

Aroi Mortgage Investment Corporation Inc.
Financial Statements
March 31, 2024

Aroi Mortgage Investment Corporation Inc.

Contents

For the year-ended March 31, 2024

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To the Shareholders of Aroi Mortgage Investment Corporation Inc.:

Opinion

We have audited the financial statements of Aroi Mortgage Investment Corporation Inc. (the "Company"), which comprise the statement of financial position as at March 31, 2024, and the statements of 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 March 31, 2024, and the results of its operations and its cash flows for 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.

Auditors' 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.

Dartmouth, Nova Scotia

March 4, 2025

MNP LLP

Chartered Professional Accountants

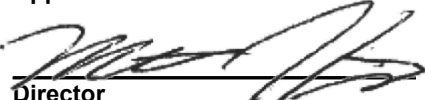
Aroi Mortgage Investment Corporation Inc.

Statement of Financial Position

As at March 31, 2024

	2024	2023
Assets		
Cash (Note 6)	131,724	472,085
Interest receivable (Note 7)	216,640	131,794
Mortgages receivable (Note 7)	14,819,196	11,252,644
Prepaid expenses	48,697	46,359
	15,216,257	11,902,882
Liabilities		
Bank indebtedness (Note 8)	4,657,767	2,680,855
Accounts payable and accrued liabilities	134,587	189,913
Notes payable (Note 9)	758,280	130,000
Prepayments	10,323	31,524
	5,560,957	3,032,292
Commitments (Note 13)		
Events after the reporting period (Note 17)		
Equity		
Share capital (Note 11)		
Redeemable preferred shares (Aggregate redemption amount of \$9,344,810; 2023 - \$8,683,210)	9,280,473	8,618,873
Common shares	670	670
Retained earnings	374,157	251,047
	9,655,300	8,870,590
	15,216,257	11,902,882

Approved on behalf of the Board


Director


Director

The accompanying notes are an integral part of these financial statements

Aroi Mortgage Investment Corporation Inc.

Statement of Comprehensive Income

For the year-ended March 31, 2024

	2024	2023
Revenue		
Interest revenue	1,630,923	1,184,371
Fee income	488,771	535,519
Other income	15,058	19,591
	2,134,752	1,739,481
Expenses		
Accounting fees	31,533	25,343
Directors fees	27,150	13,800
Dues and subscriptions	600	741
Insurance	52,773	61,895
Interest and bank charges	282,942	96,804
Legal fees	25,422	32,814
Management fees	675,631	680,291
Office	1,335	-
	1,097,386	911,688
Income before other expenses	1,037,366	827,793
Other expenses		
Provision for credit losses on mortgages receivable <i>(Note 7)</i>	(24,192)	-
Mortgage costs	(2,310)	(4,023)
	(26,502)	(4,023)
Comprehensive income for the year	1,010,864	823,770

The accompanying notes are an integral part of these financial statements

Aroi Mortgage Investment Corporation Inc.
Statement of Changes in Equity
For the year-ended March 31, 2024

	<i>Common Shares</i>	<i>Common Shares Amount</i>	<i>Preferred Shares</i>	<i>Preferred Shares Amount</i>	<i>Retained Earnings</i>	<i>Total Equity</i>
Balance March 31, 2022	69	690	795,033	7,885,993	338,620	8,225,303
Comprehensive income for the year	-	-	-	-	823,770	823,770
Dividends	-	-	-	-	(911,343)	(911,343)
Issuance of preferred shares under dividend reinvestment plan	-	-	82,513	825,130	-	825,130
Share redemption	(2)	(20)	(9,225)	(92,250)	-	(92,270)
Balance March 31, 2023	67	670	868,321	8,618,873	251,047	8,870,590
Comprehensive income for the year	-	-	-	-	1,010,864	1,010,864
Dividends	-	-	-	-	(887,754)	(887,754)
Issuance of preferred shares under dividend reinvestment plan	-	-	75,546	755,460	-	755,460
Share redemption	-	-	(9,386)	(93,860)	-	(93,860)
Balance March 31, 2024	67	670	934,481	9,280,473	374,157	9,655,300

The accompanying notes are an integral part of these financial statements

Aroi Mortgage Investment Corporation Inc.

Statement of Cash Flows

For the year-ended March 31, 2024

	2024	2023
Cash provided by (used for) the following activities		
Operating activities		
Comprehensive income for the year	1,010,864	823,770
Provision for credit losses on mortgages receivable	24,192	-
	1,035,056	823,770
Changes in operating assets and liabilities		
Interest receivable	(84,846)	(25,511)
Mortgages receivable	(3,590,744)	(2,436,503)
Prepaid expenses	(2,338)	(30,000)
Accounts payable and accrued liabilities	(55,326)	91,081
Prepayments	(21,201)	27,572
	(2,719,399)	(1,549,591)
Financing activities		
Redemption of common shares	-	(20)
Redemption of preferred shares	(93,860)	(92,250)
Advances from notes payable	628,280	-
Cash dividends paid	(132,294)	(86,213)
Net advances of bank indebtedness	1,976,912	1,665,765
	2,379,038	1,487,282
Decrease in cash resources	(340,361)	(62,309)
Cash resources, beginning of year	472,085	534,394
Cash resources, end of year	131,724	472,085
Supplementary cash flow information		
Interest paid	282,942	96,804
Interest received	1,546,077	1,158,863
Dividends issued	887,644	911,031

The accompanying notes are an integral part of these financial statements

Aroi Mortgage Investment Corporation Inc.

Notes to the Financial Statements

For the year-ended March 31, 2024

1. Incorporation and operations

Aroi Mortgage Investment Corporation Inc. (the "Company") was incorporated under the Nova Scotia Business Corporations Act on March 28, 2011 and commenced operations in August 2011. The Company is domiciled in Canada. The Company operates as a Mortgage Investment Corporation (MIC) as defined in the Income Tax Act of Canada.

The Company lends on security of mortgages on real properties situated in the Province of Nova Scotia. The mortgages transacted by the Company do not generally meet the underwriting criteria of conventional lenders. As a result the investments are subject to greater risk and, accordingly, earn a higher rate of interest than is generally obtainable through conventional mortgage lending activities. As a general practice, the Company restricts lending to a maximum of 85% of the loan-to-value ratio.

The address of the Company's registered office is 115 Coldbrook Village Park Drive, Coldbrook, Nova Scotia.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements of the Company for the year ended March 31, 2024 were authorized for issue in accordance with a resolution of the directors on January 23, 2025.

3. Change in accounting policies

Standards and Interpretations effective in the current period

The Company adopted amendments to the following standards, effective April 1, 2023. Adoption of these amendments resulted in the Company disclosing material accounting policy information instead of significant accounting policy information.

- *IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments*
- *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and*
- *IAS 12 Income Taxes*

4. Basis of preparation

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments.

Functional and presentation currency

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

4. Basis of preparation *(Continued from previous page)*

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Company may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income 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.

Macroeconomic environment

The Company continues to operate in an uncertain macroeconomic environment due to actions taken by the Bank of Canada. There is inherent uncertainty in estimating the impacts such as changing interest rates, inflation and supply chain disruptions on the macroeconomic environment. As a result, a heightened level of judgment in estimating expected credit losses (ECL's) continues to be required.

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

By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material.

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which the Company's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest.

Key assumptions in determining the allowance for impaired mortgages

At each reporting period, individually significant mortgages are assessed to determine whether their credit risk has increased significantly since initial recognition. In determining whether credit risk has significantly increased, management develops a number of assumptions about the following factors which impact the borrowers' ability to meet debt obligations:

- Forward looking information used as economic inputs including expected significant increase in unemployment rates and interest rates;
- Changes in the value of the collateral supporting the obligation;
- Expected or actual changes in internal credit ratings of the borrower;
- The borrowers' ability to pay amounts outstanding based on the number of days past due.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments and the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

In estimating expected credit losses, the Company develops a number of assumptions as follows:

- The period over which the Company is exposed to credit risk, considering for example, prepayments;
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes;

Aroi Mortgage Investment Corporation Inc.
Notes to the Financial Statements
For the year-ended March 31, 2024

4. Basis of preparation *(Continued from previous page)*

- The risk of default occurring on mortgages during their expected lives being no longer than 12 months after the reporting date due to the short-term nature of the mortgages;
- Expected cash short falls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements;
- Estimates of effective interest rates used in incorporating the time value of money.

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions.

The Company determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variable:

- Unemployment rates
- Interest rates
- Loan to value ratios
- Inflation

The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes that are neither best-case nor worse-case scenarios. The Company uses judgment to weight these scenarios.

5. Summary of material accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in solicitor's trust, and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents forms an integral part of the Company's cash management system. Bank indebtedness is repayable on demand and presented separately on the Statement of Financial Position.

Mortgages receivable

Mortgages receivable are initially measured at fair value plus incremental direct transaction costs. Mortgages receivable are subsequently measured at their amortized cost. Amortized cost is calculated as the mortgages' principal amount, less any allowance for anticipated losses. Interest revenue is recorded on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. Accrued interest is presented separately on the Statement of Financial Position.

Income taxes

The Company is a MIC as defined in the Income Tax Act. Therefore, the Company is able to deduct, in computing taxable income, dividends paid to its shareholders during the year or within 90 days after year end. The Company intends to continue maintaining its status as a MIC and pay dividends to its shareholders to ensure it will not be subject to income taxes. Therefore, for financial statement reporting purposes, the tax deductibility of the Company's distributions result in the Company being effectively exempt from taxation and no provision for current or deferred income taxes is required for the Company.

5. Summary of material accounting policies *(Continued from previous page)*

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Company, and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discounts, volume rebates, and amounts collected on behalf of third parties.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Interest revenue and commitment fee income is recognized on the Statement of Comprehensive Income for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of this method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Other income is recorded as related fees are earned or services are provided as the Company does not have an enforceable right to payment until services are rendered.

The preparation of the financial statements in conformity with IFRS requires that interest continue to accrue on delinquent accounts. IFRS also requires that a provision in the same amount is set up to recognize the interest may not be collected.

All revenue is recognized when collection is reasonably assured.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to a client and payment by a client exceeds one year. Consequently, the Company does not adjust any transactions for the time value of money.

Share issuance costs

Share issuance costs include legal and accounting fees and brokerage commissions. These costs are charged against share capital in the year of share issuance. Costs incurred for shares that have not been issued at year end are deferred until such time as the related shares are issued.

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 are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, 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

Financial assets are subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Aroi Mortgage Investment Corporation Inc.
Notes to the Financial Statements
For the year-ended March 31, 2024

5. Summary of material accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

Debt instruments are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of interest receivable and mortgages receivable.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and cash equivalents.
- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives, how the performance of assets in a portfolio is evaluated and reported and risks affecting the performance of the business model.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

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. During the year, there have been no reclassifications.

5. Summary of material accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

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. 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.

For mortgages receivable 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 ("Stage 1"), unless there has been a significant increase in credit risk since initial recognition ("Stage 2"). 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.

The Company applies the simplified approach for interest and fees receivable. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date ("Stage 3"). Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through non-compliance with payment terms and requests to restructure mortgage 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 losses.

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 asset;
- For loan commitments, as a provision; and
- For facilities with both a drawn and undrawn component where the Company cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision.

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

Refer to Note 15 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 applies its accounting policies for the derecognition of a financial asset to a part of a financial asset only when:

- The part comprises only specifically identified cash flows from a financial asset;
- The part comprises only a pro-rata share of the cash flows from a financial asset; or
- The part comprises only a pro-rata share of specifically identified cash flows from a financial asset.

In all other situations the Company applies its accounting policies for the derecognition of a financial asset to the entirety of a financial asset.

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.

5. Summary of material accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

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.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Company derecognizes the financial asset. At the same time, the Company separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss.

Modification of financial assets

The Company assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Company's derecognition policy.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Company continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. 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.

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. Transaction costs of equity transactions are treated as a deduction from equity.

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. Transaction costs of equity transactions are treated as a deduction from equity.

Classification and subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortized cost or fair value through profit or loss.

The following financial liabilities are measured at fair value through profit or loss:

- Financial liabilities held for trading

Changes in the carrying amount of these financial liabilities are recognized in profit or loss.

5. Summary of material accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

Financial liabilities measured at fair value through profit or loss include bank indebtedness.

All other financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and notes payable.

Financial liabilities are not reclassified subsequent to initial recognition.

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.

Collateral

The Company recognizes the proceeds from the sale of any non-cash collateral that has been pledged to it and a liability measured at fair value for its obligation to return the collateral.

If a debtor defaults under the terms of its contract and is no longer entitled to the return of any collateral, the Company recognizes the collateral as an asset initially measured at fair value or, if it has already sold the collateral, derecognizes its obligation to return the collateral.

Fair value measurements

The Company classifies fair value measurements recognized in the Statement of Financial Position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value 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; and
- Level 3: Unobservable inputs in which there is little or no market data, 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 significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

Aroi Mortgage Investment Corporation Inc.
Notes to the Financial Statements
For the year-ended March 31, 2024

5. Summary of material accounting policies *(Continued from previous page)*

Standards issued but not yet effective

There are no standards issued but not yet effective relevant to the Company as at March 31, 2024.

6. Cash

Included in cash is \$120,000 (2023 - \$120,000) of funds held in trust for the Company.

7. Mortgages receivable

Portfolio of 77 (2023 - 82) mortgages bearing interest at fixed rates from 10% to 20% (2023 - 6% to 20%) with an average rate of 13.21% (2023 - 12.84%), maturities ranging from May 2024 to July 2025, secured by real property to which they relate and by additional security in certain circumstances.

At year end, the Company recorded a provision for credit losses on mortgages receivable of \$24,192 (2023 - nil). At year end, the Company had four mortgage receivables that are considered to be credit impaired (2023 - two).

	2024		2023	
Effective interest rates (%)	Number of mortgages	Amortized cost	Number of mortgages	Amortized cost
6%	-	-	1	61,709
10%	1	37,799	1	40,670
12%	10	1,521,980	23	5,863,042
13%	30	11,385,911	18	3,471,449
14%	3	580,638	4	610,328
15%	9	596,107	9	429,141
16%	11	483,923	13	504,671
17%	7	211,643	8	263,402
18%	3	80,956	3	90,335
19%	2	38,480	1	6,933
20%	1	647	1	5,660
	77	14,938,084	82	11,347,340
Interest receivable	-	216,640	-	131,794
	-	15,154,724	-	11,479,134
Allowance for mortgage losses	-	(118,888)	-	(94,696)
	77	15,035,836	82	11,384,438

Mortgages past due but not credit impaired

A mortgage is considered past due when a counterpart has not made a payment by the contractual due date. The table that follows presents the carrying value of the mortgages at year-end that are past due but not classified as credit impaired because they are either 1) less than 90 days past due, or 2) fully secured and collection efforts are reasonably expected to result in repayment.

At March 31, 2024 and March 31, 2023, the Company did not have any mortgages past due that were not credit impaired.

All mortgages contain a prepayment option whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance.

Aroi Mortgage Investment Corporation Inc.
Notes to the Financial Statements
For the year-ended March 31, 2024

8. Bank indebtedness

The Company has an available line of credit of \$5,000,000 (2023 - \$3,500,000) of which \$4,657,767 (2023 - \$2,680,855) had been drawn down. The line of credit bears interest at the credit union prime rate of interest plus 1.50% (2023 - credit union prime rate of interest plus 1.75%). The available line of credit is also subject to margining determined on a monthly basis. The margin calculation is calculated by the sum of 50% of first charge mortgages less:

- the full amount of any mortgages in arrears excluding 30 days in arrears;
- the full amount of mortgages with loan to value greater than 75%;
- any mortgages on commercial properties; and
- accounts payable and Super Priorities.

The credit facility agreement also includes funding for a contingent liability with a maximum value of \$2,100,000 to support the payment stream. This line of credit bears interest at the credit union's prime rate of interest plus 2.0%. There were no drawdowns outstanding at March 31, 2024 or March 31, 2023.

The credit facility is secured by a debenture containing an assignment of the mortgages receivable portfolio, including present and future mortgages; and a registered General Security Agreement, giving a first charge on accounts receivable.

9. Notes payable

Four notes payable, bearing interest between 8% and 10% (2023 - one note bearing interest of 8%) and are due on demand.

Subsequent to year end, the notes payable were repaid.

10. Income taxes

	2024	2023
Reconciliation of taxable income		
Comprehensive income for accounting purposes	1,010,864	823,770
Less: dividends paid in the fiscal year	(887,754)	(911,343)
Add: dividends applied to a prior period	308,419	396,129
Less: dividends paid subsequent to year end	(441,389)	(308,419)
Other adjustments	9,860	(137)
Comprehensive income for tax purposes	-	-

In computing the current year's income for tax purposes, the Company deducted \$441,389 (2023 - \$308,419) of dividends paid within 90 days after the end of the year.

Aroi Mortgage Investment Corporation Inc.
Notes to the Financial Statements
For the year-ended March 31, 2024

11. Share capital

The Company has the following authorized shares:

Common Shares

Unlimited voting common shares, redeemable at the option of the Company and retractable at the option of the holder. A shareholder calls for repurchase of shares held by such shareholder by giving, in writing, notice to the Company which then has up to twelve months to repurchase the shares at \$10.00 per share.

Class A Preferred Shares

An unlimited number of non-voting, Class A preferred shares, redeemable at the option of the Company and retractable at the option of the holder. A shareholder calls for redemption of shares held by such shareholder by giving, in writing, notice to the Company which then has up to twelve months to redeem the shares at \$10.00 per share. The Company may, but is not required to, redeem shares pro rata from the holders of the Class A preferred shares of the Company when doing so will cause the Company not to qualify under the Income Tax Act criteria to be a "Mortgage Investment Corporation" or if doing so will cause significant financial harm to the remaining shareholders.

If the shareholder requests redemption within the first three years of issuance, a redemption penalty will apply as follows:

Within 1 year of purchase: 3%

Within 2 years of purchase: 2%

Within 3 years of purchase: 1%

In the event of liquidation, dissolution or winding up of the Company, the holders of the Class A preferred shares will receive an amount equal to the redemption price together with any dividends declared but unpaid and the holders of the common shares will receive an amount equal to the stated capital of the common shares. All remaining assets of the Company will be available for distribution on a pro rata basis with the holders of the Class A preferred shares and the common shares.

The total issued share capital is as follows:

	2024	2023
67 Common Shares	670	670
934,481 Class A Preferred Shares	9,280,473	8,618,873
	9,281,143	8,619,543

The following transactions relating to preferred shares occurred during the year:

	Number of shares	Share capital
4.0% share issuance under dividend reinvestment plan declared in June 2023	29,499	294,990
2.0% share issuance under dividend reinvestment plan declared in September 2023	15,346	153,460
2.0% share issuance under dividend reinvestment plan declared in December 2023	15,650	156,500
2.0% share issuance under dividend reinvestment plan declared in March 2024	15,051	150,510
Class A Preferred shares redeemed	9,386	93,860

Subsequent to year end, 21,535 Class A preferred shares were redeemed for \$215,350. The Company also issued 71,852 Class A preferred shares for \$718,520 under dividend reinvestment plans.

Aroi Mortgage Investment Corporation Inc.
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For the year-ended March 31, 2024

12. Earnings per share

	2024	2023
Basic earnings per share	1.13	0.99

Basic earnings per share

Basic earnings per share amounts are calculated by dividing comprehensive income for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

The comprehensive income and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2024	2023
Comprehensive income used in the calculation of total basic earnings per share	1,010,864	823,770

	2024	2023
Weighted average number of shares	897,473	832,721

Diluted earnings per share

There is no dilutive effect during the years ending March 31, 2024 and March 31, 2023; therefore, the basic EPS equals the diluted EPS.

13. Commitments

The Company has a commitment with an arm's length party to pay management fees. Management fees include a basic fee and an annual fee.

The basic fee is equal to 1.5% of the mortgage balance and is determined at the end of each month.

The annual mortgage fee is based on the following calculations:

- i) If yield is less than 12%, no annual fee is paid;
- ii) If yield is more than 12%, the annual fee is one quarter of the yield which exceeds the 12% of the paid up capital up to and including 15% of the paid up capital.;
- iii) If yield is more than 15%, an amount equal to half of the yield which exceeds 15% of the paid up capital.

Under ITA section 130.1, the Company is also required to pay out all of its income in dividends to its shareholders to keep it from incurring income taxes.

At March 31, 2024, the Company has committed to funding mortgages for \$1,661,546 (2023 - \$397,000).

14. Capital management

The Company's objectives when managing capital are to (i) maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and (ii) maintain a deployment ratio in excess of 90%. Capital is managed to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders.

The Company seeks to facilitate the management of its capital requirements by monitoring Key Performance Indicators (KPI's) which are reviewed by the Board of Directors and include present and last 12 month averages of the following:

- Capital deployment ratio
- Weighted average interest rate charged on outstanding mortgages
- Weighted average interest rate charged on total capitalization
- Total \$ amount of mortgages funded
- Total \$ amount of mortgages repaid
- Net income as a percentage of capitalization

The Company manages the capital structure and makes adjustments to it in light of changes to 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, redeem shares for cancellation, issue new shares, issue new debt, and issue new debt to replace existing debt.

15. Financial instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

Credit risk is the risk of financial loss to the Company because a counterparty to a financial instrument fails to discharge its contractual obligations. Credit risk primarily arises from interest receivable and mortgages receivable.

Risk management process

The Company manages its credit risk by following risk management policies approved by its Board of Directors.

These risk management policies and procedures include the following:

- Ensure all activities are consistent with the focus of the Company;
- Balance risk and return;
- Manage credit, market and liquidity risk through preventative and detective controls;
- Ensure credit quality is maintained;
- Ensure credit and market risk are maintained at acceptable levels;
- Diversify risk in transactions, customer relationships and loan portfolios;
- Price according to risk taken; and
- Use consistent credit risk exposure tools.

The Board of Directors are involved in financial instrument risk management oversight, including setting risk management policies. There have been no significant changes from the previous year in the Company's risks to which it is exposed or its general policies and procedures for managing risk which include:

15. Financial instruments *(Continued from previous page)*

- Maximum mortgage value is 10% of capitalization, unless exception is granted by the Board of Directors.
- Maximum Loan To Value (LTV) ratio is 85%, however the Board's authorization is required to exceed 75%;
- An appraisal or MLS listed purchase transaction value is required to confirm property value for all mortgages exceeding 2% of the Company's capitalization; and
- Lending is restricted to properties located within Nova Scotia, unless exception is granted by the Board of Directors.

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographical region, and indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Company due to its primary service area being within Nova Scotia.

Credit risk management for mortgage portfolio

The Company mitigates this risk by having well established lending policies in place. Policies include but are not limited to:

1. Prior to funding, the Company will obtain current appraisals on all properties which secure the loan. The appraisals will be completed by an accredited appraiser approved by the Company. (Except for arms length purchase of MLS listed property or mortgages of less than 2% of the Company's capitalization based on management's discretion).
2. All mortgages are registered as charges against real property, provided that the overall loan to appraised value ratio does not exceed 85% (including prior charges).
3. The initial term of a mortgage cannot exceed 12 months from the interest adjustment date.
4. The Company will not make a mortgage loan, if immediately after the closing of the loan transaction; the amount so lent would be greater than 10% of the Company's net assets, unless board authorization is obtained.
5. Management actively monitors the mortgage portfolio.
6. Review of 3 months of client banking history (bank statements).
7. Employment verification.
8. Credit bureau analysis.
9. Interviews with every borrower.

Risk is measured by reviewing qualitative and quantitative factors that impact the mortgage portfolio and starts at the time of a credit application and continues until the mortgage is fully repaid.

There have been no significant changes from the previous year in the exposure to risk, policies and procedures or methods used to measure risk.

Analysis of maximum exposure to credit and collateral

The maximum exposure to credit risk at March 31, 2024, is the fair value of the Company's interest receivable and mortgages receivable which total \$15,035,836 (2023 - \$11,384,438).

To reduce the exposure the Company holds collateral as security on its mortgages. The collateral consists of a charge against real property on each mortgage. At March 31, 2024, the fair value of the collateral on the mortgages receivable is in excess of the fair value of the mortgages receivable.

Aroi Mortgage Investment Corporation Inc.
Notes to the Financial Statements
For the year-ended March 31, 2024

15. Financial instruments *(Continued from previous page)*

At year end, the breakdown by position the Company holds for the mortgage portfolio is as follows:

	2024	2023
First charge mortgages	13,112,812	10,595,449
Second charge mortgages	1,825,272	751,892
	14,938,084	11,347,341

First mortgages are loans secured by a first priority mortgage charge with loan to values not exceeding 85%.

Second mortgages are loans with mortgage charges not registered in first priority with loan to values not exceeding 85%.

Collateral obtained

During the year the Company did not obtain any assets by taking possession of collateral. The Company's policy for these assets is to sell the assets to recover funds loaned.

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The Company considers mortgages receivable to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification of bankruptcy. This definition is consistent with the definitions used for the Company's internal credit risk management practices and has been selected because it most closely aligns the definition of default to the Company's past credit experience. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Company.

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment, the Company takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort. The Company considers past due information of its balances and information about the borrower.

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management. The Company considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming.

The Company identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its borrowers. Stage 3 contains all delinquent loans over 90 days, bankruptcy, consumer proposals, credit counselling and accounts that are in serious default with little chance of recovery. Credit-impaired financial assets are typically placed on the Company's watch list based on its internal credit risk policies. In making this assessment, the Company considers past due information of its balances and information about the borrower available through regular dealings.

Measurement of expected credit losses

The Company measures expected credit losses for mortgages receivable on a group basis. These assets are grouped on the basis of their shared risk characteristics. Otherwise, expected credit losses are measured on an individual basis.

Aroi Mortgage Investment Corporation Inc.
Notes to the Financial Statements
For the year-ended March 31, 2024

15. Financial instruments *(Continued from previous page)*

When measuring 12-month and lifetime expected credit losses, the Company considers items such as the contractual period of the financial asset or the period for which the entity is exposed to credit risk, determination of appropriate discount rates used in incorporating the time value of money, how probabilities of default and other assumptions and inputs used in calculating the amount of cash short falls depending on the type or class of financial instrument. Forward-looking information is incorporated into the determination of expected credit loss by considering anticipated unemployment rates and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Company assesses that there is no reasonable expectation of recovery when the security relating to the mortgage has been sold and there are remaining amounts outstanding, the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Company will receive funds, such amounts are recognized at their fair value.

Exposure to credit risk

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. For loan commitments, the amounts in the table represent the amounts committed.

The internal risk ratings present in the table below are defined as follows:

<u>Category</u>	<u>Loan-to-Value (LTV)</u>	<u>Priority Ranking</u>	<u>Certainty of Repayments</u>	
Low	Low (LTV < 65%)	First	High	
Medium	Medium (LTV 65% - 75%)	Second	Moderate	
High	High (LTV > 75%)	Third	Low	

	<u>12-month ECL</u>	<u>2024 Lifetime ECL (not credit impaired)</u>	<u>Lifetime ECL (credit impaired)</u>	<u>Total</u>
Financial assets				
Mortgages receivable	-	-	-	-
Low	14,684,667	-	-	14,684,667
Medium	-	-	253,417	253,417
High	-	-	-	-
Loan commitments	1,661,546	-	-	1,661,546
Interest receivable	172,778	-	43,862	216,640
	16,518,991	-	297,279	16,816,270
Less: loss allowance	104,784	-	14,104	118,888
Total carrying amount	16,414,207	-	283,175	16,697,382

Aroi Mortgage Investment Corporation Inc.
Notes to the Financial Statements
For the year-ended March 31, 2024

15. Financial instruments (Continued from previous page)

		2023		
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Financial assets				
Mortgages receivable	-	-	-	-
Low	11,290,772	-	-	11,290,772
Medium	-	-	56,568	56,568
High	-	-	-	-
Loan commitments	397,000	-	-	397,000
Interest receivable	114,414	-	17,380	131,794
	11,802,186	-	73,948	11,876,134
Less: loss allowance	28,489	-	66,207	94,696
Total carrying amount	11,773,697	-	7,741	11,781,438

Concentrations of credit risk

A credit concentration exists relating to the geographical risk which exists due to its primary service area being within Nova Scotia.

Amounts arising from expected credit losses

Reconciliation of the loss allowance

The following tables show a reconciliation of the opening to the closing balance of the loss allowance by class of financial instrument.

	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Allowance for mortgage losses				
Balance at April 1, 2022	40,298	883	53,515	94,696
Transfers in (out) - Stage 2	883	(883)	-	-
Transfers in (out) - Stage 3	(12,692)	-	12,692	-
Provision for (recovery of) impaired loans	-	-	-	-
Accounts written off	-	-	-	-
Balance at March 31, 2023	28,489	-	66,207	94,696
Allowance for mortgage losses				
Balance at April 1, 2023	28,489	-	66,207	94,696
Transfers in (out) - Stage 2	-	-	-	-
Provision for (recovery of) impaired loans	76,295	-	(52,103)	24,192
Accounts written off	-	-	-	-
Balance at March 31, 2024	104,784	-	14,104	118,888

The Company has reduced loss allowances for mortgages receivable by the estimated fair market value of collateral held.

15. Financial instruments *(Continued from previous page)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure by maintaining an adequate spread between the interest rate paid on the bank indebtedness and the interest received on the fixed short-term mortgages. The Company also manages the risk by maintaining a mortgage portfolio of short-term, fixed mortgages with rates at a premium from market rates.

The Company is exposed to interest rate risk with respect to mortgages receivable, all of which are expected to be realized within one year, and which are subject to fixed interest rates ranging from 10% to 20% (2023 – 6% to 20%). The Company's bank indebtedness has a floating rate of interest set at credit union prime plus 1.50% (2023 – prime plus 1.75%). The Company is not exposed to significant interest rate risk on any other financial assets or liabilities.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to borrow funds from financial institutions and obtain investments from shareholders, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

The Company manages the liquidity risk resulting from its bank indebtedness, accounts payable and accrued liabilities and notes payable by reviewing forecasted cash flow.

There were no changes to the Company's exposure to liquidity risk or approach to managing this risk during the year.

16. Fair value measurements

The Company's financial instruments recognized on the Statement of Financial Position consists of cash, interest receivable, mortgages receivable, bank indebtedness and accounts payable and accrued liabilities. The fair values of these recognized financial instruments, excluding mortgages receivable, approximate their carrying values due to their short-term maturity. The fair values of mortgages receivable approximates their carrying value given the mortgages receivable consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties.

For mortgages receivable classified as Level 3 of the hierarchy, there are no quoted prices in an active market for these mortgages. The Company makes its determination of fair value based on its assessment of the current mortgage market for mortgages receivable of same or similar terms. Typically, these investments approximate their carrying values given the mortgages receivable consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. When collection of the principal amount of mortgage is no longer reasonably assured, the fair value of the mortgage is reduced by the estimated net realizable value of the underlying security.

Financial assets and liabilities measured at fair value include cash and bank indebtedness.

Aroi Mortgage Investment Corporation Inc.
Notes to the Financial Statements
For the year-ended March 31, 2024

16. Fair value measurements *(Continued from previous page)*

Financial instruments not measured at fair value

The carrying amount, fair value and categorization into the fair value hierarchy of all other financial assets and financial liabilities held by the Company and not measured at fair value on the Statement of Financial Position are as follows:

	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2024 Level 3</i>
Financial assets measured at amortized cost				
Interest receivable	216,640	-	-	216,640
Mortgages receivable	14,819,196	-	-	14,819,196
Total	15,035,836	-	-	15,035,836
Financial liabilities measured at amortized cost				
Accounts payable and accrued liabilities	134,587	-	-	134,587
Notes payable	758,280	-	-	758,280
Total	892,867	-	-	892,867

	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2023 Level 3</i>
Financial assets measured at amortized cost				
Interest receivable	131,794	-	-	131,794
Mortgages receivable	11,252,644	-	-	11,252,644
Total	11,384,438	-	-	11,384,438
Financial liabilities measured at amortized cost				
Accounts payable and accrued liabilities	189,913	-	-	189,913
Notes payable	130,000	-	-	130,000
Total	319,913	-	-	319,913

17. Events after the reporting period

Subsequent to year-end, the Company issued 160,998 preferred shares for \$1,609,980.

Subsequent to year-end, the Company declared dividends of \$876,140 of which \$718,520 were paid by way of issuing 71,852 Class A preferred shares and \$157,620 as cash dividends.