Capital Direct I Income Trust

Financial Statements

For the years ended December 31, 2023 and December 31, 2022

Contents

For the years ended December 31, 2023 and December 31, 2022

Independent Auditor's Report

To the Unitholders of Capital Direct I Income Trust:

Opinion

We have audited the financial statements of Capital Direct I Income Trust (the "Trust"), which comprise the statements of financial position as at December 31, 2023, and the statements of income and comprehensive income, net assets and cash flows for the years then ended, and notes to the financial statements, including a summary significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust 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 audits 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 Trust in accordance with the ethical requirements that are relevant to our audits 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.

Other Matter

The financial statement for the year ended December 31, 2022 were audited by another auditor who expressed an unqualified opinion on those statements on February 22, 2023.

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 Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust'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 Trust’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 Trust’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 Trust 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Surrey, British Columbia

MNP LLP

February 26, 2024

Chartered Professional Accountants

Capital Direct I Income Trust
Statement of Financial Position
As at December 31, 2023 and December 31, 2022

	2023	*2022*
Assets		
Current		
Cash	13,303,792	13,619,660
Accounts receivable *(Note 6)*	6,883,133	5,916,889
Mortgage investments, current portion *(Note 5)*	283,768,783	264,375,368
	303,955,708	283,911,917
Non-current		
Mortgage investments, net of current portion *(Note 5)*	108,848,313	99,963,278
Total assets	412,804,021	383,875,195
Liabilities		
Current		
Loan payable *(Note 7)*	116,662,856	101,459,633
Accounts payable and accrued liabilities *(Note 8)*	8,522,326	9,383,013
	125,185,182	110,842,646
Contingent liabilities *(Note 7), (Note 13)*		
Net assets attributable to unitholders *(Note 10)*	287,618,839	273,032,549
	412,804,021	383,875,195

Approved on behalf of the Manager

e-Signed by Richard Nichols
2024-02-27 14:55:13:13 PST
Director

e-Signed by Tim Wittig
2024-02-28 12:48:43:43 PST
Director

The accompanying notes are an integral part of these financial statements

Capital Direct I Income Trust
Statement of Profit and Other Comprehensive Income
For the years ended December 31, 2023 and December 31, 2022

	2023	*2022*
Revenue		
Interest	38,633,064	28,560,753
Other income	1,738,467	1,638,514
	40,371,531	30,199,267
General and administrative expenses		
Bank charges	502,777	448,918
Interest on loan payable	8,134,065	4,954,360
Management fees *(Note 12)*	4,396,632	4,207,029
Professional fees	551,054	372,536
Provision for loan loss	59,942	197,366
Trustee and registrar fees	232,791	159,763
	13,877,261	10,339,972
Operating profit	26,494,270	19,859,295
Other income (loss)		
Unrealized loss on interest rate swap	(70,863)	-
Realized gain on interest rate swap	-	1,538,000
Profit and comprehensive income for the year	26,423,407	21,397,295

The accompanying notes are an integral part of these financial statements

Capital Direct I Income Trust
Statement of Changes in Equity
For the years ended December 31, 2023 and December 31, 2022

	Class A	*Class C*	*Class F*	*Total*
Balance January 1, 2022	85,481,042	61,333,159	94,550,216	241,364,417
Comprehensive income for the year	6,611,639	5,725,557	9,060,099	21,397,295
	92,092,681	67,058,716	103,610,315	262,761,712
Distribution to unitholders	(5,532,702)	(4,791,216)	(7,581,599)	(17,905,517)
Distribution to the manager	(1,078,938)	(934,342)	(1,478,498)	(3,491,778)
Subscriptions	6,645,954	30,393,359	16,082,075	53,121,388
Reinvested distributions	3,281,969	2,876,879	5,018,991	11,177,839
Interchanges	(1,034,731)	710,921	323,810	-
Redemptions	(7,916,557)	(16,227,762)	(8,486,776)	(32,631,095)
Balance January 1, 2023	86,457,676	79,086,555	107,488,318	273,032,549
Comprehensive income for the year	8,081,919	6,884,851	11,456,637	26,423,407
	94,539,595	85,971,406	118,944,955	299,455,956
Distributions to unitholders	(6,736,636)	(5,793,003)	(9,645,378)	(22,175,017)
Distribution to the manager	(1,345,283)	(1,100,686)	(1,802,421)	(4,248,390)
Subscriptions	6,586,133	11,656,480	16,076,605	34,319,218
Reinvested distributions	3,808,287	3,781,402	6,077,299	13,666,988
Interchanges	(815,708)	(252,851)	1,068,559	-
Redemptions	(4,792,237)	(16,035,548)	(12,572,131)	(33,399,916)
Balance December 31, 2023	91,244,151	78,227,200	118,147,488	287,618,839

Capital Direct I Income Trust
Statement of Cash Flows
For the years ended December 31, 2023 and December 31, 2022

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Profit for the year	26,423,407	21,397,295
Provision for loan loss	59,942	197,366
Interest accrued on mortgage investments	(817,855)	(539,649)
	25,665,494	21,055,012
Changes in working capital accounts		
Accounts receivable	(128,049)	(2,901,691)
Accounts payable and accrued liabilities	3,172,860	23,369
	28,710,305	18,176,690
Financing activities		
Distributions to unitholders, net of distributions reinvested	(8,508,029)	(6,166,190)
Distribution to the manager	(4,248,390)	(3,624,409)
Cash received on subscriptions	33,481,024	53,535,437
Redemptions	(37,433,464)	(35,967,414)
Proceeds from loan payable, net	15,203,223	3,138,896
	(1,505,636)	10,916,320
Investing activities		
Purchase of mortgage investment, net	(27,520,537)	(29,014,648)
Increase (decrease) in cash resources	(315,868)	78,362
Cash resources, beginning of year	13,619,660	13,541,298
Cash resources, end of year	13,303,792	13,619,660
Supplementary cash flow information		
Interest received	37,815,209	26,424,834
Interest paid	8,134,065	4,954,360

The accompanying notes are an integral part of these financial statements

1. Reporting entity

Capital Direct I Income Trust (the “Trust”) is an open-ended investment trust established under the laws of the Province of Ontario pursuant to Declaration of Trust dated June 23, 2006, as amended from time to time, by Capital Direct Management Ltd. (the "Manager") as administrator of the Trust and Computershare Trust Company of Canada (the "Trustee"). The address of the Trust’s registered office is 305 - 555 W 8th Ave, Vancouver, BC V5Z 1C6.

The Trust is a non-reporting issuer under securities legislation and therefore is relying on Part 2.11 of National Instrument 81-106 for exemption from the requirements to file annual financial statements with the applicable regulatory authorities.

2. Summary of significant 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.

Basis of presentation

These audited annual financial statements, including comparatives, are prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") and interpreted by the International Financial Reporting Interpretations Committee ("IFRIC").

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.

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

These annual financial statements for the year ended December 31, 2023 were authorized for issuance by the Manager on February 21, 2024.

Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include valuation of accounts receivable, the provision for loan losses, and completeness of accrued liabilities.

Estimation uncertainty on accounts receivable and accrued liabilities arises due to the fact the financial statements may be completed before all receivables are settled, or all liabilities identified. Uncertainty is low due to the relatively low balances, and that they tend to be recurring in nature and have short term settlement windows.

Estimation uncertainty on the loan loss provision is higher due to greater variability in the mortgage portfolio and a longer settlement horizon. Mortgages are frequently renewed beyond their initial term and it can take several years before credit issues arise. In addition, the collateral held as security for mortgage loans depends on the real estate market and changes in real estate prices may increase or decrease the risk of loss on mortgages. Management assesses potential credit losses based on factors described in Note 5.

These estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results may differ from these estimates.

Financial instruments

Recognition and initial measurement

The Trust recognizes financial assets and liabilities including derivatives and embedded derivatives, on the balance sheet at their initial fair value when the Trust becomes party to the contractual provisions of the instrument.

2. Summary of significant accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

Classification and subsequent measurement

On initial recognition, financial assets and liabilities are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Trust determines the classification of its financial assets and liabilities, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics. Under certain circumstances the Trust may designate any financial asset and liability at its inception to be measured at fair value through profit and loss. The Trust has not made such a designation.

A financial asset may only be measured at amortized cost if it meets both of the following conditions:

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

The Trust subsequently measures all financial liabilities at amortized cost unless they arise from a derivative liability, or the Trust chooses to designate them at inception as being measured at fair value through profit and loss.

Cash, accounts receivable, mortgage investments, loan payable, and accounts payable and accrued liabilities are measured at amortized cost. Amortized cost is determined using the effective interest rate method. The Trust has entered into a interest rate swap which is a derivative and is measured at fair value through profit and loss.

Comprehensive income

Comprehensive income consists of profit and other comprehensive income ("OCI"). OCI comprises the change in fair value of the effective portion of the derivatives used as hedging items in a cash flow hedge and the change in fair value of any financial instruments carried at fair value through OCI. Amounts included in OCI are shown net of tax. Accumulated other comprehensive income is an equity category comprised of the cumulative amounts of OCI.

The Trust had no "other comprehensive income or loss" transactions during the year ended December 31, 2023 (2022: $nil) and no opening or closing balances for accumulated other comprehensive income or loss.

Derecognition of financial assets and liabilities

The Trust derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire. The Trust derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Fair value measurements

The Trust 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 Trust 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.

2. Summary of significant accounting policies *(Continued from previous page)*

Redeemable Units

The Trust's redeemable and retractable units entitle the holders to retract their interest in the Trust for cash at $10 per unit, amongst other contractual rights. These retractable units involve contractual obligations on the part of the Trust and therefore meet the criteria for classification as financial liabilities. The Trust's obligation for net assets attributable to unitholders is measured at amortized cost, which is equal to the redemption amount as of the reporting date. Redeemable units are presented as net assets attributable to the unitholders in the statement of financial position.

Mortgage investments

The contractual terms of the mortgage investments give rise to scheduled cash flows which are solely payments of principal and interest. As such mortgage investments are measured at amortized cost using the effective interest method, net of an allowance for credit losses.

Interest income from mortgages is recorded on an accrual basis in accordance with the effective interest method. Mortgage investments are assessed for impairment at each reporting date. A mortgage investment is classified as impaired when its credit risk has increased significantly from its credit risk at the date of inception of the contract. When a mortgage is classified as impaired, interest revenue is calculated by applying the effective interest rate to the amortized (i.e. impaired) cost of the mortgage. If the credit risk on the mortgage subsequently improves such that it is no longer impaired, interest revenue is calculated again using the effective interest rate on the gross mortgage balance. Subsequent payments received on an impaired mortgage investment are recorded as a reduction in the amortized cost balance or as a reduction in the impairment loss.

Mortgage discount income is deferred and recognized over the term of the underlying mortgage. Other fees are recognized as the services are performed.

Provision for loan losses

The Trust maintains an allowance for losses in its mortgage investment portfolio. The allowance for loan losses is increased by a provision for mortgage investment impairment charged to income and reduced by write-offs during the year. Impairment losses are determined using a 3-stage approach based on the change in credit risk from inception.

Stage 1 – When there has not been a significant increase in credit risk since inception of the loan, the impairment provision is assessed based on the probability of default in the following 12 month period, to the extent of credit losses estimated to occur in the next 12 months.

Stage 2 – When there has been a significant increase in credit risk since inception but a loan is not considered to be in default, impairment losses are determined based on the probability of default over the lifetime of the loan to the extent of expected credit losses over the remaining estimated life of the loan.

Stage 3 – When a loan is considered to be in default, the loss provision represents the lifetime expected credit loss on the instrument.

The Trust groups loans in Stage 1 according to similar credit risk characteristics, and evaluates the credit risk of on each group of loans with such similar characteristics, recording an allowance for loan losses on an aggregate basis. Credit risk on mortgage loans is presumed to have increased significantly and a loan enters Stage 2 when payments are in arrears over 120 days. A loan is considered to be in Stage 3 when all attempts at recovery with the mortgagee have failed and the Trust enters the foreclosure process to recover the loan balance. The lifetime expected credit losses on the loan take into account the present value of future cash flows including the recovery expected from the disposition of the collateral. The Trust incorporates mortgage investment loss history as well as macroeconomic factors such as trends in interest rates, real estate prices, and insolvency rates, both historical and forecast, into its assessment of credit risk.

A loan is considered to be in default when the borrower has defaulted on their interest or principal payments and the Manager has made various attempts to contact the borrower. The Trust considers that a default has occurred when the borrower refuses to contact the broker and the loan has entered the foreclosure process. Loans are written off when all collection efforts have failed and collateral has been realized.

2. Summary of significant accounting policies *(Continued from previous page)*

Income taxes

The Trust qualifies as a "Mutual Fund Trust" within the meaning of the Income Tax Act (Canada) (the "Act"). The Trust is subject to applicable federal and provincial taxes on its net income for tax purposes for the year, including taxable capital gains, except to the extent such amounts are distributed to unitholders. Losses incurred by the Trust cannot be allocated to unitholders, but may be deducted by the Trust in future years in accordance with the Act.

Because the Trust is contractually obligated to distribute all profit and comprehensive income, and such distributions are eligible for deduction against taxable income, the Trust does not recognize a deferred tax asset or liability for any temporary differences.

3. Taxation

Under the specified investment flow-through trust or partnership ("SIFT") rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to the tax.

The Trust is not subject to the SIFT tax regime since units of the Trust are not listed on a stock exchange or other public market. Accordingly, the Trust has not recorded a provision for income taxes or deferred income tax in respect of the SIFT Rules.

4. Capital Management

The Trust defines capital as loan payable and net assets attributable to unitholders. The Manager's objective when managing capital is to make prudent investments in mortgages so that it can continue to provide stable returns for its unitholders. The Trust achieves its investment objectives by monitoring the Trust's mortgage investment portfolio. Information on the net assets attributable to unitholders is described in Note 9.

The Trust's loan payable (Note 6) is subject to the following covenants as calculated in accordance with the credit facility agreement. In the event of a violation of the covenants, no redeemable trust units may be retracted or repurchased.

1. To maintain a Cash Flow Coverage Ratio of not less than 3:1 in each quarter.
2. To maintain a Tangible Net Worth of not less than $120,000,000 in each quarter
3. To maintain a Debt to Tangible Net Worth Ratio not greater than 0.85:1 in each quarter.

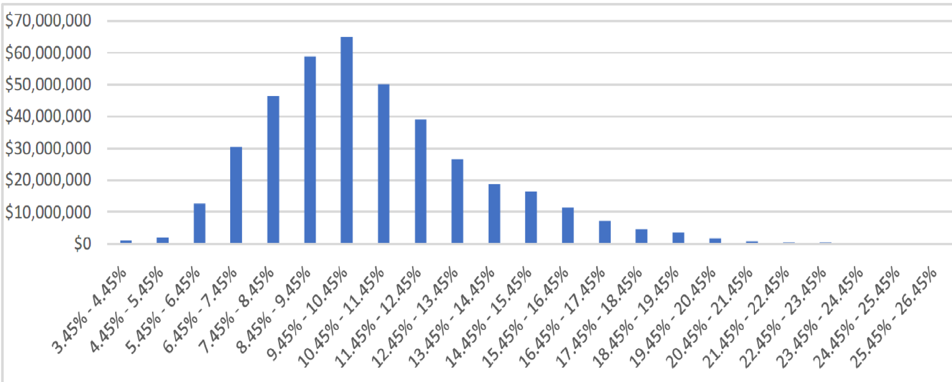
As at December 31, 2023 the Trust was in compliance with the above covenants.

5. Mortgage Investments

Interest rates vary on the mortgages as noted below. The weighted average interest rate for the year was 9.96% (2022: 8.40%).

Interest rate	# of loans	Carrying value	Interest Rate	# of loans	Carrying Value
4.25 - 4.49%	1	$ 172,463	14.25 - 14.49 %	37	$ 4,712,760
4.75 - 4.99 %	3	748,512	14.50 - 14.74 %	27	2,684,140
5.00 - 5.24 %	1	374,142	14.75 - 14.99 %	52	4,918,328
5.25 - 5.49%	4	1,760,861	15.00 - 15.24 %	30	4,424,933
5.75 - 5.99 %	14	7,277,855	15.25 - 15.49 %	37	3,130,699
6.00 - 6.24 %	3	1,031,678	15.50 - 15.74 %	24	2,538,896
6.25 - 6.49 %	8	2,589,773	15.75 - 15.99 %	40	3,495,514
6.50 - 6.74 %	4	1,663,918	16.00 - 16.24 %	22	2,247,445
6.75 - 6.99 %	33	13,732,969	16.25 - 16.49 %	31	3,109,986
7.00 - 7.24 %	3	751,044	16.50 - 16.74 %	16	1,528,387
7.25 - 7.49 %	56	22,384,956	16.75 - 16.99 %	27	2,678,555
7.50 - 7.74 %	11	5,567,216	17.00 - 17.24 %	18	1,368,077
7.75 - 7.99 %	49	16,307,303	17.25 - 17.49 %	14	1,363,102
8.00 - 8.24 %	17	9,428,395	17.50 - 17.74 %	5	500,922
8.25 - 8.49 %	52	13,674,872	17.75 - 17.99 %	16	1,684,374
8.50 - 8.74 %	27	12,894,583	18.00 - 18.24 %	11	1,188,663
8.75 - 8.99 %	98	22,955,370	18.25 - 18.49 %	17	1,277,842
9.00 - 9.24 %	28	7,317,443	18.50 - 18.74 %	3	553,465
9.25 - 9.49 %	85	16,131,501	18.75 - 18.99 %	14	773,459
9.50 - 9.74 %	26	8,253,755	19.00 - 19.24 %	8	1,099,298
9.75 - 9.99 %	155	29,153,513	19.25 - 19.49 %	10	1,244,595
10.00 - 10.24 %	31	11,156,586	19.50 - 19.74 %	4	266,421
10.25 - 10.49 %	104	19,011,447	19.75 - 19.99 %	12	921,702
10.50 - 10.74 %	26	6,520,613	20.00 - 20.25 %	3	293,455
10.75 - 10.99 %	163	22,745,370	20.50 - 20.74 %	1	46,466
11.00 - 11.24 %	32	5,408,522	20.75 - 20.99 %	5	606,226
11.25 - 11.49 %	60	10,320,486	21.00 - 21.24 %	4	116,244
11.50 - 11.74 %	44	8,691,184	21.25 - 21.49 %	1	57,698
11.75 - 11.99 %	84	13,345,149	21.50 - 21.74 %	2	278,620
12.00 - 12.24 %	32	9,119,911	21.75 - 21.99 %	3	82,373
12.25 - 12.49 %	47	8,234,365	22.00 - 22.24 %	1	47,310
12.50 - 12.74 %	32	4,505,591	22.25 - 22.49 %	1	51,190
12.75 - 12.99 %	63	10,647,152	22.50 - 22.74 %	1	46,446
13.00 - 13.24 %	27	3,713,799	22.75 - 22.99 %	3	150,594
13.25 - 13.49 %	30	3,123,342	23.00 - 23.49 %	3	180,243
13.50 - 13.74 %	31	3,979,559	23.50 - 23.74 %	2	85,570
13.75 - 13.99 %	51	6,757,758	23.75 - 24.00 %	1	20,922
14.00 - 14.24 %	28	4,002,165	24.25 - 24.49 %	1	118,052
			24.50 - 24.74 %	1	56,820
			25.25 - 25.49 %	1	34,608
			25.75 - 26.00 %	2	40,864
			26.00 - 26.24 %	1	10,021
				2,074	$ 395,457,663

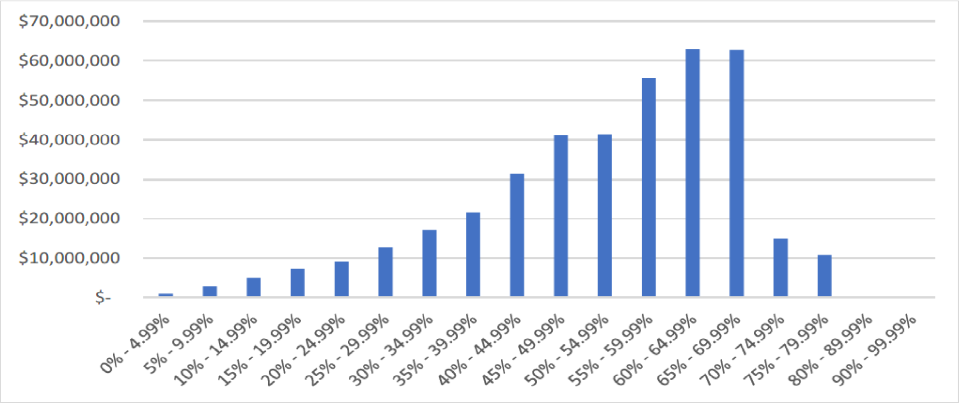
5. Mortgage Investments *(Continued from previous page)*



5. Mortgage Investments *(Continued from previous page)*

Mortgage investments consist of residential mortgages acquired from Capital Direct Lending Corp., the parent company of the Manager, and Capital Direct Atlantic Inc, a subsidiary of Capital Direct Lending Corp. The Trust has insured no mortgages (2022: nil) under the National Housing Act (Canada). Loan to value ratios on the mortgages vary as noted below. The weighted average loan to value as at December 31, 2023 was 52% (2022: 52%). Balances shown include accrued interest receivable totaling $2,866,919 (2022: $2,049,064).

Loan to Value Ratio	Number of Loans	Carrying Value
0.00 - 4.99 %	19	$ 964,286
5.00 - 9.99 %	34	2,826,093
10.00 - 14.99 %	48	5,061,257
15.00 - 19.99 %	56	7,333,620
20.00 - 24.99 %	55	9,117,387
25.00 - 29.99 %	86	12,724,715
30.00 - 34.99 %	104	16,253,999
35.00 - 39.99 %	136	21,524,038
40.00 - 44.99 %	160	30,354,040
45.00 - 49.99 %	208	41,205,026
50.00 - 54.99 %	194	40,618,833
55.00 - 59.99 %	255	55,597,779
60.00 - 64.99 %	238	62,960,051
65.00 - 69.99 %	265	62,849,060
70.00 - 74.99 %	127	14,894,067
75.00 - 79.99 %	87	10,827,305
80.00 - 89.99 %	1	109,435
90.00 - 99.99 %	1	236,672
	2,074	$ 395,457,663
Loan loss provision		(1,315,152)
Deferred mortgage discount income		(1,525,415)
		$ 392,617,096



5. Mortgage Investments *(Continued from previous page)*

The tables below provides a breakdown of the allowance for credit losses of the investment portfolio.

As at December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Gross mortgage balance	366,385,533	-	29,072,130	395,457,663
Impairment allowance	(1,304,068)	-	(11,084)	(1,315,152)
Deferred discount income	(1,525,415)	-	-	(1,525,415)
Net	363,556,050	-	29,061,046	392,617,096

As at December 31, 2022	Stage 1	Stage 2	Stage 3	Total
Gross mortgage balance	354,176,227	1,030,038	11,756,409	366,962,674
Impairment allowance	(1,284,126)	-	(20,000)	(1,304,126)
Deferred discount income	(1,319,902)	-	-	(1,319,902)
Net	351,572,199	1,030,038	11,736,409	364,338,646

Details of allowance for credit losses				
Opening balance	1,284,126	-	20,000	1,304,126
Additional provision	19,942	-	40,000	59,942
Transfer between stages	-	-	-	-
Balances written off	-	-	(48,916)	(48,916)
Closing balance	1,304,068	-	11,084	1,315,152

The mortgages typically have an original maturity ranging from 12 to 24 months and rank in position of collateral from first to third. Mortgages mature as follows:

	2023	2022
12 months or less	283,768,783	264,375,368
13 to 24 months	108,754,553	99,963,278
Over 24 months	93,760	-
Total	392,617,096	364,338,646

6. Financial instruments

Fair value of financial instruments

The following table details carrying values and fair values of financial assets and financial liabilities by financial instrument classification. The Trust uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. The use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of financial instruments for disclosure purposes was as summarized below.

These fair values presented for information purposes only reflect conditions that existed only at the balance sheet date.

			2023		2022
	Carrying Value	Fair Value	Difference	Fair Value Hierarchy	Difference
Assets					
Loans and receivables:					
Cash	13,303,792	13,303,792	-	Level 1	-
Accounts receivable	6,883,133	6,883,133	-	Level 3	-
Mortgage investments	392,617,096	390,627,514	(1,989,582)	Level 3	(2,383,251)
			(1,989,582)		(2,383,251)
Liabilities					
Other financial liabilities:					
Loan payable	116,662,856	116,662,856	-	Level 2	-
Accounts payable and accrued liabilities	8,522,326	8,522,326	-	Level 3	-
			-		-
Net difference			(1,989,582)		(2,383,251)

There is no quoted price in an active market for mortgage investments. As such the Manager estimates the fair value of mortgage investments based on its assessment of the current lending market for mortgage investments of same or similar terms. Fair value has been estimated using discounted cash flow techniques based on interest rates being offered for similar types of assets with similar terms and risks as at the balance sheet date. As a result the fair value of mortgage investments is based on Level 3 inputs.

The fair values of other financial assets and financial liabilities are assumed to approximate their carrying values, principally due to their short term or demand nature.

There were no transfers between Level 1, Level 2, and Level 3 during the year ended December 31, 2023.

Risk management

Risk management involves the identification, ongoing assessment, managing and monitoring of material risks that could adversely affect the Trust. The Trust is exposed to credit risks, liquidity risk, market risk and interest rate risk.

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

Credit Risk

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Trust. It is the Manager's opinion that the Trust is exposed to credit risks on all mortgage investments. Maximum exposure to credit risk at December 31, 2023 is the carrying value of mortgage investments which total $392,617,096 (2022: $364,338,645). The credit risk is mitigated as all mortgage investments are collateralized by residential real estate property and the Manager regularly reviews and monitors the fair value of the collateral.

The Trust uses a 3-stage process to evaluate credit risk and potential impairment on mortgage investments. Loans are grouped in Stage 1 at inception and credit risk is reviewed and evaluated on a regular basis. The Trust incorporates mortgage investment loss history as well as macroeconomic factors such as trends in interest rates, real estate prices, and insolvency rates, both historical and forecast, into its assessment of credit risk. Management regularly reviews the mortgage listing for balances in arrears and follows up with borrowers as needed regarding repayment. The Trust closely monitors loan activity for increased credit risks and is in communication with borrowers who have missed a payment. Overdue payments of 30 days are not uncommon and do not on their own indicate a significant decline in credit risk. When payments are in arrears over 120 days, in absence of any other indicators, credit risk on mortgage loans is presumed to have increased significantly and a loan enters Stage 2. Management continues to evaluate credit risk as discussions with the borrower proceed.

For individual accounts in arrears where discussion with the borrower has not succeeded, foreclosure proceedings commence and a loan is considered to be in Stage 3. Balances receivable include accrued interest income and legal and other costs related to attempts at collection net of any provision for expected losses management deems necessary. The loans are collateralized by real property and losses are recognized to the extent that recovery of the balance through sale of the underlying property is not reasonably assured.

The loss provision for the mortgage investments includes a provision for specifically identified impaired mortgage investments and a general provision applied to other loans based on similar credit characteristics. The Manager has provided a loan loss provision of approximately 0.33% (2022: 0.36%) of gross mortgage investments. As at December 31, 2023 management had identified loans totaling 4.21% (2022: 3.48%) of the portfolio in arrears over 120 days. Of these, $16.7 million (2022: $11.8 million) of loans have entered some form of legal proceedings in attempt to recover the balance. The loan loss provision includes specific provisions totaling $40,000 (2022: $20,000) relating to two loans with a combined carrying value of $1,299,767 (2022: $27,537).

During the year ended December 31, 2022, the Trust identified 8 mortgages which had been initiated by fraudulent borrowers. The Trust is attempting to recover the balance through title insurance. During the year the Trust recovered 3 of the mortgages and there remain 5 mortgages totaling approximately $3 million included in accounts receivable.

As at December 31, 2023, the Trust has outstanding mortgages totaling $174,866,416, or 44% (2022: $186,109,339, or 51%) of the balance in British Columbia, $ 156,423,081, or 40% (2021: $140,046,886, or 38%) of the balance in Ontario. These loans are concentrated in Greater Vancouver Area and the Greater Toronto Area, respectively. The remaining mortgages are in Alberta and Atlantic Canada.

Liquidity risk

Liquidity risk refers to the Trust's ability to meet its own financial obligations such as funding mortgage commitments, operational expenses, trust distributions and unitholder redemptions. In this regard the Manager monitors cash regularly to ensure the Trust can meet its obligations, however the Manager does have the right to postpone redemptions if it feels that the Trust's financial position will become impaired. Contractual maturities of all financial liabilities are 12 months or less.

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

Market Risk

Market risk includes both interest rate risk and foreign currency risk. The interest rate risk relates to the Trust's ability to adjust to the changing interest rates on their loan payable (Note 6). To offset this risk the Trust generally lends its funds with rates adjustable within one or two years which allows the Trust to adjust rates on renewals annually. There is no foreign exchange risk as the Trust is limited to investing in mortgages denominated in Canadian dollars.

During the year, the Trust entered into an interest note swap to manage its interest rate risk. The swap was a financial derivative measured at fair value through profit and loss. As at the balance sheet date the fair value of the interest rate swap was $(70,863).

It is estimated that a general 0.5% increase or decrease in market interest rates would have no impact on the mortgage investment income, due to the fixed nature of the interest rates being earned on the mortgage investments. It is estimated that an increase in 0.5% in the prime lending rate would result in an increase in interest expense on the loan payable of approximately $545,000 (2022: $580,000).

7. Loan Payable

Jointly with Capital Direct Management Ltd., Capital Direct Lending Corp. and Capital Direct II Management Ltd., the Trust has entered into a syndicated loan agreement with Canadian Western Bank ("CWB"), providing a $180,000,000 (2022: $135,000,000) demand revolving operating loan. The syndicated debt currently bears interest at an average blended rate of CWB's prime rate plus 0.94% (2022: 0.94%) per annum. For the year ended December 31, 2023, CWB's average prime lending rate was 6.94% (2022: 4.14%) per annum. The facility is secured by general security agreements provided by all four borrowers, a general assignment of mortgages by the Trust and an assignment of insurance.

The loan agreement includes within the $180,000,000 limit a $5,000,000 swingline facility and a $5,500,000 demand revolving facility, both of which bear interest at CWB's prime lending rate plus 0.75% per annum. These facilities are drawn by Capital Direct II Management and total $8,970,893 (2022: $8,466,829 drawn by Capital Direct Management Ltd.)

The facility is subject to certain financial covenants as outlined in Note 12. As at December 31, 2023, the Trust was in compliance with these covenants.

The maximum and minimum amounts borrowed during the year were $116,662,846 (2022: $126,858,353) and $92,322,680 (2022: $91,497,000) respectively.

8. Trade and other payables

	2023	2022
Redemptions	1,266,360	5,299,907
Unitholder distributions	2,373,630	1,979,175
Manager distribution and management fees	2,540,080	1,662,977
Other	2,342,256	440,954
	8,522,326	9,383,013

9. Related party transactions

During the year, the Trust purchased 93.5% (2022: 96.0%) of its mortgages with a face value totaling $201,865,111 (2022: $199,202,259) from Capital Direct Lending Corp. and 6.5% (2022: 4.0%) of its mortgages totaling $13,979,500 (2022: $8,279,400) from Capital Direct Atlantic Inc.

Accounts receivable includes $503,000 (2022: $Nil) due from the Manager and $784,390 (2022: $Nil) due from Capital Direct II Management Ltd. (a company controlled by Capital Direct Lending Corp.), and $Nil (2022: $901,682) due from Capital Direct Lending Corp.

10. Net Assets Attributable to Unitholders

Pursuant to the Declaration of Trust, the Trust is authorized to issue an unlimited number of redeemable and retractable and transferable units, each of which represent an equal, undivided interest in any distributions made by the Trust and in the net assets of the Trust in the event of termination or windup. Each Unitholder is entitled to one vote for each whole unit held.

The Trust's current offering authorizes Class A, Class C and Class F redeemable and retractable units totaling 37,500,000 units for a combined maximum of $375,000,000. Class A, Class C, and Class F units are issued and retracted as listed below.

Class A, Class C and Class F units share pro rata in distributions from the Trust. All classes or units are permitted to be retracted on the last day of each month by giving written notice to the Manager. Class C and Class F units may be retracted after 180 days with no penalty. Class A units bear a retraction fee which diminishes over 5 years from 5% to zero.

Prior to December 31, 2023, 126,636 (2022: 529,991) units were called for retraction. The retraction price of $1,266,360 (2022: $5,299,907) is accrued in accounts payable. 250,250 (2022: 166,431) units were issued for subscription prior to December 31, 2023 for which proceeds are receivable from brokers at year end. The subscription price of $2,502,503 (2022: $1,664,308) is accrued in accounts receivable.

	Class A	Class C	Class F	Total
Units outstanding beginning of period	8,645,767	7,908,656	10,748,832	27,303,255
Units issued on subscription	658,613	1,165,648	1,607,661	3,431,922
Units issued on reinvestment	380,830	378,140	607,730	1,366,700
Units interchanged	(81,571)	(25,285)	106,856	-
Units retracted	(479,224)	(1,604,439)	(1,256,330)	(3,339,993)
Units outstanding, end of period	9,124,415	7,822,720	11,814,749	28,761,884
Net assets attributable to unitholders:	$ 91,244,151	$ 78,227,200	$ 118,147,488	287,618,839
Net asset value per unit	$ 10	$ 10	$ 10	$ 10

During the year, 106,856 units were interchanged from Class A and Class C to Class F. The overall units outstanding remained unchanged (2022: Nil).

11. Distributions to Unitholders

The Trust distributes 80% of the profit and comprehensive income from operations to unitholders on a quarterly basis from investments held by the Trust. The quarterly distributions are paid in arrears on the 15th day following the first three calendar quarters and on March 31 following the fourth calendar quarter to which the distribution relates. Distributions by the Trust will be paid in cash unless the unitholder elects to receive distributions in the form of units.

The Manager has waived 20% (2022: 18%) of the distribution profit and comprehensive income to which it was entitled during the year ended December 31, 2023, thereby providing distributions of 84% (2022: 82%) of profit for the year to unitholders.

12. Management Fees and Expenses

Management fees and distributions

Pursuant to the management agreement between the Trust and the Manager, the Manager is to provide management, administration and investment advisory services to the Trust. For these services, the Manager will be entitled to receive a monthly fee (the "Manager's Fee") calculated and payable monthly in arrears based on an annual rate of 2% of the Class A net asset value plus 2% of the Class C net asset value plus 1% of the Class F net asset value. The total management fee for the year was $4,396,632 (2022: $4,207,029).

In addition, 20% of the profit and comprehensive income from operations are distributed to the Manager on a quarterly basis (Note 11).

The Board of Directors of the Manager unanimously agree to waive 25% of the distribution to which it was entitled for the first quarter of the year ended December 31, 2023 and 25% of the distribution for the fourth quarter (2022: 25% for the first quarter and 50% for the fourth quarter). The amount waived was distributed to the unitholders. The total distribution paid to the Manager for the year was $4,248,390 (2022: $3,491,778).

Of the above amounts, $2,540,080 (2022: $1,662,977) remains in accounts payable and accrued liabilities.

Expenses

All organizational expenses and sales commissions or fees paid to registered dealers in connection with the offering will be paid by the Manager.

All expenses or outlays relating to the Trust from inception, including but not limited to, the Manager's fee, the Trustee's Fee, offering expenses (other than organizational expenses and sales commissions on fees paid to registered dealers in connection with the offer and sale of units), taxes payable by the Trust, expenses related to Unitholders' meetings, brokerage, legal and other fees and disbursements relating to the implementation of transactions for Trust investments, if any, are paid by the Trust.

13. Contingent Liabilities

From time to time the Trust may be subject to various lawsuits arising from investing in mortgages in which claims for monetary damages are asserted in the ordinary course of business. While any litigation involves an element of uncertainty, it is the opinion of the Manager that liabilities, if any arising from such litigation will not have a material adverse effect on the Trust's financial condition, liquidity, or results of operations.

14. Key Management Compensation

The compensation of the senior management of the Manager is paid through the management fees paid to the Manager

15. Annualized Rate of Return

Class A Redeemable Units

	Net asset value	Weighted average net assets per quarter	Profit and comprehensive income to be allocated to holders of redeemable units
First quarter - March 31, 2023	87,364,020	86,713,981	$ 1,467,940
Second quarter - June 30, 2023	88,958,721	87,852,007	$ 1,625,681
Third quarter - September 30, 2023	88,586,095	88,660,038	$ 1,775,486
Fourth quarter - December 31, 2023	91,244,151	89,662,448	$ 1,867,529
Year ended December 31, 2023	91,244,151	88,222,118	$ 6,736,636

	Average annualized rate of return calculated quarterly	Compounded annual rate of return	Weighted average return weighted by net assets outstanding	Effective weighted average annual rate of return
First quarter - March 31, 2023	6.77 %		1.69 %	
Second quarter - June 30, 2023	7.40 %		1.85 %	
Third quarter - September 30, 2023	8.01 %		2.00 %	
Fourth quarter - December 31, 2023	8.33 %		2.08 %	
Year ended December 31, 2023	7.63 %	7.85 %	7.63 %	7.85 %

15. Annualized Rate of Return *(Continued from previous page)*

Class C Redeemable Units

	Net asset value	Weighted average net assets per quarter	Profit and comprehensive income to be allocated to holders of redeemable units
First quarter - March 31, 2023	74,290,159	79,036,276	$ 1,337,968
Second quarter - June 30, 2023	74,569,020	73,358,642	$ 1,357,485
Third quarter - September 30, 2023	76,423,092	74,904,050	$ 1,500,012
Fourth quarter - December 31, 2023	78,357,102	76,712,509	$ 1,597,538
Year ended December 31, 2023	78,357,102	76,002,869	$ 5,793,003

	Average annualized rate of return calculated quarterly	Compounded annual rate of return	Weighted average return weighted by net assets outstanding	Effective weighted average annual rate of return
First quarter - March 31, 2023	6.77 %		1.69 %	
Second quarter - June 30, 2023	7.40 %		1.85 %	
Third quarter - September 30, 2023	8.01 %		2.00 %	
Fourth quarter - December 31, 2023	8.33 %		2.09 %	
	7.63 %	7.85 %	7.63 %	7.85 %

15. Annualized Rate of Return *(Continued from previous page)*

Class F Redeemable Units

	Net asset value	Weighted average net assets per quarter	Profit and comprehensive income to be allocated to holders of redeemable units
First quarter - March 31, 2023	112,212,265	108,530,962	$ 2,108,597
Second quarter - June 30, 2023	110,444,685	111,256,771	$ 2,336,922
Third quarter - September 30, 2023	113,485,932	110,996,066	$ 2,500,272
Fourth quarter - December 31, 2023	118,147,488	115,737,921	$ 2,699,587
	118,147,488	111,630,430	$ 9,645,378

	Average annualized rate of return calculated quarterly	Compounded annual rate of return	Weighted average return weighted by net assets outstanding	Effective weighted average annual rate of return
First quarter - March 31, 2023	7.77 %		1.94 %	
Second quarter - June 30, 2023	8.40 %		2.10 %	
Third quarter - September 30, 2023	9.01 %		2.25 %	
Fourth quarter - December 31, 2023	9.33 %		2.33 %	
	8.63 %	8.91 %	8.63 %	8.91 %