 31, 2023*

# Contents

# Independent Auditor's Report

To the Shareholders of Amur Capital Conservative Income Fund Inc. (formerly Manchester Investments Inc.):

## Opinion

We have audited the financial statements of Amur Capital Conservative Income Fund Inc. (formerly Manchester Investments Inc.) (the "Company"), which comprise the statement of financial position as at December 31, 2023, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

Vancouver, British Columbia

MNP LLP

March 14, 2024

Chartered Professional Accountants

MNP

# Amur Capital Conservative Income Fund Inc.
## Statement of Financial Position

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash held in lawyer's trust | **334,854** | 362,632 |
| Prepaid expenses | **92,060** | 323,990 |
| Mortgage investments, current portion (Note 4) | **190,265,810** | 204,848,989 |
| **Total current assets** | **190,692,724** | 205,535,611 |
| **Non-current** | | |
| Mortgage investments, net of current portion (Note 4) | **6,358,565** | 13,308,651 |
| **Total assets** | **197,051,289** | 218,844,262 |
| **Liabilities** | | |
| **Current** | | |
| Bank indebtedness (Note 5) | **3,968,714** | 5,323,919 |
| Credit facility (Note 5) | **67,000,000** | 89,000,000 |
| Accounts payable and accrued liabilities (Note 6) | **657,302** | 709,473 |
| Unearned revenue | **324,700** | 300,488 |
| Dividends payable | **2,285,911** | 869,359 |
| **Total liabilities** | **74,236,627** | 96,203,239 |
| **Shareholders' Equity** | | |
| **Share capital (Note 7)** | **122,815,581** | 122,641,942 |
| **Deficit** | **(919)** | (919) |
| **Total shareholders' equity** | **122,814,662** | 122,641,023 |
| | **197,051,289** | 218,844,262 |

**Contingencies (Note 16)**

**Approved on behalf of the Board**

Kurt Wipp (Mar 14, 2024 11:34 PDT)

**Brent Wipp, Director** **Kurt Wipp, Director**

The accompanying notes are an integral part of these financial statements

# Amur Capital Conservative Income Fund Inc.
## Statements of Income and Comprehensive Income

| | ***December 31, 2023*** | *December 31, 2022* |
|---|---|---|
| **Revenue** | | |
| Interest | **17,237,024** | 13,946,384 |
| Other fees | **1,086,687** | 826,673 |
| | **18,323,711** | 14,773,057 |
| **Expenses** | | |
| Bank charges and fees | **254,663** | 222,955 |
| Directors' fees (Note 6) | **42,000** | 42,000 |
| Financial services and exempt market dealer fees (Notes 6, 9 and 10) | **2,798,099** | 2,901,138 |
| Impairment losses on mortgage investments (Note 4) | **696,975** | 220,344 |
| Insurance | **22,122** | 16,328 |
| Interest on credit facility (Note 5) | **4,636,210** | 3,082,647 |
| Office | **38,227** | 33,455 |
| Professional fees | **164,112** | 140,945 |
| | **8,652,408** | 6,659,812 |
| **Net and comprehensive income** | **9,671,303** | 8,113,245 |
| **Earnings per share** | | |
| Basic and diluted net earnings per share (Note 11) | **0.0810** | 0.0655 |

The accompanying notes are an integral part of these financial statements

| | *Share capital* | *Deficit* | *Total equity* |
|---|---|---|---|
| Balance as at January 1, 2022 | 118,562,162 | (919) | 118,561,243 |
| Net and comprehensive income | - | 8,113,245 | 8,113,245 |
| Dividends | - | (8,113,245) | (8,113,245) |
| Issued - dividend reinvestment (Note 8) | 4,999,444 | - | 4,999,444 |
| Issued - cash consideration | 21,227,750 | - | 21,227,750 |
| Redemption of shares for cash | (22,147,414) | - | (22,147,414) |
| Balance as at December 31, 2022 | 122,641,942 | (919) | 122,641,023 |
| **Balance as at January 1, 2023** | **122,641,942** | **(919)** | **122,641,023** |
| Net and comprehensive income | - | **9,671,303** | **9,671,303** |
| Dividends | - | **(9,671,303)** | **(9,671,303)** |
| Issued - dividend reinvestment (Note 8) | **4,737,301** | - | **4,737,301** |
| Issued - cash consideration | **15,665,187** | - | **15,665,187** |
| Redemption of shares for cash | **(20,228,849)** | - | **(20,228,849)** |
| **Balance as at December 31, 2023** | **122,815,581** | **(919)** | **122,814,662** |

The accompanying notes are an integral part of these financial statements

# Amur Capital Conservative Income Fund Inc.
## Statements of Cash Flows

| | ***December 31, 2023*** | *December 31, 2022* |
|---|---|---|
| **Cash provided by (used for) the following activities** | | |
| **Operating activities** | | |
| Net and comprehensive income | **9,671,303** | 8,113,245 |
| Impairment losses on mortgage investments | **696,975** | 220,344 |
| | **10,368,278** | 8,333,589 |
| Changes in working capital accounts | | |
| Prepaid expenses | **231,930** | (201,285) |
| Accounts payable and accrued liabilities | **(52,171)** | 442,190 |
| Dividends payable | **1,416,552** | 386,992 |
| Unearned revenue | **24,212** | (71,353) |
| Accrued interest receivable | **(165,077)** | (392,057) |
| | **11,823,724** | 8,498,076 |
| **Financing activities** | | |
| Proceeds from credit facility | **-** | 89,000,000 |
| Repayments of credit facility | **(22,000,000)** | (45,413,695) |
| Proceeds from issuance of preferred shares | **15,665,187** | 21,227,750 |
| Payments for redemption of preferred shares | **(20,228,849)** | (22,147,414) |
| Dividends paid | **(4,934,002)** | (3,113,801) |
| | **(31,497,664)** | 39,552,840 |
| **Investing activities** | | |
| Funding of mortgage investments | **(106,211,333)** | (144,005,218) |
| Discharge of and repayments on mortgage investments | **127,212,700** | 87,011,211 |
| | **21,001,367** | (56,994,007) |
| **Increase (decrease) in cash and cash equivalents** | **1,327,427** | (8,943,091) |
| **Cash and cash equivalents (bank indebtedness), beginning of period** | **(4,961,287)** | 3,981,804 |
| **Bank indebtedness, end of period** | **(3,633,860)** | (4,961,287) |
| **Bank indebtedness is composed of:** | | |
| Bank indebtedness | **(3,968,714)** | (5,323,919) |
| Cash held in lawyer's trust | **334,854** | 362,632 |
| | **(3,633,860)** | (4,961,287) |
| **Cash flows from operating activities include:** | | |
| Interest received | **17,096,158** | 13,482,974 |
| Interest paid on credit facility | **(4,689,864)** | (2,757,630) |
| **Supplementary cash flow information** | | |
| Issuance of shares under the dividend reinvestment plan (Note 12) | | |

The accompanying notes are an integral part of these financial statements

## 1. Incorporation and operation

Amur Capital Conservative Income Fund Inc., formerly known Manchester Investments Inc., (the “Company”) was incorporated on October 24, 2007 under the laws of British Columbia. On October 31, 2023, the Company’s name was changed from Manchester Investments Inc. to Amur Capital Conservative Income Fund Inc. The Company is domiciled in Canada with its registered principal business office located at Suite 310 – 10524 King George Boulevard, Surrey, British Columbia. The Company is in the business of investing in financial instruments, principally mortgages, and carries on business as a Mortgage Investment Corporation as defined in Section 130.1 (6) of the Income Tax Act of Canada.

## 2. Basis of presentation

### *a. Statement of compliance*

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements for the twelve months ended December 31, 2023 were authorized for issuance by the Board of Directors of the Company (“Board”) on March 14, 2024.

### *b. New and amended standards and interpretations*

Effective January 1, 2023, the company adopted the narrow-scope amendments to IAS 1, Presentation of Financial Statements, IFRS Practice Statement 2, Making Materiality Judgements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies, and clarify how to distinguish changes in accounting policies from changes in accounting estimates. These amendments had no material impact on the interim consolidated financial statements.

### *c. Basis of measurement*

These financial statements have been prepared on the basis of historical cost, except for financial instruments classified as fair value through profit and loss, which are measured at fair value.

### *d. Functional and presentation currency*

These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

### *e. Significant accounting judgements, estimates and assumptions*

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of future legislation or regulation, prior encumbrances and other factors affecting the investments in mortgages and the underlying security of the mortgages. However, actual outcomes may differ from these estimates.

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 revision and future periods if the revision affects both current and future period.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

## 2. Basis of presentation (continued)

### *e. Significant accounting judgements, estimates and assumptions* (continued)

***Mortgage investments and impairment of financial assets***

The Company determines that the cash flows from mortgage investments represent solely payments of principal and interest (SPPI). The Company is also required to make assessments of the future expected losses on mortgage receivables, and in particular, the measurement of credit risk to determine significant changes. The estimation of future cash flows and expected losses includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. The assumptions used in the assessment of impairment are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Liquid credit markets and volatile equity markets have increased the uncertainty inherent in such estimates and assumptions.

These estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated allowance for impairment losses could vary by a material amount.

Significant judgements, estimates and assumptions are required when calculating the expected credit losses of financial assets and determining whether there has been a significant increase in credit risk since initial recognition in accordance with IFRS 9 Financial Instruments. For more information, refer to Note 3.

## 3. Summary of material accounting policies

### *a. Cash and cash equivalents*

The Company considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents. Cash held in lawyer's trust is subject to restrictions that prevent its use for current purposes is included in restricted cash.

### *b. Financial instruments*

***Financial assets***

**Recognition and initial measurement**

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets consist of cash and cash equivalents, accounts receivable and mortgage investments. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

**Classification and subsequent measurement**

Subsequent to initial recognition, cash and cash equivalents, cash held in lawyer's trust and mortgage investments are classified and measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment and derecognition are recognized in profit or loss.

**Impairment**

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Company commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Company's accounting policies for impairment of financial assets.

**3. Summary of material accounting policies (continued)**

***b. Financial instruments (continued)***

***Financial assets (continued)***

For mortgage investments, the Company records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Company assessed that a significant increase in credit risk has occurred, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

For mortgage investments assessed by the Company as having a significant increase in credit risk since initial recognition, the Company recognizes a loss allowance equal to the cumulative changes in lifetime expected credit losses since initial recognition.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants or requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit loss.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Refer to Note 14b for additional information about the Company's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

**Derecognition of financial assets**

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Company either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Company retains the risks and rewards of ownership. When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

**Reclassifications**

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

***Financial liabilities***

**Recognition and initial measurement**

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. Financial liabilities consist of credit facility, accounts payable and accrued liabilities and dividends payable. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

## 3. Summary of material accounting policies (continued)

### *b. Financial instruments (continued)*

***Financial liabilities (continued)***

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

**Classification and subsequent measurement**

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

**Derecognition of financial liabilities**

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

***Interest***

Interest income and expense are recognized in profit or loss using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The ‘amortized cost’ of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The ‘gross carrying amount’ of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses. Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

For financial assets that were purchased or originated as credit-impaired financial assets, a credit-adjusted effective interest rate is calculated which incorporated expected credit losses. Interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. Calculation of interest does not revert to another basis if credit risk of the asset subsequently improves.

### *c. Offsetting financial instruments*

Financial assets and financial liabilities are offset, with the net amount presented in the statement of financial position, when, and only when, the Company has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material.

### *d. Unearned revenue*

Unearned revenue comprises of unearned discount on mortgages purchased, which are amortized to income using the effective interest method over the contractual terms of the mortgages.

**3. Summary of material accounting policies (continued)**

***e. Share capital***

Preferred shares issued are classified as equity. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity. The Company did not incur any share issuance costs during the 2023 and 2022.

Dividends are recognized in equity in the year in which they are declared. Dividends on new preferred shares issued during the year and dividends on preferred shares redeemed during the year are calculated on the number of full days in the year held by the shareholders divided by the number of days in the fiscal year.

***f. Revenue recognition***

Interest on mortgage investments is recognized as revenue using the effective interest method. Refer to Note 3b for additional information on how interest on financial assets is calculated. Other fees, including returned cheques and early payout penalty fees, are recognized as revenue upon completion of services.

***g. Basic and diluted net earnings per share***

The Company presents basic and diluted net earnings per share data for its preferred shares. Basic per share amounts are calculated by dividing the net income attributable to preferred shareholders of the Company by the weighted average number of preferred shares outstanding during the period. As the Company has no dilutive financial instruments that could be converted to preferred shares, basic and diluted net earnings per share are identical.

***h. Income taxes***

The Company is a Mortgage Investment Corporation as defined in Section 130.1 (6) of the Canadian Income Tax Act and, as such, is not taxable on income which flows through to the shareholders in the form of dividends paid during the period or within 90 days of the end of the period. It is the Company's policy to flow such dividends out to the shareholders and as such have no taxable income for the period. Accordingly, no provision for corporate income taxes has been made in the accounts.

***i. Standards issued but not yet effective***

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2023 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

**IAS 1 Presentation of Financial Statements**

Amendments to IAS 1, issued in January 2020, provide clarification on the requirements for classifying liabilities as either current or non-current.

Amendments to IAS 1, issued in October 2022, added new disclosure requirements for situations where a liability is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months after the reporting date. The disclosure should enable users of financial statements to understand the risk that the liability classified as non-current could become repayable within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024.

The Company will adopt the amendments in its financial statements for the annual period beginning on January 1, 2024. The Company does not expect the amendments to have a material impact on the financial statements.

**4. Mortgage investments**

Mortgages written by the Company are for terms ranging from one to three years. Most mortgages written by the Company earn interest at a fixed stated annual interest rate in the range of 5.99% to 15.50% (2022 - 4.99% to 13.25%) with a weighted average interest rate of 10.19% (2022 - 7.52%). Mortgages written by the Company for greater than a one-year term typically earn interest at a fixed rate for the first year and become variable at the Bank of Canada Prime Business Rate plus interest.

| **Property locations** | **No.** | ***2023*** | **%** | No. | *2022* | % |
|---|---|---|---|---|---|---|
| Urban properties in British Columbia | **205** | **76,675,544** | **38.99** | 234 | 75,985,399 | 34.91 |
| Rural properties in British Columbia | **26** | **5,560,377** | **2.83** | 20 | 4,555,630 | 2.09 |
| Urban properties in Alberta | **65** | **5,958,501** | **3.03** | 76 | 7,086,493 | 3.26 |
| Rural properties in Alberta | **4** | **1,001,946** | **0.50** | 5 | 935,528 | 0.43 |
| Urban properties in Ontario | **338** | **98,442,366** | **50.05** | 444 | 121,004,741 | 55.59 |
| Rural properties in Ontario | **37** | **9,039,740** | **4.60** | 28 | 8,112,050 | 3.72 |
| | **675** | **196,678,474** | **100.0** | 807 | 217,679,841 | 100.0 |
| Accrued interest receivable | | **1,165,307** | | | 1,000,231 | |
| Allowance for impairment losses | | **(1,219,406)** | | | (522,432) | |
| | | **196,624,375** | | | 218,157,640 | |
| Non-current portion | | **(6,358,565)** | | | (13,308,651) | |
| | | **190,265,810** | | | 204,848,989 | |

The mortgages are mostly invested in residential properties which are secured by first, second or third charges on the real property.

| | ***2023*** | % | *2022* | % |
|---|---|---|---|---|
| Interest in first mortgages | **150,767,816** | **76.66** | 180,259,212 | 82.81 |
| Interest in non-first mortgages | **45,910,658** | **23.34** | 37,420,629 | 17.19 |
| | **196,678,474** | **100.00** | 217,679,841 | 100.00 |

Principal repayments, based on contractual maturity dates, are as follows:

| | ***2023*** | *2022* |
|---|---|---|
| 2023 | **-** | 204,848,989 |
| 2024 | **190,265,810** | 12,479,997 |
| 2025 | **5,739,859** | 828,654 |
| 2026 | **618,706** | - |
| Total | **196,624,375** | 218,157,640 |

The Company has invested in 34 non-current mortgages receivable (2022 - 108), which mature from January 1, 2025 to April 15, 2026 (2022 - January 1, 2024 to December 15, 2025).

**4. Mortgage investments (continued)**

The changes in allowance for impairment losses are summarized as follows:

| | ***2023*** | *2022* |
|---|---|---|
| Balance at beginning of year | **522,431** | 302,086 |
| Increase in provision | **696,975** | 220,345 |
| Loss on discharge of mortgage investments | **-** | - |
| Balance at end of year | **1,219,406** | 522,431 |

**5. Credit facility**

| | ***2023*** | *2022* |
|---|---|---|
| 30-Day Fixed-term Credit Facility | **67,000,000** | 89,000,000 |
| Swingline Credit Facility | **3,968,714** | 5,323,919 |
| Balance at end of year | **70,968,714** | 94,323,919 |

a) Credit facility

The Company had a credit facility, due on demand, with a chartered bank for a total credit available of up to $50,000,000 which matured in 2022. The Floating Credit Facility charged an annual interest rate equal to the Bank's prime rate plus 0.75%, while the 30-day rolling variable amount Fixed-term Credit Facility charged an annual interest rate of 2.695% and is set at each renewal date. As at the year ended Dec 31, 2022, interest expense of $253,797 was recorded on the credit facility.

The credit facility was replaced by a new syndicated credit facility in April 2022 (See (b) below).

b) Syndicated credit facility

The Company has a syndicated credit facility with four chartered banks and financial institutions for the lesser of $150,000,000 (2022 - $150,000,000) and a percentage of total eligible mortgages. The syndicated credit facility is secured by a general security agreement covering first-ranking security of all tangible and intangible assets.

The loan consists of up to $135,000,000 (2022 - $135,000,000) in revolving credit facilities in the form of Canadian Dollar Offered Rate ("CDOR") and/or Prime Rate Loans, of which the Company utilized $67,000,000 (2022 - $89,000,000) as at December 31, 2023. A swingline facility is also included at an amount of $15,000,000 (2022 - $15,000,000), of which the company had utilized $3,968,714 (2022 - $5,323,919) of available funds. The swingline facility bears interest at 0.5% plus the bank's prime lending rate. Borrowing under the credit facilities is limited by a Borrowing Base calculation. At December 31, 2023, the borrowing limit was $91,973,249.

Interest on the Revolver Credit Facility borrowed by way of Prime Rate Loans is charged at the bank's prime lending rate plus 0.5% per annum. The CDOR loans bear interest at the applicable CDOR rate. As at the year ended Dec 31, 2023, interest expense of $4,636,210 (2022 - $2,828,850) at a blended rate of 7.4% (2022 – 6.6%) was recorded on the syndicated credit facility.

The Company is required to manage its capital structure to maintain its debt obligation subject to various financial and non-financial covenants. The financial covenants require the Company to maintain a Maximum Total Debt to Tangible Net Worth Ratio of 1.00x and a Minimum EBITDA/Interest Coverage ratio of 2.75x.

At December 31, 2023 and 2022, the Company met its required financial covenants.

## 6. Related party transactions and balances

All related party transactions are 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:

*a.* Transactions and balances with companies having common senior management group for the year ended December 31, 2023, and December 31, 2022 were as follows:

(i) The Company acquired mortgage investments with a face value totaling $640,150 (2022 - $9,813,291) arranged by Alpine Credits Limited (BC) with a total discount received of $1,455 (2022 - $26,933). Included in accounts payable and accrued liabilities are $9,420 (2022 - $13,903).

(ii) The Company acquired mortgage investments with a face value totaling $3,396,845 (2022 - $2,716,674) arranged by Alpine Credits Limited (AB) with a total discount received of $7,046 (2022 - $7,797). Included in accounts payable and accrued liabilities are $5,120 (2022 - $3,470).

(iii) The Company acquired mortgage investments with a face value totaling $5,780,777 (2022 - $25,490,810) arranged by Alpine Credits Ontario Limited with a total discount received of $18,066 (2022 - $59,288). Included in accounts payable and accrued liabilities are $13,958 (2022 - $14,005).

(iv) The Company acquired mortgage investments with a face value totaling $96,393,561 (2022 - $106,010,759) arranged by Sequence Capital Inc. with a total discount received of $425,074 (2022 - $616,465). Included in accounts payable and accrued liabilities are $34,795 (2022 - $11,208).

(v) The Company incurred financial services fees of $2,501,372 (2021 - $2,593,646) to Amur Financial Group Inc. (Note 9). Included in accounts payable and accrued liabilities are $220,418 (2022 - $244,947).

(vi) The Company incurred exempt market dealer fees of $296,727 (2022 - $307,492) to Amur Capital Management Corporation (Note 10). Included in accounts payable and accrued liabilities are $25,814 (2022 - $28,570).

*b.* During the year ended December 31, 2023, dividends reinvested in preferred shares to related parties/directors/officers total $444,729 (2022 - $736,775); preferred shares issued for cash consideration to related parties/directors/officers total $nil (2022 - $763,794); and redemption of preferred shares by related parties/directors/officers total $540,163 (2022 - $1,501,562). As at December 31, 2023, preferred shares held by related parties/directors/officers totaled $23,525,547 (2022 - $23,620,981)

*c.* During the year ended December 31, 2023, the Company paid directors’ fees totaling $42,000 (2022 - $42,000).

## 7. Share capital

The authorized share capital of the Company consists of unlimited common voting shares with a par value of $1 per share and unlimited preferred voting shares with a par value of $1 per share, redeemable at $1 per share.

| *Number of shares* | ***2023*** | *2022* |
|---|---|---|
| Preferred shares | | |
| Opening balance | **122,641,942** | 118,562,162 |
| Issued - dividends reinvestment | **4,737,301** | 4,999,444 |
| Issued - cash consideration | **15,665,187** | 21,227,750 |
| Redemption of shares for cash | **(20,228,849)** | (22,147,414) |
| Total share capital | **122,815,581** | 122,641,942 |

### 7. Share capital (continued)

| *Amount* | ***2023*** | *2022* |
|---|---|---|
| Preferred shares | | |
| Opening balance | **122,641,942** | 118,562,162 |
| Issued - dividends reinvestment | **4,737,301** | 4,999,444 |
| Issued - cash consideration | **15,665,187** | 21,227,750 |
| Redemption of shares for cash | **(20,228,849)** | (22,147,414) |
| Total share capital | **122,815,581** | 122,641,942 |

The preferred shares, which are the only class of shares entitled to receive dividends, as and when declared at the discretion of the Board, shall be redeemable at the option of either the Company or the holder of preferred shares in accordance with the Special Rights and Restrictions of the Company's Articles and Notice of Articles. Notwithstanding that the shareholders may redeem their preferred shares, the directors may determine in their absolute discretion, the maximum number of preferred shares that the Company shall, by resolution, redeem in that fiscal year. Such redemption shall be processed by the dates the redemption notices were received.

### 8. Distribution reinvestment plan

The Distribution Reinvestment Plan ("DRIP") allows holders of preferred shares to elect to have all cash distributions from the Company reinvested in additional preferred shares.

For the year ended December 31, 2023, 4,737,301 preferred shares (2022 - 4,999,444 shares) were issued under the DRIP at $1 per preferred share, for a total of $4,737,301 (2022 - $4,999,444).

### 9. Financial services fees

On January 1, 2020, the Company amended the Mortgage Brokerage Services Agreement by decreasing the Financial Services Fee from 1.5% to 1.35% per annum of the total month-end value of the Company's mortgage portfolio, calculated and payable monthly and are net of any directors' fees payable from time to time (Note 6). The Broker is responsible for arranging financial service transactions, which include acting as a broker and intermediary between the Company and the borrowers for the purpose of arranging for and effecting mortgage loans transactions.

### 10. Exempt market dealer fees

On January 1, 2020, the Company entered into an Exempt Market Dealer Agreement with Amur Capital Management Corporation, appointing Amur Capital Management Corporation to act as an exempt market dealer in connection with the distribution of the Company's redeemable preferred shares in British Columbia and Alberta at an annual fee of 0.15% of the total month-end value of the Company's mortgage portfolio, calculated and payable monthly (Note 6).

## 11. Basic and diluted net earnings per share

The following table reconciles the numerator and denominator of both the basic and diluted net earnings per preferred share:

| | ***2023*** | *2022* |
|---|---|---|
| Numerator for net earnings per share | | |
| Net and comprehensive income | **9,671,303** | 8,113,245 |
| Denominator for net earnings per share | | |
| Weighted average shares | **119,417,964** | 123,876,710 |
| Basic and diluted net earnings per share | **0.0810** | 0.0655 |

The Company distributes dividend income monthly. If an investor had remained fully invested for the year ended December 31, 2023, without any additional purchases or redemptions and compounded their monthly distributions, the maximum potential return would be 8.29% (2022 - 6.72%).

## 12. Supplementary cash flow information

***Non-cash transactions***

During December 31, 2023, the Company issued 4,737,301 preferred shares (2022 - 4,999,446 shares) at a value of $1 per share for a total of $4,737,301 (2022 - $4,999,446) under the DRIP (Note 8).

## 13. Determination of fair values

The Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 - Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly;

Level 3 - Unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is assessed to be significant to that fair value measurement. This assessment requires the use of judgment in considering factors specific to an asset or a liability and may affect the placement of the fair value measurement within the hierarchy.

## 13. Determination of fair values (continued)

The following table shows the carrying amounts and fair values of assets and liabilities:

| *December 31, 2023* | *Carrying value* | |
|---|---|---|
| | ***Amortized cost*** | ***Fair value*** |
| Bank indebtedness | **3,968,714** | **3,968,714** |
| Cash in lawyer's trust | **334,854** | **334,854** |
| Mortgage investments | **196,624,375** | **196,624,375** |
| Credit facility | **67,000,000** | **67,000,000** |
| Accounts payable and accrued liabilities | **657,302** | **657,302** |
| Dividends payable | **2,285,911** | **2,285,911** |

| *December 31, 2022* | *Carrying value* | |
|---|---|---|
| | *Amortized cost* | *Fair value* |
| Bank indebtedness | 5,323,919 | 5,323,919 |
| Cash in lawyer's trust | 362,632 | 362,632 |
| Mortgage investments | 218,157,640 | 218,157,640 |
| Credit facility | 89,000,000 | 89,000,000 |
| Accounts payable and accrued liabilities | 709,643 | 709,643 |
| Dividends payable | 869,359 | 869,359 |

The valuation techniques and inputs used for the financial assets and liabilities are as follows:

### *a. Mortgage investments*

There is no quoted price in an active market for the mortgage investments. The Manager/Administrator makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair values are determined by discounting the future payments of principal and interest at the market interest rates at reporting dates. As a result, the fair value of mortgage investments is based on level 3 inputs.

### *b. Other assets and liabilities*

The fair values of cash and cash equivalents, cash held in lawyer's trust, credit facility, bank indebtedness, accounts payable and accrued liabilities and dividends payable approximate their carrying amounts due to their short-term maturities.

## 14. Risk management

The Company is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition, and operating results. Many of these factors are beyond the Company's direct control. The Manager/Administrator and Board of Directors play an active role in monitoring the Company's key risks in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

The Company's business activities, including its use of financial instruments, expose the Company to various risks, the most significant of which are interest rate risk, credit risk, redemption risk and liquidity risk.

### a. *Interest rate risk*

Mortgages written by the Company for greater than a one-year term typically earn interest at fixed rate for the first year and become variable at the Bank of Canada Prime Business Rate plus interest ranging from 5.99% to 13.74% per annum (2022 - 4.99% to 13.25%). The minimum rate mitigates the effect of a drop in short-term market interest rates while the floating rate allows for increased interest earnings where short-term rates increase. The floating interest rate on the credit facility subjects the Company to a cash flow risk. The interest rate risk on cash and cash equivalents, cash held in lawyer's trust, accounts payable and accrued liabilities and dividends payable are not considered significant.

Sensitivity analysis

The Company is exposed to interest rate risk on the Credit Facility. Based on the outstanding balance of $67,000,000 on the Credit Facility as at December 31, 2023 (2022 - $89,000,000), a 0.50% decrease in the bank's prime rate, keeping other variables constant, would result in an annual increase in net and comprehensive income of $335,000 (2022 - $445,000) as a result of lower interest payable on the Credit Facility. A 0.50% increase in the bank's prime rate would have an equal but opposite effect on the net and comprehensive income of the Company.

### b. *Credit risk*

As with most mortgage investment corporations, the Company provides financing to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is the possibility that the mortgagor may fail to discharge the obligation causing the Company to incur a financial loss. The Company minimizes its credit risk primarily by ensuring that the collateral value of the security fully protects the mortgage advances, and that there is a viable exit strategy for each loan. In addition, the Company limits concentration of risk by diversifying its mortgage portfolio by way of location, property type, and maximum loan amount on any one property and maximum loan amount to one borrower.

At the end of each reporting period, impairment is assessed using an expected credit loss (ECL) approach. Under this approach the level of credit risk deterioration is assessed in a three-stage impairment model. The three stages are determined, and expected credit losses are assessed as follows:

Stage 1 - No significant increase to credit risk since initial recognition. 12-month expected credit losses are recognized.

Stage 2 - Significant increase in credit risk since initial recognition. Lifetime expected credit losses are recognized.

Stage 3 - Credit Impaired. Lifetime expected credit losses are recognized.

The Company is required to make assessments of the future expected losses on mortgage investments in Stage 1 and Stage 2 using forward-looking information, including macro-economic factors. Mortgage investments are transferred to Stage 3 when there is objective information that indicates that one or more events ("loss events") have occurred that have a negative effect on the estimated future cash flows of that asset.

The Company determines that the cash flows from mortgage investments represent solely payments of principal and interest (SPPI). The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors.

## 14. Risk management (continued)

### *b. Credit risk (continued)*

The Company considers a number of past events, current conditions, and forward-looking information to assess if there has been a significant increase or subsequent decrease in credit risk. To identify whether the credit risk of a mortgage investment has significantly increased since initial recognition, management will consider forward-looking information, including macro-economic factors as well as information related to the specific borrower, including the outstanding balance upon default, credit worthiness and changes in personal economic situation.

Determining if there was a significant increase or decrease in credit risk requires significant judgement. Management reviews the mortgage investments and considers the credit risk to be increased when reasonable assurance no longer exists that the sole payments of principal and interest would be recoverable.

Loss provisions are recorded upon initial recognition of the mortgage investment based upon expectations of future losses at the time. For Stage 1 mortgages, the Company will recognize a loss allowance equal to 12-month expected credit losses, if the credit risk at the reporting date has not increased significantly since initial recognition, representing the expected credit losses from default events that are possible within the next 12 months.

Under IFRS 9, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. However, based on historical experience, mortgages that were 30 day past due could be brought up to date with later payments. Therefore, this factor will not be used to identify mortgages above Stage 1.

The recognition of credit losses must be made for the remaining life of the mortgage investments (lifetime expected credit losses) that are considered to have experienced a significant increase in credit risk (Stage 2) and for mortgage investments that are credit impaired at the reporting date (Stage 3). The lifetime expected credit losses represent the expected loss in value due to possible default events over the life of the mortgage investment weighted by the likelihood of a loss. At each reporting date, credit impaired mortgage investments will be transferred to Stage 3 when there is objective information that the mortgage investments are credit impaired.

To determine whether a mortgage investment is credit impaired, an event must be identified that has a detrimental impact on the estimated future cash flows.

The Company considers evidence of impairment for mortgage investments in Stage 3 at a specific level on a mortgage-by-mortgage basis, and specific allowances are recorded if management determines that the mortgage investment is impaired. In such cases, a specific provision is established to write-down the loan to the estimated future cash flows from the loan discounted at the loan's original effective interest rate. In cases where it is impractical to estimate the future cash flows, the carrying amount of the loan is reduced to its fair value calculated based on an observable market price.

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 Financial instruments. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

| | **As at December 31, 2023** | | | |
|---|---|---|---|---|
| **Property locations** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Urban properties in British Columbia | **68,083,091** | **6,322,237** | **2,270,216** | **76,675,544** |
| Rural properties in British Columbia | **5,560,377** | **-** | **-** | **5,560,377** |
| Urban properties in Alberta | **5,327,527** | **630,974** | **-** | **5,958,501** |
| Rural properties in Alberta | **1,001,946** | **-** | **-** | **1,001,946** |
| Urban properties in Ontario | **84,189,016** | **6,162,263** | **8,091,087** | **98,442,366** |
| Rural properties in Ontario | **8,522,395** | **-** | **517,345** | **9,039,740** |
| | **172,684,352** | **13,115,474** | **10,878,648** | **196,678,474** |

## 14. Risk management (continued)

### *b. Credit risk (continued)*

| | As at December 31, 2022 | | | |
|---|---|---|---|---|
| Property locations | Stage 1 | Stage 2 | Stage 3 | Total |
| Urban properties in British Columbia | 70,417,294 | 5,219,407 | 348,698 | 75,985,399 |
| Rural properties in British Columbia | 3,691,791 | 747,560 | 116,279 | 4,555,630 |
| Urban properties in Alberta | 6,119,789 | 713,121 | 253,583 | 7,086,493 |
| Rural properties in Alberta | 897,862 | 37,666 | - | 935,528 |
| Urban properties in Ontario | 114,786,986 | 4,419,917 | 1,797,838 | 121,004,741 |
| Rural properties in Ontario | 7,814,632 | 297,418 | - | 8,112,050 |
| | 203,728,354 | 11,435,089 | 2,516,398 | 217,679,841 |

The allowance for impairment losses is summarized as follows:

| | **As at December 31, 2023** | | | |
|---|---|---|---|---|
| **Property locations** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Urban properties in British Columbia | **395,105** | **-** | **-** | **395,105** |
| Rural properties in British Columbia | **32,268** | **-** | **-** | **32,268** |
| Urban properties in Alberta | **30,917** | **-** | **-** | **30,917** |
| Rural properties in Alberta | **5,815** | **-** | **-** | **5,815** |
| Urban properties in Ontario | **488,572** | **68,595** | **148,676** | **705,843** |
| Rural properties in Ontario | **49,458** | **-** | **-** | **49,458** |
| | **1,002,135** | **68,595** | **148,676** | **1,219,406** |

| | As at December 31, 2022 | | | |
|---|---|---|---|---|
| Property locations | Stage 1 | Stage 2 | Stage 3 | Total |
| Urban properties in British Columbia | 179,451 | - | - | 179,451 |
| Rural properties in British Columbia | 9,605 | - | - | 9,605 |
| Urban properties in Alberta | 15,921 | - | - | 15,921 |
| Rural properties in Alberta | 2,336 | - | - | 2,336 |
| Urban properties in Ontario | 295,318 | - | - | 295,318 |
| Rural properties in Ontario | 19,801 | - | - | 19,801 |
| | 522,432 | - | - | 522,432 |

Management estimated the ECL for mortgages in Stage 1 as $1,002,135 (2022 - $522,432). Mortgages that transferred to Stage 2 and 3 were assessed individually for lifetime ECL.

There were 39 mortgages in arrears (2022 - 33), identified as Stage 2, totaling $13,115,474 (2022 - $11,435,089) with an allowance for impairment losses of $68,595 (2022 - $nil).

**14. Risk management (continued)**

***b. Credit risk (continued)***

There were 23 foreclosures (2022 – 6), identified as Stage 3, totaling $10,878,648 (2022 - $2,516,398) with an allowance for impairment losses of $148,676 (2022 - $nil).

The changes in allowance for mortgage losses are summarized as follows:

| | **Year ended December 31, 2023** | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Balance at January 1, 2023 | **522,432** | **-** | **-** | **522,432** |
| Transfers to / from Stage 1 *(1)* | **(46,697)** | **29,143** | **17,554** | **-** |
| Transfers to / from Stage 2 *(1)* | **-** | **-** | **-** | **-** |
| Transfers to / from Stage 3 *(1)* | **-** | **-** | **-** | **-** |
| Net remeasurement *(2)* | **254,476** | **31,801** | **110,977** | **397,254** |
| Mortgage advances | **542,961** | **7,651** | **20,145** | **570,757** |
| Mortgage repayments | **(271,037)** | **-** | **-** | **(271,037)** |
| Balance at December 31, 2023 | **1,002,135** | **68,595** | **148,676** | **1,219,406** |

*(1) Transfers between stages which are presumed to occur before any corresponding remeasurement of provisions.*
*(2) Net remeasurement represents the change in the allowance related to changes in model inputs and assumptions, including changes in microeconomic conditions, and changes in measurement following a transfer between stages.*

During the year ended December 31, 2023, the allowance for mortgage losses classified as Stage 1 increased as a result of an increase in the provision rate used. The allowance for mortgage losses for mortgages classified as Stage 3 increased due to management's estimate of impairment on mortgages included in Stage 3 at December 31, 2023, net of a repayment of a mortgage receivable under foreclosure. The ECL is assessed individually for Stage 2 and Stage 3 mortgages.

| | Year ended December 31, 2022 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance at January 1, 2022 | 302,087 | - | - | 302,087 |
| Transfers to / from Stage 1 *(1)* | (11,117) | 10,443 | 674 | - |
| Transfers to / from Stage 2 *(1)* | - | - | - | - |
| Transfers to / from Stage 3 *(1)* | - | - | - | - |
| Net remeasurement *(2)* | 42,380 | (10,443) | (674) | 31,263 |
| Mortgage advances | 331,454 | - | - | 331,454 |
| Mortgage repayments | (142,373) | - | - | (142,373) |
| Balance at December 31, 2022 | 522,432 | - | - | 522,432 |

*(1) Transfers between stages which are presumed to occur before any corresponding remeasurement of provisions.*
*(2) Net remeasurement represents the change in the allowance related to changes in model inputs and assumptions, including changes in microeconomic conditions, and changes in measurement following a transfer between stages.*

**14. Risk management (continued)**

***b. Credit risk (continued)***

During the year ended December 31, 2022, the allowance for mortgage losses classified as Stage 1 increased as a result of an increase in the mortgage investments, net of repayments. The allowance for mortgage losses for mortgages classified as Stage 3 decreased due to management's estimate of impairment on mortgages included in Stage 3 at December 31, 2022, net of a repayment of a mortgage receivable under foreclosure. The ECL is assessed individually for Stage 2 and Stage 3 mortgages.

Concentration of credit risk analysis

At December 31, 2023, the Company has no significant individual mortgage investment (2022 - nil). The average mortgage amount for the balance of the mortgage investments was $291,376 (2022 - $269,740).

***c. Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligation as they become due. This risk arises in normal operations from fluctuations in cash flow due to the timing of mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized.

The following are the contractual maturities of the financial liabilities:

| ***December 31, 2023*** | ***Amortized cost*** | ***Due in 1 year*** |
|---|---|---|
| Credit facility | **67,000,000** | **67,000,000** |
| Accounts payable and accrued liabilities | **657,302** | **657,302** |
| Bank indebtedness | **3,968,714** | **3,968,714** |
| Dividends payable | **2,285,911** | **2,285,911** |
| | **73,911,927** | **73,911,927** |

| *December 31, 2022* | *Amortized cost* | *Due in 1 year* |
|---|---|---|
| Credit facility | 89,000,000 | 89,000,000 |
| Accounts payable and accrued liabilities | 709,642 | 709,642 |
| Bank indebtedness | 5,323,919 | 5,323,919 |
| Dividends payable | 869,359 | 869,359 |
| | 95,902,920 | 95,902,920 |

***d. Redemption risk***

The amount payable by the Company by cash payment in respect of the redemption of preferred shares in any fiscal year of the Company will not exceed the redemption price payable plus any unpaid dividends on the issued and outstanding preferred shares. Notwithstanding that the shareholders may redeem their preferred shares, the directors may determine in their absolute discretion, the maximum number of preferred shares that the Company shall, by resolution, redeem in that fiscal year. Therefore, the redemption risk is not considered significant.

**15. Capital management**

The Company's objective when managing capital is to continue operation as a going concern so that it can provide its shareholders with a safe, superior-yielding and liquid investment that qualifies as an eligible investment for Registered Retirement Savings Plans, Registered Retirement Income Funds and Tax-Free Savings Accounts.

The Company defines capital as being the funds raised through the issuance of preferred shares of the Company. The overall objective of capital management is to ensure that the Company has sufficient capital to maintain its operations based on current activities and expected business developments in the future and to provide a return to the shareholders commensurate with the risk of the business and comparable to similar companies. The Company's capital management objectives and strategies are unchanged since the previous year.

The Company's investment guidelines are subject to externally imposed capital requirements to maintain the Company's eligibility as a Mortgage Investment Corporation as defined in Section 130.1 (6) of the Canadian Income Tax Act. These guidelines state that *(i)* at least 50% of the Company assets must be residential mortgages and/or cash and insured deposits at Canada Deposit Insurance Corporation member financial institutions, *(ii)* no more than 25% of its assets must be in real estate, and *(iii)* that all investments must be within Canada. During the year ended December 31, 2023, and December 31, 2022, the Company complied with these requirements.

**16. Contingencies**

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgages. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Company's financial position. No contingent loss provision was recorded as at year-end.

**17. Key Management personnel compensation**

The compensation of the senior management of the Manager/Administrator is paid through the financial services fees paid to the Broker (Note 9).

**18. Comparative figures**

Certain comparative figures have been reclassified to conform with the presentation adopted for the current period.