No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

A copy of this amended and restated preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada, except Québec, but has not yet become final. Information contained in this amended and restated preliminary prospectus may not be complete and may have to be amended.

This amended and restated preliminary prospectus does not constitute a public offering of securities.

AMENDED AND RESTATED PRELIMINARY PROSPECTUS DATED JULY 22, 2013
AMENDING AND RESTATING THE PRELIMINARY PROSPECTUS DATED MARCH 11, 2013

Non-Offering Prospectus July 22, 2013

LEAGUE FINANCIAL PARTNERS INC.

No securities are being offered pursuant to this Prospectus.

This prospectus (the "**Prospectus**") is being filed with the securities regulatory authorities in each of the provinces and territories of Canada, except Québec, to enable League Financial Partners Inc. (the "**Company**" or "**LEAGUE**") to become a reporting issuer pursuant to applicable securities legislation in each of the provinces and territories of Canada, except Québec, notwithstanding that no sale of its securities is contemplated herein.

Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses in connection with the preparation and filing of this Prospectus will be paid by the Company from its general corporate funds. This Prospectus qualifies the issuance Common Shares and Preferred Shares pursuant to the Transactions. See "Plan of Distribution".

LEAGUE has applied to list the Common Shares and the Preferred Shares to be issued pursuant to the Transactions on the Toronto Stock Exchange ("**TSX**"). Such listing will be subject to LEAGUE fulfilling all the listing requirements of the TSX.

There is no market through which the securities of the Company may be sold and securityholders may not be able to resell securities of the Company owned by them. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. You should carefully review and evaluate certain risk factors before making any investment decision with respect to the securities of the Company. See "Risk Factors", beginning on page 135 of this Prospectus.

No underwriter has been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus. No person is authorized by the Company to provide any information or to make any representation other than those contained in this Prospectus with respect to the Company or the securities of the Company.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities.

The head and registered office of the Company is located at 200-710 Redbrick Street, Victoria, BC V8T 5J3.

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IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

No person has been authorized to provide any information or to make any representation not contained in this Prospectus, and, if provided or made, such information or representation should not be relied upon. You should assume that the information contained in this Prospectus is accurate only as of the date of this Prospectus. No securities are being offered pursuant to this Prospectus. This Prospectus qualifies the issuance Common Shares and Preferred Shares pursuant to the Transactions. See "Plan of Distribution".

Capitalized terms, except as otherwise defined herein, are defined in the section entitled "Glossary of Terms".

Except as otherwise indicated or as the context otherwise requires in this Prospectus, references to "LEAGUE" or "the Company", refer to League Financial Partners Inc. and its consolidated subsidiaries, assuming completion of the Transactions.

Currency and Exchange Rate

Unless otherwise indicated, in this Prospectus all references to "**dollar**" or the use of the symbol "**$**" are to Canadian dollars, and all references to "**HK$**" are to Hong Kong dollars.

The following table sets out: (1) the high and low rate of exchange in effect at the end of each of the following periods based on the noon buying rate certified by the Bank of Canada; (2) the average rate of exchange for those periods, based on the noon buying rate certified by the Bank of Canada; and (3) the rate of exchange for one Hong Kong dollar per Canadian dollar in effect at the end of each of those periods.

	Year ended December 31			Three months ended March 31
	2012	2011	2010	2013
High	$0.1325	$0.1362	$0.1382	$0.1330
Low	$0.1253	$0.1213	$0.1280	$0.1269
Average for Period	$0.1289	$0.1271	$0.1382	$0.1300
End of Period	$0.1284	$0.1309	$0.1280	$0.1308

On July 19, 2013 the noon buying rate for one Hong Kong dollar per Canadian dollar published by the Bank of Canada was HK$1.00 = $0.133579. No representation is made that dollars could be converted into HK$ at that rate or any other rate.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains "forward-looking statements". Statements other than statements of historical fact contained in this Prospectus may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to the Company.

Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour", "project", "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect the current beliefs of the management of the Company with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, under the heading "Corporate Structure", "The Business", "The

Industry" and "Statement of Executive Compensation", and in the Management's Discussion and Analysis of Financial Condition and Results of Operation included in this Prospectus and those listed in the "Risk Factors" section of this Prospectus. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this Prospectus. Such risks include, but are not limited to: risks related to the Company's business, market conditions, investment performance, changes in the real estate market, ability to raise capital in connection with additional project specific limited partnerships ("**Project LPs**"), length of real estate investment periods, overall economic climate, project terms, environmental or other liabilities, loss of key employees, level of control over projects, competitive pressures, overly-rapid growth, availability of financings, sustainability of growth, financial and other reporting requirements as a reporting issuer, relevance of historical financial performance, insurance coverage, succession planning, due diligence limitations, employee errors or misconduct, economic or credit crisis, developer defaults, liquidity, removal of a Project LP's general partner, risks associated with residential development generally, unidentified investment opportunities, developer concentration, development of active trading market, fluctuations in market price and failure to complete the Transactions. See "Risk Factors" for a complete list of risks relating to an investment in the Company. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Prospectus are based upon what management currently believes to be reasonable assumptions, the Company cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. Such assumptions include, but are not limited to, the Company's future growth potential, results of operations, future prospects and opportunities, the demographic and industry trends remaining unchanged, a stable workforce, future levels of indebtedness, the current economic conditions remaining unchanged and completion of the Transactions.

The forward-looking statements contained in this Prospectus are expressly qualified in their entirety by this cautionary statement. These forward-looking statements are made as of the date of this Prospectus and the Company does not intend to, or assume any obligation to, update or revise these forward-looking statements to reflect new information, events, results or circumstances or otherwise after the date on which such statement is made as to reflect the occurrence of unanticipated events, except as required by law, including securities laws.

NON-IFRS FINANCIAL MATTERS

In connection with the presentation of financial information in this Prospectus, the Company has presented the following financial measures which are not recognized by International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**") and do not have standardized meanings prescribed by IFRS and are therefore unlikely to be compared to similar measures presented by other issuers.

"**Assets Under Management**" is a key measure for evaluating certain of LEAGUE's Contractual Fees (as defined in this Prospectus). LEAGUE's method of calculating Assets Under Management may differ from the methods employed by other issuers and as a result, this measure may not be comparable to similar measures presented by other issuers. Any references to Assets Under Management in this Prospectus means assets managed by LEAGUE that are paying Contractual Fees and includes syndicated investments in specific Project LPs, capital in public investment platforms and other funds administered or managed by LEAGUE owned financial services companies. Assets Under Management is calculated as a percentage of either the equity capital invested into an investment fund or Project LP or based on the total gross assets held within the investment fund or in the public investment platform.

"**Assets Under Administration**" are assets that LEAGUE administers on behalf of clients where LEAGUE manages the relationship but LEAGUE does not have the discretionary authority to decide how those assets are allocated or the ability to make buying or selling decisions. These assets generally have lower revenue for the Company as a percentage of the total assets administered. LEAGUE's method of calculating Assets Under Administration may differ from the methods employed by other issuers and as a result, this measure may not be comparable to similar measures presented by other issuers.

MARKET AND INDUSTRY DATA

Market data and other statistical information used in this Prospectus is based on data collected from CBRE Canada Market Outlook, the Avison Young 2013 Forecast Commercial Real Estate – Canada & US, as well as other third party sources identified in this Prospectus. Some data is also based on management's good faith estimates, which are derived from their review of internal data and information, as well as the independent sources listed above. Although management believes these sources are reliable, LEAGUE has not independently verified the information and cannot guarantee its accuracy and completeness.

PROSPECTUS SUMMARY

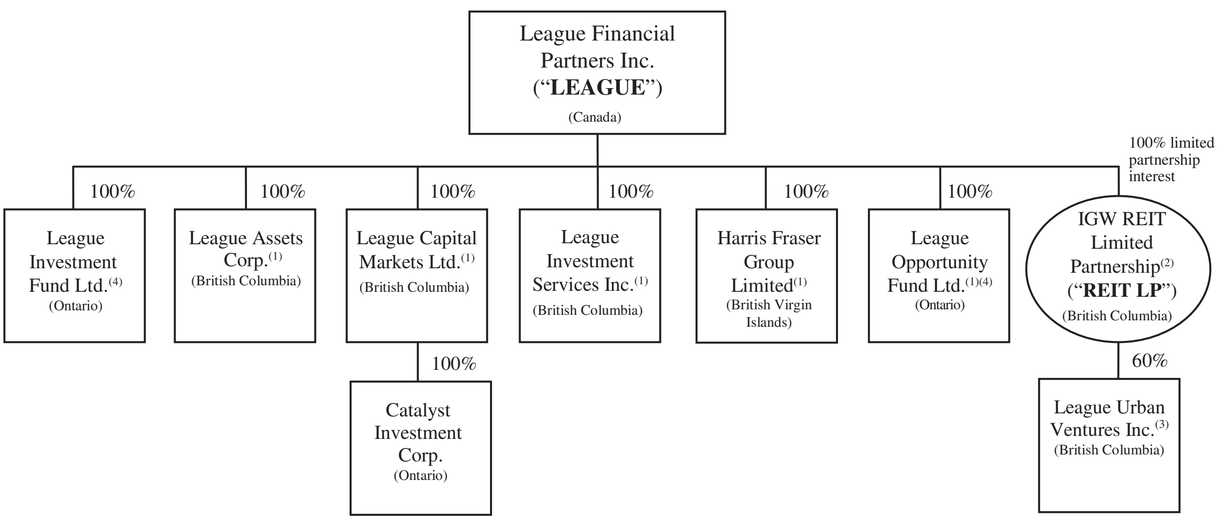
The following is a summary only and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.

CORPORATE STRUCTURE

Name, Address and Incorporation

LEAGUE is a company incorporated pursuant to the CBCA on February 22, 2013. LEAGUE's head and registered office is located at 200-710 Redbrick Street, Victoria, BC V8T 5J3. Prior to the completion of the Transactions, LEAGUE's Articles of Incorporation will be amended to (i) remove the Common Share transfer restrictions, and (ii) create an unlimited number of preferred shares issuable in series, including the Preferred Shares. As of the date of this Prospectus, IGW REIT is the sole shareholder of the Company and holds one Common Share. The initial registered shareholder of the Company is REIT LP, with beneficial ownership held by League Assets Limited Partnership.

As at the date hereof, League Investment Fund Ltd. is the only subsidiary of LEAGUE. The following chart illustrates the Company's proposed structure and the structure of its material subsidiaries immediately following completion of the Transactions, as defined below.



Notes:

(1) As of the date of this Prospectus, League Assets Corp., League Investment Services Inc., League Capital Markets Ltd., League Opportunity Fund Ltd. and Harris Fraser Group Limited (collectively the "**Transfer Entities**") are 100% wholly owned subsidiaries of League Assets Limited Partnership. The general partner of League Assets Limited Partnership is League Assets GP Inc., the shares of which are owned by Adam Gant and Emanuel Arruda personally, and by trusts for the families of Adam Gant and Emanuel Arruda. For a description of the Transfer Entities see "LEAGUE Subsidiaries".

(2) As of the date of this Prospectus, REIT LP is a subsidiary of IGW REIT, with IGW REIT owning approximately 86% of the issued and outstanding limited partnership units of REIT LP. It is anticipated that IGW REIT will be wound up after December 31, 2013. For a description of REIT LP see "LEAGUE Subsidiaries".

(3) As of the date of this Prospectus, the Colwood Transaction has not yet been completed. For a description of League Urban Ventures Inc. and the Colwood Transaction see "LEAGUE Subsidiaries".

(4) As described in this Prospectus, LEAGUE has applied to list the Common Shares and the Preferred Shares to be issued pursuant to the Transactions on the TSX. Such listing will be subject to LEAGUE fulfilling all the listing requirements of the TSX. In connection with any listing of the Common Shares and Preferred Shares on the TSX, League Investment Fund Ltd. and League Opportunity Fund Ltd. will be amalgamated with LEAGUE by way of short form amalgamation pursuant to the *Canada Business Corporations Act*, with LEAGUE continuing as the surviving entity.

Transaction Steps

The Company was incorporated in order to complete the following transactions (collectively, the "**Transactions**"):

1. IGW REIT will transfer all of its interest in REIT LP and its general partner IGW REIT GP Inc., to the Company in consideration for (i) ● Common Shares, (ii) ● Series A Preferred Shares, (iii) a promissory note of LEAGUE in the principal amount of $● and (iv) the assumption of certain liabilities. The promissory note will be unsecured and bear interest at a rate of 1% per annum. Pursuant to the terms of the promissory note, the principal shall be repaid, with accrued interest, in eight quarterly instalments, with such payments to be made on the last business day of March, June, September and December with the first payment to be made on the first Quarter End (currently anticipated to be September 30, 2013) following the effective date of the Transactions.

   After completion of Step #1, the Company will own approximately 75% of the equity of REIT LP.

2. IGW REIT will declare a cash distribution that will be payable to the holders of certain classes of trust units of IGW REIT, namely income priority units and convertible units, pursuant to which distribution such holders will receive the accrued and undistributed fixed distributions that are payable on such securities in accordance with their terms.

3. IGW REIT will redeem all outstanding trust units of IGW REIT, other than a single unit held by League Assets Corp., in consideration for the Common Shares, Series A Preferred Shares and the promissory note received in Step #1.

4. All holders of limited partnership units of REIT LP (other than the Company) will transfer their limited partnership units to the Company in consideration for ● Common Shares and ● Series A Preferred Shares ("**Step #3**").

   After completion of Step #3, the Company will hold own 100% of the equity of REIT LP.

5. League Assets Limited Partnership will transfer the Transfer Entities to the Company in consideration for (i) ● Common Shares, (ii) ● Series A Preferred Shares and (iii) a promissory note of LEAGUE in the principal amount of $3.0 million. The LALP Note will be unsecured and bear interest at a rate of 8% per annum. Pursuant to the terms of the LALP Note, the principal shall be repaid, with accrued interest, on or before ●.

   After completion of Step #4, the Company will hold own 100% of the equity of the Transfer Entities (in addition to 100% of the equity of REIT LP).

LEAGUE SUBSIDIARIES

The following section describes the proposed subsidiaries of LEAGUE following completion of the Transactions, including current business operations, ownership and directors and officers of each entity.

League Assets Corp.

League Assets Corp. was incorporated under the BCBCA on October 14, 2005. League Assets Corp.'s head office is located at 200 - 710 Redbrick Street, Victoria, British Columbia, V8T 5J3. League Assets Corp.'s registered and records office is located at 2800 Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2Z7. League Assets Corp. is currently wholly-owned by League Assets Limited Partnership, the general partner of which is League Assets GP Inc. Through their indirect ownership of all of the shares of League Assets GP Inc., trusts for the families of Adam Gant and Emanuel Arruda indirectly control all the issued and outstanding shares of League Assets Corp. Messrs. Gant and Arruda are the sole directors and officers of League Assets Corp.

Currently, League Assets Corp. manages the activities of various Canadian limited partnerships, including certain Project LPs as described in greater detail under "Project LPs". REIT LP engages licensed property management companies, from time to time, to assist in managing REIT LP's properties. League Assets Corp. may establish the necessary organization and obtain the requisite licensing to fulfill this role, in which case it may assume the responsibilities of managing REIT LP's properties. League Assets Corp. supervises the property managers as well as monitors REIT LP's properties on a continual basis to gauge the effectiveness of management processes on cash flows and tenant satisfaction. The monitoring is augmented by League Assets Corp.'s property management models that are designed to maximize incremental cash flows. These models were designed to provide precise information of incremental revenues and expenses on an asset-by-asset basis. They allow League Assets Corp. to understand what is happening with a given property and to project accurately expected growth. League Assets Corp. may determine which of REIT LP's properties are performing efficiently and against expectations. As well, through analysis of market rental rates, League Assets Corp. will determine where capital expenditures will permit the largest increase in rental rates and when the rate of return of one of REIT LP's property has been maximized. REIT LP can then decide whether to re-deploy capital in opportunities that will provide greater returns.

League Investment Services Inc.

League Investment Services Inc. was incorporated on September 14, 2007 under the BCBCA. League Investment Services Inc. is registered in the category of exempt market dealer under National Instrument 31-103 *Registration Requirements and Exemptions and Ongoing Registration Obligations* ("**NI 31-103**"). An exempt market dealer may act as a dealer or underwriter for any securities which are prospectus exempt and as a dealer for any securities sold to clients who qualify for purchase of exempt securities. League Investment Services Inc. provides such services for the entities that League Assets Corp. manages. The head office of League Investment Services Inc. is located at 200 - 710 Redbrick Street, Victoria, British Columbia, V8T 5J3. The registered and records office of League Investment Services Inc. is located at 215-209 Carrall Street Vancouver, British Columbia, V6B 2J2. Adam Gant and Emmanuel Arruda are the sole directors of League Investment Services Inc. The officers of League Investment Services Inc. are Adam Gant, Ultimate Designated Person; Emanuel Arruda, Chief Operating Officer; John Kelly, Chief Financial Officer and Pat Minogue, Chief Compliance Officer. League Investment Services Inc. is currently wholly owned by League Assets Limited Partnership.

League Capital Markets Ltd. and Catalyst Investment Corp.

League Capital Markets Ltd. is a holding company that was incorporated under the BCBCA on October 31, 2008. Adam Gant and Emmanuel Arruda are the sole directors of League Capital Markets Ltd. The officers of League Capital Markets Ltd. are Adam Gant, President; Emanuel Arruda, Secretary and Jacco Kooij, Vice-President. League Capital Markets Ltd. owns all of the issued and outstanding shares in the capital of Catalyst Investment Corp., and is currently wholly owned by League Assets Limited Partnership.

Catalyst Investment Corp. was formed pursuant to an amalgamation completed under the *Business Corporations Act* (Ontario) on July 1, 2007. The principal business of Catalyst Investment Corp. is asset management and the company has several sources of diversified revenue streams including sales commissions on products and trailer revenues on assets under administration. Catalyst Investment Corp. is the shareholder of three subsidiary corporations, Monarch Wealth Corporation, Monarch Wealth Assurance Agencies Inc. and Monarch Wealth Deposit Group Inc. Monarch Wealth Corporation is registered in the category of exempt market dealer under NI 31-103 in Ontario, and a licensed mutual fund dealer in Ontario, Alberta, British Columbia, Nova Scotia and Quebec. Monarch Wealth Deposit Group Inc., is a licensed seller of GICs and maintains contracts with over 40 banks, trust companies and credit unions. Monarch Wealth Assurance Agencies Inc. earns revenues pursuant to the sale and promotion of life insurance and related products in Ontario and Alberta. Adam Gant and Emmanuel Arruda are the sole directors of Catalyst Investment Corp. The officers of Catalyst Investment Corp. are Adam Gant, President; Emanuel Arruda, Secretary and John Kelly, Chief Financial Officer.

Monarch Purchase Agreement

On November 1, 2012, League Capital Markets Ltd. completed the acquisition of Catalyst Investment Corp. and Monarch Wealth Assurance Agencies Inc. pursuant to the Monarch Purchase Agreement. Prior to the completion of the transaction, Forbes was the registered holder and beneficial owner of all the issued and outstanding shares in Catalyst Investment Corp. and the registered holder and beneficial owner of the Monarch Shares.

The following is a summary of the material terms of the Monarch Purchase Agreement, which is qualified in its entirety by reference to all of the provisions of such agreement. The Monarch Purchase Agreement will be available following completion of the Transactions on SEDAR at www.sedar.com.

Pursuant to the Monarch Purchase Agreement, League Capital Markets Ltd. acquired the Monarch Shares from Forbes for an aggregate purchase price of approximately $1.95 million. On the closing of the transactions contemplated by the Monarch Purchase Agreement, $650,000 was paid to Forbes, with the balance to be paid in instalments (subject to applicable adjustments) over 18 months.

The Monarch Purchase Agreement contains certain limited representations and warranties of League Capital Markets Ltd. customary for a transaction of this type, including those relating to: execution and delivery of the Monarch Purchase Agreement; corporate status; governmental authorizations; non-contravention; and no brokers.

The Monarch Purchase Agreement contains a number of representations and warranties of Forbes customary for a transaction of this type relating to, among other things: execution and delivery of the Monarch Purchase Agreement; corporate status; constating documents; minute books; governmental authority consents; contractual consents; no conflict; reporting issuer status; capital structure; rights to the Monarch Shares; subsidiaries; financial statements; inventory; liabilities; assets; revenues; receivables; litigation; no orders or restrictions; material contracts; insurance policies and bonds; breach of applicable laws; permits; non-arms' length transactions; products and services; intellectual property rights; tax matters; dividends; employees; employee benefits; collective bargaining; independent contractors; owned real property; leased or licensed property; environmental laws; major suppliers and customers; privacy; no brokers; and accuracy of statements.

Pursuant to the Monarch Purchase Agreement, Forbes has agreed to certain non-competition and non-solicitation covenants in favour of League Capital Markets Ltd. from the date of the Monarch Purchase Agreement to the second anniversary of the closing date.

Forbes will indemnify League Capital Markets Ltd. for any breach of representations and warranties or covenants under the Monarch Purchase Agreement. Subject to certain exceptions, Forbes will have no obligation to make a payment for damages until the aggregate amount of damages exceeds $25,000 at which point Forbes shall be liable from the first dollar up to a maximum amount of the aggregate purchase price actually paid to Forbes. There is no limitation on claims for indemnification against Forbes for breach of any representation or warranty made by Forbes with an intent to mislead or defraud or with a reckless disregard for the accuracy thereof. League Capital Markets Ltd. will also indemnify Forbes for any breach of representations and warranties or covenants under the Monarch Purchase Agreement, provided that such claims, in the aggregate, exceed $25,000.

Harris Fraser Group Limited

Harris Fraser Group Limited was incorporated under the laws of the British Virgin Islands on May 24, 2002. Harris Fraser Group Limited is a private company that provides financial advisory services in Hong Kong, Taiwan and mainland China. Harris Fraser Group Limited is principally engaged in services relating to insurance brokerage and client securities account management. Pursuant to its insurance brokerage business, Harris Fraser Group Limited, as agent, negotiates and arranges contracts of insurance for its clients in the Hong Kong area and advises on matters related to such insurance. Through the client securities account management business, it acts as an advisor to clients with respect to investments in mutual funds, worldwide equities and other securities through various types of securities accounts in Hong Kong, Singapore and Australia.

ILAS is a type of contract of insurance in connection with which Harris Fraser Group Limited provides advisory services and from which Harris Fraser Group Limited generated over 58% of its revenue for the year ended March 31, 2013. ILAS products are similar to long term savings accounts whereby the savings are invested in mutual funds for the client by the insurance company that issues the product. In addition to assisting clients to start ILAS contracts, Harris Fraser Group Limited advises its clients with respect to investments under ILAS contracts.

HF Partners Limited, a subsidiary of Harris Fraser Group Limited, is a corporate member of the Professional Insurance Brokers Association of Hong Kong and a corporate intermediary of the Hong Kong Mandatory Provident Fund Schemes Authority. In addition, Harris Fraser (International) Limited is a licensed corporation under the Hong Kong Securities and Futures Commission. Harris Fraser (Australia) Pty Limited has an Australian Financial Services License regulated by the Australian Securities Investments Commission and Harris Fraser Group Limited's Singapore subsidiary, Harris Fraser (Singapore) Pte Limited is regulated by the Singapore Monetary Authority as an Exempt Fund Manager. Collectively, the Group Companies carry on their business under the trademarks "Harris Fraser Group" and the Chinese version 晉裕集團.

The directors of Harris Fraser Group Limited are Adam Gant, Emanuel Arruda and Joseph Frank Attrux.

Harris Fraser Purchase Agreement

On July 1, 2013, League Assets Limited Partnership completed the acquisition of Harris Fraser Group Limited pursuant to the Harris Fraser Purchase Agreement.

The following is a summary of the material terms of the Harris Fraser Purchase Agreement, which is qualified in its entirety by reference to all of the provisions of such agreement. The Harris Fraser Purchase Agreement will be available following completion of the Transactions on SEDAR at www.sedar.com.

Prior to closing of the Harris Fraser Acquisition, Yuen Yee Ng was the sole registered holder and beneficial owner of 2,000 Shares of Harris Fraser Group Limited, which represented all of the issued and outstanding shares in the capital of Harris Fraser Group Limited. Harris Fraser Group Limited is the sole registered and beneficial owner of all the issued and outstanding share capital of Harris Fraser (International) Limited, Harris Fraser Corporate Services Limited, Capital One Trust Limited, HF Enterprise Management Consulting Co., Ltd., Harris Fraser (Australia) Pty Ltd., Harris Fraser (Singapore) Pte Ltd., Jamison Services Limited, Harris Fraser (Asia)

Limited and 99.1% of the share capital of HF Partners Limited. Pursuant to the Harris Fraser Purchase Agreement, League Assets Limited Partnership acquired the Shares from Yuen Yee Ng for an aggregate purchase price of approximately $5.75 million plus approximately $750,000 in satisfaction of certain regulatory capital requirements as set out in greater detail in the Harris Fraser Purchase Agreement. On the closing of the transactions contemplated by the Harris Fraser Purchase Agreement, $3.2 million was paid to Yuen Yee Ng, and the balance will be paid in yearly instalments (subject to certain adjustments) over three years.

The Harris Fraser Purchase Agreement contains certain limited representations and warranties of League Assets International Inc. customary for a transaction of this type including those relating to: power, authority, execution and delivery of the Harris Fraser Purchase Agreement; no violations; and no conflicts.

The Harris Fraser Purchase Agreement contains a number of representations and warranties of Yuen Yee Ng and the Group Companies customary of a transaction of this type relating to, among other things: ownership of the Shares; organization, power, authority, execution and delivery of the Harris Fraser Purchase Agreement; no violation or conflict with the governing documents of the Group Companies; corporate records of the Group Companies; the absence of certain changes and events; no brokerage commissions; litigation; compliance with law; bankruptcy; employees and independent consultants; disclosure; subsidiaries; sufficiency of assets; intellectual property; software; access to data; financial matters; insurance; tax matters; and privacy.

Yuen Yee Ng has agreed to indemnify League Assets International Inc. for any breach of representations and warranties or covenants under the Harris Fraser Purchase Agreement. League Assets International Inc. has agreed to indemnify Yuen Yee Ng for any breach of representations and warranties or covenants under the Harris Fraser Purchase Agreement, except to the extent such failure is as a result of Yuen Yee Ng's default or non-performance of any of its obligations under the Harris Fraser Purchase Agreement or under any ancillary documents. Yuen Yee Ng will have no obligation to make a payment for damages until the aggregate amount of damages exceeds $100,000 at which point Yuen Yee Ng shall be liable from the first dollar up to a maximum amount of the gross purchase price actually received by Yuen Yee Ng. There is no limitation on claims for indemnification against Yuen Yee Ng in connection with fraud, intentional misrepresentation or a deliberate or wilful breach by Yuen Yee Ng of any of Yuen Yee Ng's representations and warranties under the Harris Fraser Purchase Agreement.

League Opportunity Fund Ltd.

League Opportunity Fund Ltd. was incorporated under the laws of Ontario on September 18, 2012 and is a wholly owned subsidiary of League Assets Limited Partnership. Adam Gant and Emmanuel Arruda are the sole directors of League Opportunity Fund Ltd. The officers of League Opportunity Fund Ltd. are Adam Gant, Chief Executive Officer and Co-Chair; Emanuel Arruda, President and Co-Chair; John Kelly, Vice-President and Chief Accounting Officer; and Patrick Miniutti, Chief Operations Officer.

League Opportunity Fund Ltd. was created to raise funds for purposes of providing bridge capital to fund the acquisition of and investment into strategic corporate and real estate assets intended to facilitate the growth of LEAGUE. Between November 18, 2012 and February 10, 2013, League Opportunity Fund Ltd. issued approximately $13.5 million principal amount of LOF Convertible Notes. The LOF Convertible Notes are guaranteed by League Assets Corp. and REIT LP and bear interest at a rate of 8% per annum, calculated monthly and payable quarterly. The LOF Convertible Notes will be convertible at the option of the holder into Common Shares if the Common Shares become listed on the TSX or the TSX Venture Exchange at a 25% discount to the Specified Value of the Common Shares. The LOF Convertible Notes will mature on the earlier of (i) March 14, 2014 or (ii) the date on which the Common Shares are listed on the TSX or TSX Venture Exchange (at which point the holder will have the option to accept repayment of the principal amount of the LOF Convertible Note together with interest accrued thereon, or exercise the holders' option to exchange the LOF Convertible Notes for Common Shares at a 25% discount to the Specified Value of the Common Shares. Upon conversion, such holder will receive accrued and unpaid interest on the LOF Convertible Notes up to the date of the conversion.

League Investment Fund Ltd.

League Investment Fund Ltd. was incorporated under the laws of Ontario on February 1, 2013 and is a wholly owned subsidiary of LEAGUE. Adam Gant and Emmanuel Arruda are the sole directors of League Investment Fund Ltd. The officers of League Opportunity Fund Ltd. are Adam Gant, Chief Executive Officer and Co-Chair; Emanuel Arruda, President and Co-Chair; John Kelly, Vice-President and Chief Accounting Officer; and Patrick Miniutti, Chief Operations Officer.

On April 30, 2013, League Investment Fund Ltd. issued approximately $1.6 million of units (the "**Units**") by way of private placement. The Units, each with a subscription price of $1,000, consist of a $1,000 principal amount of LIF Convertible Notes and 50 Warrants. The LIF Convertible Notes are guaranteed by League Assets Corp. and REIT LP and bear interest at a rate of 8% per annum, calculated monthly and payable quarterly. LEAGUE and League Investment Fund Ltd. have agreed to complete a short form amalgamation pursuant to the *Canada Business Corporations Act* on or about the date on which LEAGUE completes a Listing Transaction. Pursuant to and following such amalgamation, the LIF Convertible Notes will then become convertible for Common Shares of LEAGUE at a price equalling a 20% premium to the Specified Value of the Common Shares, subject to standard anti-dilution adjustments in certain events. Holders converting their LIF Convertible Notes will receive accrued and unpaid interest thereon to the date of conversion. The LIF Convertible Notes will mature 30 months from the date of closing of the private placement. In the event a Listing Transaction and the amalgamation of League Investment Fund Ltd. and LEAGUE have not occurred within two years of closing of the private placement, then League Investment Fund Ltd. will be required to make an offer to purchase, on the maturity date, all of the LIF Convertible Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest. League Investment Fund Ltd. has the right at any time to purchase the LIF Convertible Notes, by tender, or by private contract. Subject to certain conditions, the LIF Convertible Notes may be repaid by League Investment Fund Ltd. at any time following the Listing Transaction and amalgamation without notice or bonus.

Pursuant to and following the amalgamation of League Investment Fund Ltd. and LEAGUE, each Warrant will become exercisable for such number of Common Shares of LEAGUE, equal to the number determined by dividing (A) 10 by (B) the Specified Value of each Common Share, at a price equalling a 15% premium to the Specified Value of the Common Shares, subject to standard anti-dilution adjustments in certain events, exercisable before the date that is 30 months from the date of closing of the private placement.

REIT LP

REIT LP is a limited partnership formed under the laws of the province of British Columbia and governed under an amended and restated limited partnership agreement dated May 6, 2011. The general partner of REIT LP is IGW REIT GP Inc., a corporation incorporated under the laws of the province of British Columbia. Adam Gant and Emmanuel Arruda are the sole directors of IGW REIT GP Inc. The officers of IGW REIT GP Inc. are Adam Gant, President; Emanuel Arruda, Secretary; Jacco Kooy, Vice-President – Derivative and Risk Management; James Wallace, Senior Vice-President – Financial Operations; Tina Ma, Controller; John Parkinson, Chief Financial Officer; and Peter D. Morris, Chief Operating Officer.

The business of REIT LP involves the acquisition, development and redevelopment, expansion, improvement, refurbishing, holding, and operating of various mid-sized commercial, industrial and multi-family residential properties in Canada. REIT LP also provides financing to related real estate limited partnerships for the acquisition, development and redevelopment of commercial and residential properties in Canada. REIT LP has also made an investment in Partners REIT, as described below under "Partners REIT".

REIT LP's properties currently include commercial properties; shopping malls or multi-tenanted business parks; and industrial properties, including light industrial buildings. REIT LP's properties are leased to a variety of tenants in different types of businesses and may have a range of lease expiry dates to minimize vacancies. Typically multi-tenanted commercial and residential properties minimize the risk of vacancies and are more likely to provide consistent cash flow while preserving invested capital. However, REIT LP may also acquire, or finance the acquisition of a premise (except residential real properties) that has a single or anchor tenant.

Lending by REIT LP is one aspect of its investment activities. Loans are generally connected to the acquisition or development of a real estate property and are provided when REIT LP has a reasonable expectation that at a later date it might wish to acquire an interest in all or a significant part of the property. Generally, pursuant to the loan agreements, REIT LP waives the requirement for monthly interest payments from entities that are related to REIT LP, in which case the amount of any accrued and unpaid interest is added to the loan balance at the applicable interest rate. Interest rates on certain of the outstanding loans extended by REIT LP to certain entities that are related to REIT LP are at an effective interest rate of 11%. As at March 31, 2013, REIT LP has an aggregate of $156,019,337 in outstanding loans inclusive of capitalized interest. Pursuant to the Transactions, LEAGUE will act as a listed asset manager and the assets currently held by REIT LP will be transferred to LEAGUE and will form a component of its balance sheet.

Partners REIT

REIT LP, through its wholly owned subsidiary IGW Public Limited Partnership, currently owns 3,872,863 trust units of Partners REIT representing approximately 14.99% of the issued and outstanding trust units of Partners REIT. Partners REIT is listed and traded on the Toronto Stock Exchange under the symbol “PAR.UN”. Partners REIT is an unincorporated open-end real estate investment trust formed pursuant to a declaration of trust and governed by the laws of the Province of Ontario. The registered and head office of Partners REIT is located at 200 – 710 Redbrick Street, Victoria, British Columbia, V8Y 5J3. Partners REIT is focused on acquiring and managing a portfolio of retail and mixed-use retail community and neighbourhood centres, generally in the mid-market deal size range of $10 - $50 million, from both primary and secondary markets throughout Canada. Additional information regarding Partners REIT can be found on SEDAR at www.sedar.com.

League Urban Ventures Inc.

As described under “Colwood Transaction”, the Company is in the process of completing the Colwood Transaction, which will result in the creation of League Urban Ventures Inc. Following completion of the Colwood Transaction, it is anticipated that REIT LP will hold the majority of the issued and outstanding shares of League Urban Ventures Inc.

The business of League Urban Ventures Inc. will be solely focussed on the ground-up development and sale of new real estate assets located within high-density, urban environments. Within that context, there are three primary categories of asset creation: high-density residential, professional office space, and urban retail. The investment criteria for League Urban Ventures Inc. provides that each development initiative should have zoning entitlements in place for no less than one million square feet of floor space to an upper range of 2.5 to 4 million square feet. The primary goal and approach for each project is to acquire an interest in the real estate or register a mortgage that secures a preferred equity investment capable of generating a base-level return coupled with revenue participation structured as a royalty agreement tied to 100% of all improvements, be they commercial or residential.

Colwood Transaction

Colwood City Centre Limited Partnership was formed to enable investors to participate in the planning, design and construction of Capital City Centre, a mixed-use project development located in Colwood, British Columbia. The project will take over 12 years to complete with potential build-out costs in excess of $1 billion. On January 30, 2013, Colwood and Oriana Resources Corporation (“OUP.P” - TSX Venture), a Capital Pool

Company, entered into a letter of intent to complete a business combination whereby certain real property and related assets of Colwood related to its Capital City Centre development project would be transferred to Oriana in exchange for securities of Oriana. The Colwood Transaction is intended to constitute a qualifying transaction of Oriana as such term is defined in Policy 2.4 of the Corporate Finance Manual of the TSX Venture Exchange. Concurrent with the closing of the Colwood Transaction, Oriana intends to change its name to League Urban Ventures Inc.

Subject to regulatory approval, Oriana will acquire the Colwood Assets (including both the assumption and conversion to equity of existing debt financing obligations of Colwood related to the Colwood Assets) for an estimated purchase price of $161 million. The estimated purchase price will be satisfied by issuing 258.5 million common shares of Oriana, 6.4 million preference shares of Oriana, a non-interest bearing promissory note in the amount of $3.9 million, and by the assumption of indebtedness of Colwood in the amount of $35 million. In addition to the above noted payments, Oriana will also issue approximately $1.2 million principal amount of promissory notes to certain existing holders of promissory notes of Colwood. The final purchase price and the number of shares and amount of the promissory note to be issued by Oriana in satisfaction therefor are subject to adjustment on or prior to closing to reflect ongoing construction and related activities up to the closing date of the transaction. It is expected that the common shares of Oriana will be issued at a deemed issuance price of $0.225 per share and the preference shares of Oriana will be issued at a deemed issuance price of $10.00 per share. The proposed Qualifying Transaction will be effected by way of a Plan of Arrangement pursuant to the BCBCA and an information circular will be completed detailing the terms of the Colwood Transaction and seeking approval from shareholders of Oriana and certain securityholders of Colwood and then voted on at concurrent meetings of securityholders of Oriana and Colwood. The Colwood Assets have been valued for the purposes of the Qualifying Transaction at approximately $127 million, plus the capitalized and uncapitalized development and other costs related to the Colwood Assets incurred by Colwood to date and expected to be incurred prior to the closing of the Qualifying Transaction.

It is currently anticipated that the board of directors of Oriana will consist of Richard Buzbuzian, who is currently the Chief Executive Officer and a director of Oriana, as well as Adam Gant, Patrick Miniutti, Tony Quo Vadis, Bob Skene and Hermann Baron von Pfetten. Mr. Quo Vadis will also serve as Chairman. The officers will include Adam Gant, Chief Executive Officer, Jeffrey Simpson, Chief Operating Officer, and John Parkinson, Chief Financial Officer. The current directors of Oriana, other than Mr. Buzbuzian, will resign upon closing of the Transaction.

The Colwood Transaction is conditional upon, among other things, receiving all necessary regulatory and third party approvals and authorizations, approval by the shareholders of Oriana and certain securityholders of Colwood, confirmation of no material adverse change having occurred for Oriana or the Colwood Assets prior to close, the completion of a definitive agreement setting forth the terms and conditions for the closing of the Colwood Transaction, the completion of due diligence satisfactory to each party, and the completion of a sponsorship report satisfactory to the TSX Venture Exchange (or waiver by the TSX Venture Exchange of that requirement). Oriana is currently confirming the terms of a sponsorship relationship for this transaction with an TSX Venture Exchange member firm, which will be disclosed as soon as an engagement is formalized.

Following completion of the Colwood Transaction, it is anticipated that each of Colwood and REIT LP will own, directly or indirectly, more than 10% of the issued and outstanding voting securities of Oriana.

PROJECT LPS

League Assets Corp. currently manages the following 16 Project LPs. Approximately 95% of the committed capital in the Project LPs has come from individual investors. Further details regarding the Project LPs are set forth in the table below and under "Project LP Profiles". For a discussion of the Contractual Fees and Performance Fees earned by League Assets Corp. as manager of the Project LPs, see "The Business – LEAGUE's Revenues".

Project LP	Focus	Final Closing Date	Committed Capital	Assets Under Management
Cowichan District Financial Centre Limited Partnership	Office Redevelopment Project	May 2012	$ 2.1 million	$10.1 million
Redux Duncan City Centre Limited Partnership	Retail Shopping Center Development	September 2009	$25.3 million	$45.1 million
Eagle Landing Retail Limited Partnership	Retail Shopping Center Development	August 2010	$ 9.7 million	$38.8 million
Fort St. John Retail Limited Partnership	Retail Shopping Center Development	September 2008	$ 3.0 million	$ 7.2 million
Gatineau Centre Development Limited Partnership	Large Multi-Phase Mixed Use Urban Development	ongoing	$ 5.6 million	$ 9.5 million
IGW Residential Capital Limited Partnership	Residential Redevelopment	May 2010	$ 2.6 million	$29.4 million
IGW Segregated Debt 1 Limited Partnership	Investment in Commercial Mortgage Backed Securities	May 2009	$ 6.5 million	$ 5.3 million
IGW Segregated Debt 2 Limited Partnership	Investment in Commercial Mortgage Backed Securities	September 2009	$ 7.6 million	$ 5.2 million
Member-Partners Solar Energy Limited Partnership	Commercial Solar Photovoltaic Projects (Solar Rooftops)	July 2012	$23.1 million	$19.0 million
North Vernon Properties Limited Partnership	Retail Shopping Center Development	October 2010	$ 3.1 million	$16.0 million
Place Trans Canadienne Commercial Limited Partnership	Industrial Redevelopment	December 2009	$ 5.6 million	$18.2 million
Residences At Quadra Village Limited Partnership	Residential Apartment Redevelopment	September 2011	$ 3.5 million	$12.6 million
IGW Diversified Redevelopment Fund Limited Partnership	Industrial and Hotel Redevelopment LP	ongoing	$ 1.7 million	$ 3.5 million
Stoney Range Industrial Limited Partnership	Industrial Redevelopment	ongoing	$ 0.2 million	$11.3 million
Tsawwassen Retail Power Centre Limited Partnership	Retail Power Center Development	ongoing	$ 1.1 million	$ 1.0 million
Wesbrooke Retirement Limited Partnership	Independent Living Residential Development	May 2011	$ 5.2 million	$21.2 million

THE BUSINESS

Overview

Adam Gant and Emanuel Arruda established the business that will be operated by LEAGUE in 2005 through a predecessor entity, namely, Member Partners' Consolidated Properties Limited Partnership, a limited partnership formed under the laws of British Columbia, which was acquired by REIT LP on February 1, 2007. The business to be operated by LEAGUE was established to provide individuals access to large scale commercial real estate investment opportunities traditionally available only to institutional investors. LEAGUE will continue to focus on real estate investment, development and the financing of real estate ownership.

The following discussion of the business to be operated by LEAGUE assumes the completion of the Transactions.

LEAGUE has approximately $1.28 billion in Assets Under Management and $837.5 million in Assets Under Administration as at December 31, 2012. The Company has offices in Victoria, Vancouver, Toronto, and Calgary with over 120 highly seasoned professionals and support staff.

Upon completion of the Transactions, as set out in greater detail below, LEAGUE anticipates dividing its operations into the following three divisions: (i) Asset Management, (ii) Wealth Management, and (iii) Management of Real Estate Projects. Although not historically operated as three distinct divisions, LEAGUE intends to implement the above operational split and will appoint a President of each division to monitor the profitability of each division. In the future, LEAGUE anticipates expanding its business to include residential mortgage lending.

(i) Asset Management

The asset management segment of the business covers the management of retail shopping centers as well as commercial office buildings and light industrial properties. The management resources of the Company include the ability to oversee asset management, property management and leasing activities across Canada. LEAGUE will continue to build property management capacity over time as the concentration of properties in a given market increases. In addition to the continuous asset management and property management activities, additional management of construction and renovation is required from time to time at existing properties to adapt and respond to the evolving needs of tenants. Management believes that asset management revenues will grow as a result of the acquisition of new properties by LEAGUE. Currently the asset management business is only overseeing real estate in Canada but the Company will look to manage other investment vehicles with assets in markets outside Canada in the future. LEAGUE has recruited expertise and will bring previously external property management services in-house in order to achieve a greater return on investment overall. The asset management segment of the business is currently operated through League Assets Corp. and IGW REIT. Certain historical financial statements for the entities that operate the asset management segment of the business are included elsewhere in this Prospectus.

(ii) Wealth Management

The wealth management business includes (i) the funding activities of private real estate investments, (ii) the Exempt Market Dealer platform, through which the Company may act as a dealer or underwriter for direct investment in real estate related securities in accordance with applicable securities laws, (iii) the Mutual Fund Dealers Association dealer platform through which the Company may sell mutual funds and similar products, (iv) the insurance dealer platform through which the Company will provide clients with advice relating to life insurance products as well as segregated fund investments, (v) the GIC Deposit brokerage through which the Company will provide access for clients to competitive rates for GIC investments, and (vi) the Portfolio Management business through which the Company will provide clients with portfolio management services which will also allow clients to allocate capital to historically unavailable alternative investment categories. LEAGUE is focused on providing individuals with access to investments that they would not normally have access to and structuring the relationship to avoid the incentive of investing for only a short period of time. The focus of the Company is long-term fee-for-service relationships that produce stable recurring revenues. LEAGUE has been built on an investment style that favours absolute returns over performance that is benchmarked to an index. Management believes that lower volatility and increased tax efficiency of investment income derived from LEAGUE investments improves the investing experience and mitigates the increased market uncertainty that has been experienced in recent years. The wealth management segment of the business is currently operated through League Investment Services Inc., Catalyst Investment Corp. and Harris Fraser Group Limited. The wealth management segment of the business currently has business activities and clients in Canada, and as a result of the Harris Fraser Acquisition, has business activities and clients in Hong Kong and Australia. Certain historical financial statements for the entities that operate the wealth management segment of the business are included elsewhere in this Prospectus.

(iii) Management of Real Estate Projects

The management of real estate projects segment of the business includes (i) development, which involves the purchase of suitable land, marketing the property, developing the building program and design, obtaining the necessary public approvals and financing, building the structure, and leasing, managing, and ultimately selling the property, (ii) redevelopment, which involves the process of demolition of existing improvements and construction of new improvements on a site where the new improvements are often of a different type from the existing improvements, and (iii) opportunistic private equity real estate investment, which involves providing investors with opportunities to invest in real estate development and redevelopment projects. LEAGUE's development and redevelopment activities cover of a broad range of asset classes, including high and medium density residential, independent and assisted living seniors housing, "big-box" store formats, neighbourhood and mixed-use retail shopping centres, professional office buildings and industrial space. The opportunistic private equity real estate investment activities covers such things as mortgage investments as well as investments in entities that hold solar feed-in-tariff contracts (known as FIT contracts).

Going forward, LEAGUE intends to expand its business related to the management of real estate projects by seeking participation in its projects from a wider group of partners as well as increasing the amount of management oversight that the LEAGUE management team will provide. The management services that are required in connection with development or redevelopment activities are far more labour intensive than management services required in connection with stabilized income producing assets. Although, on a proportionate basis, it takes a larger team of people to manage each dollar that is invested in such activities, the potential return on investment is greater than what is available in connection with the management of stabilized income producing assets. LEAGUE will generally earn Performance Fees once a minimum return threshold is achieved on its investment. LEAGUE's ability to earn Performance Fees can result in significant earning potential which further aligns LEAGUE's interests with those of the investors in the projects. To diversify its revenue in this area of the business, LEAGUE intends to manage a growing number of individual projects with different completion timelines in order to spread out its earning potential as evenly as possible. The management of real estate projects segment of the business is currently operated through League Assets Corp. and Colwood. Certain historical financial statements for the entities that operate the asset management segment of the business are included elsewhere in this Prospectus.

Business Objectives and Milestones

The short term business objectives of LEAGUE include: (i) listing the Common Shares and the Preferred Shares on the TSX, which listing will be subject to LEAGUE fulfilling all of the listing requirements of the TSX, (ii) obtaining all required approvals in connection with the completion of the Transactions, and (iii) completion of the Colwood Transaction to create League Urban Ventures Inc.

The long term business objectives of LEAGUE include: (i) growing the Assets Under Management in the each of the three active areas of the business to be operated by LEAGUE including asset management, wealth management and management of real estate projects, (ii) growing earnings per share and price-to-earnings ratios commensurate with the peer group asset management companies operating similar businesses, (iii) attracting and retaining key employees, (iv) attracting sources of finance from capital markets, (v) investing in successful projects that yield a safe and strong return on investment so as to ensure shareholder value, (vi) increasing the brand recognition of LEAGUE, (vii) adding a residential mortgage lending business which could include the origination, servicing and management of direct lending funds, and (viii) obtaining a portfolio manager license for LEAGUE.

Capitalization of New Projects

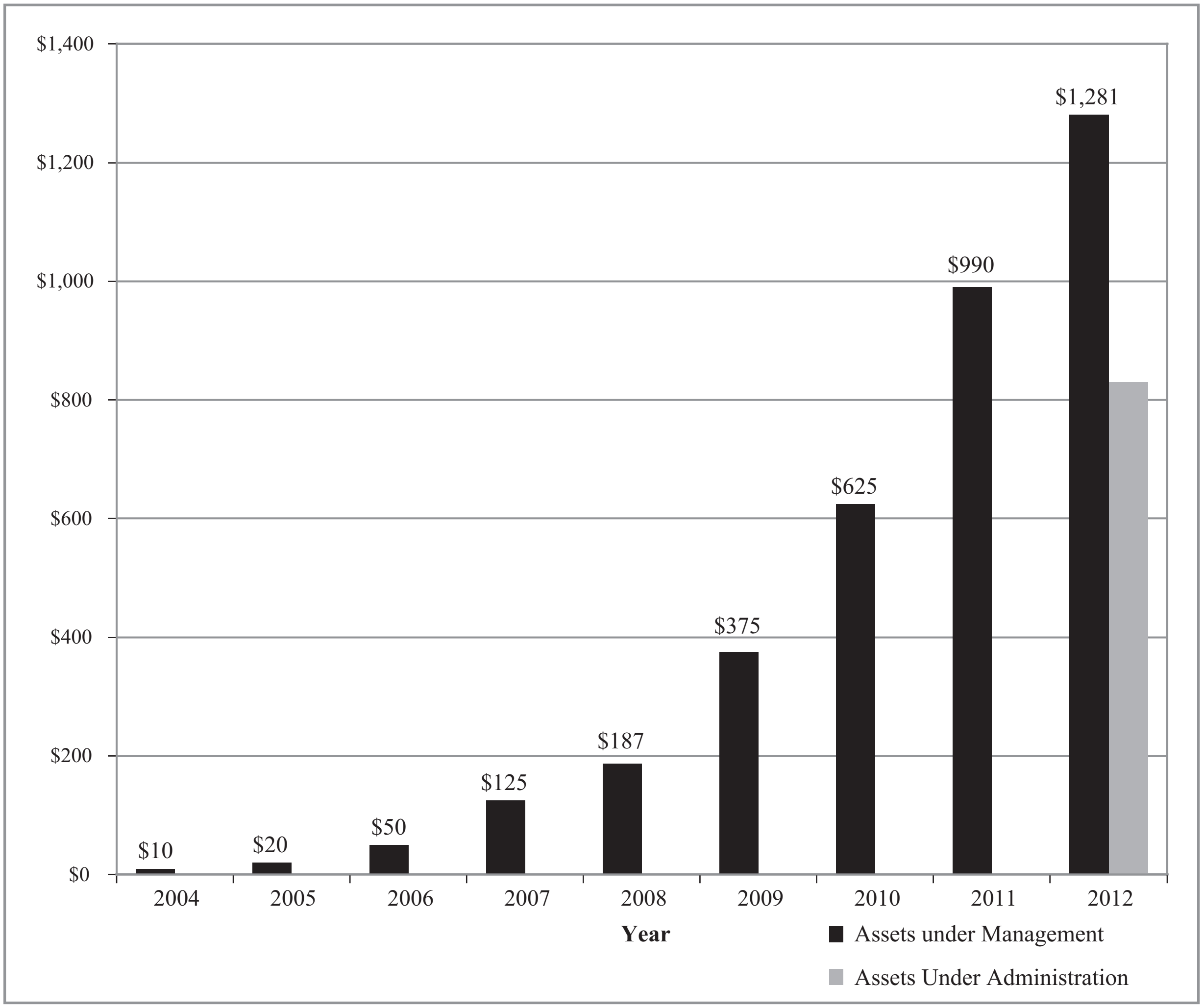
The Company, through its predecessor entities, has built large networks of individual investors across the country who participates in the Company's real estate investment projects. The majority of these individuals have a relationship with someone at LEAGUE and there are an increasing number of new individual investors that are starting to participate with LEAGUE through referring advisors. Management believes that this trend will continue as a result of LEAGUE's increasingly established track record and the increased efficiencies that stem from the growth of its business.

A single purpose entity is used for each investment project to help reduce costs and complexity which reduces the time and administrative requirements. The Company has found that single purpose investment vehicles are the most effective in this regard. There are also qualitative benefits to this format as management believes that individuals are more comfortable avoiding blind or semi-blind pool offerings. In addition, project specific entities allow the timelines to be kept as short as possible for faster turnaround to a liquidity event.

Historical Growth of Assets Under Management and Assets Under Administration

LEAGUE has approximately $1.28 billion in Assets Under Management and $837.5 million in Assets Under Administration as at December 31, 2012. Notwithstanding its historic growth rate, the Company believes it can further accelerate the growth of its Assets Under Management and Assets Under Administration by increasing its direct investment in new managed Project LPs and with additional capital raised from LEAGUE's investors. As set forth in greater detail under "LEAGUE's Revenues", LEAGUE derives certain Contractual Fees from its Assets Under Management and Assets Under Administration.

The following table sets out the historical growth (in millions of dollars) of LEAGUE's Assets Under Management and Assets Under Administration for the periods indicated:



LEAGUE's Revenues

The Company derives its revenue principally from Contractual Fees, Performance Fees and Investment Income.

Contractual Fees

Contractual Fees are charged as outlined in the management agreements governing each of LEAGUE's Project LPs and other investment platforms and include the fees set forth below:

- Asset Management fees, which are earned on the assets LEAGUE manages for the Project LPs and public investment platforms. Such fees range from 0.3% per annum on total assets for public investment platforms to 1.25% to 2% on equity invested for private entities and Project LPs.
- Acquisition fees, which are earned for properties and assets that LEAGUE acquires. Such fees range from 0.5% to 1.25% of the purchase price of the applicable acquisition.

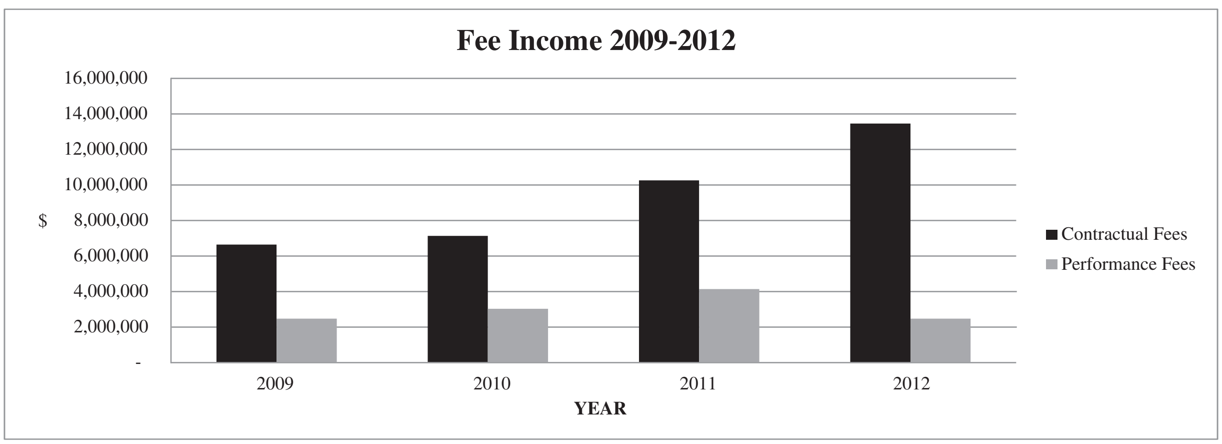
- Finance Arrangement and Administration fees, which are charged at 0.5% on loan financing that is arranged and an annual fee of 0.5% of the loan for finance administration expenses.
- Organisation, Set Up and Service fees, which include a 0.25% per annum service fee and an additional 5.5% to 7.5% fee on capital invested in LEAGUE's investment platforms. A portion of these fees are paid to investment advisers (including those employed by League Investment Services Inc.) for placement of capital in development projects.
- Transfer fees, which is a fee of $95 per transaction and is charged for each subscription of capital, redemption or transfer.
- Real Estate Development Management fees, which are earned by LEAGUE in its capacity as a development manager in the amount of 3% to 4% on the aggregate development spending for key development projects.

Future Contractual Fees will be earned from:

- Portfolio management licence activity: LEAGUE will charge portfolio management fees on Assets Under Management governed by LEAGUE's portfolio management licensed business activity.
- Sales commissions: LEAGUE will earn commissions on condominium sales.

Performance Fees

League may earn Performance Fees calculated as a percentage of the appreciation (net of Contractual Management Fees and other expenses) above target investment returns in each of its Project LP. In connection with the disposal of specific assets within the Assets Under Management of the investment platforms, and provided the disposal meets specified thresholds and benchmarks, LEAGUE will be entitled to earn a Performance Fee in the amount of 20% of any gain on such disposal.



Certain Contractual Fees, namely Asset Management fees and Organisation, Set Up and Service fees, are earned on capital raised from the Company's investors. The table below provides an analysis of capital raised for the years ending December 31, 2012 and December 31, 2011:

Capital Raised Analysis	31 December 2012 Capital Raised	31 December 2011 Capital Raised
Private and Public REITs	$292.2 million	$131.2 million
Project LPs	$ 40.3 million	$ 42.5 million
Total Capital Raised	$332.5 million	$173.8 million

Investment Income

Investment income is earned by LEAGUE pursuant to its lending or investing activities with the Project LPs. Also included as investment income, is any income earned on LEAGUE'S own capital.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information regarding the directors of the Company as of the date of this Prospectus. The Company's Board is currently comprised of six directors, three of whom are Independent. Following completion of the Transactions, LEAGUE will consider the appointment of an additional Independent director. As a group, the directors and executive officers of the Company, immediately following completion of the Transactions, will beneficially own or exercise control or direction, directly or indirectly, over ● Common Shares (representing ●% of the Common Shares at such time) and ● Preferred Shares (representing ●% of the Preferred Shares at such time).

The following table sets forth the names, municipalities of residence, positions held with the Company, principal occupations, and other information for each of the directors and executive officers of the Company as of the date of this Prospectus.

Name and Municipality of Residence	Position with the Company	Principal Occupation if Different from Position Held
Adam Gant Victoria, British Columbia	Director, Co-Chair and Chief Executive Officer	—
Emanuel Arruda Victoria, British Columbia	Director, Co-Chair and Chief Branding Officer	—
Patrick Miniutti Victoria, British Columbia	Director and President	—
Peter Nixon(1)(2)(3) Hong Kong	Director	Founder and managing director of Potential Dialogue
Jacqueline Boddaert(1)(2)(3)(4)(5)(6) Toronto, Ontario	Director	Chief Executive Officer of NorRock Asset Management Ltd.
Carlos Miranda(1)(2)(3) Sao Paulo, Brazil	Director	Chief Executive Officer of BR Opportunities Entrepreneur Partners
John Parkinson Victoria, British Columbia	Chief Financial Officer	—
Jeffrey Simpson Victoria, British Columbia	Head of Urban Development	—
Peter Morris Victoria, British Columbia	Chief Operating Officer	—

Notes:

(1) Member of the Audit Committee.
(2) Member of the Compensation, Nominating and Corporate Governance Committee.
(3) Independent member of the Board.
(4) Chair of the Compensation, Nominating and Corporate Governance Committee.
(5) Chair of the Audit Committee.
(6) Lead Director

SELECTED FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes thereto included elsewhere in this Prospectus. The selected financial information is derived from the financial statements as at March 31, 2013 and December 31, 2012 included elsewhere in this Prospectus. The pro forma financial information has been derived from the pro forma financial statements as at and for the three months ended March 31, 2013 and the year ended December 31, 2012 included elsewhere in this Prospectus. The selected financial information set out below is not necessarily indicative of the results that may be acheived in the future.

In Canadian dollar thousands:	League Investment Services Inc.	League Capital Markets Ltd. / Catalyst Investment Corp.	Harris Fraser Group Limited	IGW REIT	Colwood	League Assets Corp.	LEAGUE	League Opportunity Fund Ltd.	League Investment Fund Ltd.	Pro Forma
	Wealth Management			**Management of Real Estate Projects**		**Asset Management**	**Pre-Public Entities**			
March 31, 2013										
Balance sheet information:										
Current assets	614	507	7,401	50,842	1,789	1,563	34	10,775	—	63,611
Total assets	614	2,279	7,714	309,379	129,649	23,775	34	12,227	—	401,093
Current liabilities	433	1,935	3,666	79,410	100,068	19,274	528	12,948	—	107,178
Net Working Capital	181	(1,428)	3,735	(28,568)	(98,279)	(17,711)	(494)	(2,173)	—	(43,567)(1)
Total liabilities	433	2,371	3,666	268,521	125,559	25,691	528	12,948	—	220,575
Equity	181	(92)	4,048	40,858	4,090	(1,916)	(494)	(721)	—	180,518
Income statement information for the three month period ended March 31, 2013										
Revenue	951	691	3,265	8,122	276	3,855	—	268	—	11,303
Net income before taxes	9	46	256	(2,497)	(285)	(1,976)	(494)	(284)	—	(5,370)
Net income	7	39	235	(2,497)	(285)	(1,494)	(494)	(284)	—	(4,956)(2)
December 31, 2012										
Income statement information for the year ended December 31, 2012										
Revenue	3,122	2,641	11,584	29,900	980	18,941	n/a	79	n/a	48,128
Net income before taxes	32	(35)	1,206	(35,603)	(1,601)	(2,100)	n/a	(437)	n/a	(36,542)
Net income	22	(12)	1,032	(35,603)	(1,601)	(1,880)	n/a	(437)	n/a	(36,636)(3)

Notes:

(1) Pro Forma net working capital includes $54.6 million of advances from related parties and mortgages due within 12 months which are expected to roll over in the normal course of business.

(2) Pro Forma net income includes $6.1 million in items relating to restructuring costs, impairment on loans to related parties, amortization of intangibles, losses on sale of properties and other consolidation adjustments.

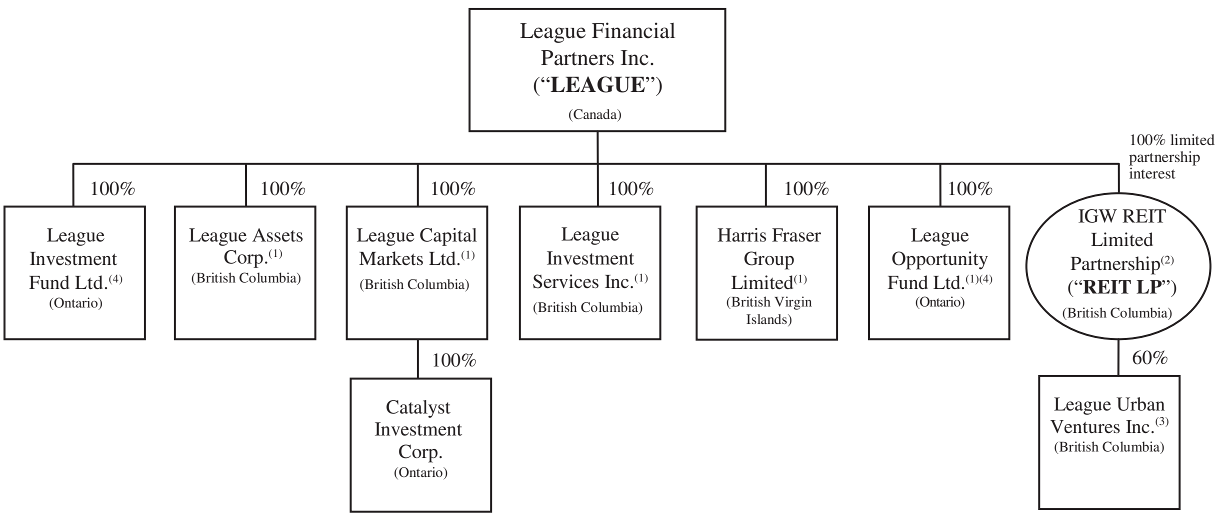
(3) Pro Forma net income includes $39.8 million in items relating to restructuring costs, impairment on loans to related parties, amortization of intangibles, losses on sale of properties and other consolidation adjustments.

CORPORATE STRUCTURE

Name, Address and Incorporation

LEAGUE is a company incorporated pursuant to the *Canada Business Corporations Act* (the "**CBCA**") on February 22, 2013. LEAGUE's head and registered office is located at 200-710 Redbrick Street, Victoria, BC V8T 5J3. Prior to the completion of the Transactions, LEAGUE's Articles of Incorporation will be amended to (i) remove the Common Share transfer restrictions, and (ii) create an unlimited number of preferred shares issuable in series, including the Preferred Shares. As of the date of this Prospectus, LEAGUE IGW Real Estate Investment Trust ("**IGW REIT**") is the sole shareholder of the Company and holds one Common Share. The initial registered shareholder of the Company is IGW REIT Limited Partnership ("**REIT LP**"), with beneficial ownership held by League Assets Limited Partnership.

As at the date hereof, League Investment Fund Ltd. is the only subsidiary of LEAGUE. The following chart illustrates the Company's proposed structure and the structure of its material subsidiaries immediately following completion of the Transactions, as defined below.



Notes:

(1) As of the date of this Prospectus, League Assets Corp., League Investment Services Inc., League Capital Markets Ltd., League Opportunity Fund Ltd. and Harris Fraser Group Limited (collectively the "**Transfer Entities**") are 100% wholly owned subsidiaries of League Assets Limited Partnership. The general partner of League Assets Limited Partnership is League Assets GP Inc., the shares of which are owned by Adam Gant and Emanuel Arruda personally, and by trusts for the families of Adam Gant and Emanuel Arruda. For a description of the Transfer Entities see "LEAGUE Subsidiaries".

(2) As of the date of this Prospectus, REIT LP is a subsidiary of IGW REIT, with IGW REIT owning approximately 86% of the issued and outstanding limited partnership units of REIT LP. It is anticipated that IGW REIT will be wound up after December 31, 2013. For a description of REIT LP see "LEAGUE Subsidiaries".

(3) As of the date of this Prospectus, the Colwood Transaction has not yet been completed. For a description of League Urban Ventures Inc. and the Colwood Transaction see "LEAGUE Subsidiaries".

(4) As described in this Prospectus, LEAGUE has applied to list the Common Shares and the Preferred Shares to be issued pursuant to the Transactions on the TSX. Such listing will be subject to LEAGUE fulfilling all the listing requirements of the TSX. In connection with any listing of the Common Shares and Preferred Shares on the TSX, League Investment Fund Ltd. and League Opportunity Fund Ltd. will be amalgamated with LEAGUE by way of short form amalgamation pursuant to the *Canada Business Corporations Act*, with LEAGUE continuing as the surviving entity.

Transaction Steps

The Company was incorporated in order to complete the following transactions (collectively, the "**Transactions**"):

1. IGW REIT will transfer all of its interest in REIT LP and its general partner IGW REIT GP Inc., to the Company in consideration for (i) ● Common Shares, (ii) ● Series A Preferred Shares, (iii) a promissory note of LEAGUE in the principal amount of $● and (iv) the assumption of certain liabilities ("**Step #1**"). The promissory note will be unsecured and bear interest at a rate of 1% per annum. Pursuant to the terms of the promissory note, the principal shall be repaid, with accrued interest, in eight quarterly instalments, with such payments to be made on the last business day of March, June, September and December (each a "**Quarter End**") with the first payment to be made on the first quarter end (currently anticipated to be September 30, 2013) following the effective date of the Transactions.

   After completion of Step #1, the Company will own approximately 75% of the equity of REIT LP.

2. IGW REIT will declare a cash distribution that will be payable to the holders of certain classes of trust units of IGW REIT, namely income priority units and convertible units, pursuant to which distribution such holders will receive the accrued and undistributed fixed distributions that are payable on such securities in accordance with their terms.

3. IGW REIT will redeem all outstanding trust units of IGW REIT, other than a single unit held by League Assets Corp., in consideration for the Common Shares, Series A Preferred Shares and the promissory note received in Step #1 ("**Step #2**").

4. All holders of limited partnership units of REIT LP (other than the Company) will transfer their limited partnership units to the Company in consideration for ● Common Shares and ● Series A Preferred Shares ("**Step #3**").

   After completion of Step #3, the Company will hold own 100% of the equity of REIT LP.

5. League Assets Limited Partnership will transfer the Transfer Entities to the Company in consideration for (i) ● Common Shares, (ii) ● Series A Preferred Shares and (iii) a promissory note (the "**LALP Note**") of LEAGUE in the principal amount of $3.0 million ("**Step #4**"). The LALP Note will be unsecured and bear interest at a rate of 8% per annum. Pursuant to the terms of the LALP Note, the principal shall be repaid, with accrued interest, on or before ●.

   After completion of Step #4, the Company will hold own 100% of the equity of the Transfer Entities (in addition to 100% of the equity of REIT LP).

Specified Value

As noted above, in connection with the Transactions, the Company will be issuing Common Shares and Preferred Shares to (i) IGW REIT to acquire approximately 75% of REIT LP, (ii) the holders of limited partnership units of REIT LP (other than LEAGUE) to acquire the remaining approximately 25% of REIT LP and (iii) to League Assets Limited Partnership to acquire the Transfer Entities. In order to determine the number of Common Shares and Preferred Shares, as well as the aggregate amount of promissory notes to be issued in connection with the Transactions, management has:

- attributed a value to REIT LP and each of the Transfer Entities for the purposes of structuring the Transactions (the aggregate being the "**Specified Value**"), and
- ascribed an initial value to the Common Shares and Preferred Shares (being $10 and $25, respectively).

The Specified Value is not intended to constitute (i) a valuation of the Company after completion of the Transactions, (ii) a valuation of the Common Shares or the Preferred Shares to be issued pursuant to the Transactions, or (ii) an indication of the price at which the Common Shares or Preferred Shares may trade. Further details regarding the allocation of shares to be issued in connection with the Transactions is set forth below under "Transaction Consideration".

For the purposes of structuring the Transactions, management has determined that the Specified Value is $310 million. Management's determination of the Specified Value is based on values attributed by management to (i) LEAGUE's ownership interest in certain investment platforms, namely Partners Real Estate Investment Trust ("**Partners REIT**") and League Urban Ventures Inc., (ii) LEAGUE's asset management and wealth management divisions, (iii) LEAGUE's real estate assets; (iv) LEAGUE's cash and cash equivalents as at December 31, 2012, and (v) certain anticipated amounts payable by LEAGUE following completion of the Transactions.

(i) Ownership Interest in Certain Investment Platforms.

Management has determined that the Specified Value attributable to its ownership interest in Partners REIT and League Urban Ventures Inc. is $104 million. The following table sets forth management's determination of such portion of the Specified Value. The price per security for the trust units of Partners REIT is based on closing price on the TSX on July 19, 2013. The price per security for the common shares and preferred shares of League Urban Ventures Inc. is based on information set out in the press release of Oriana Resource Corporation dated January 30, 2013.

Investment Platform	Securities Owned	Price per Security	Aggregate Value
Partners REIT	3,872,863 Trust Units	$ 6.94	$ 27 million
League Urban Ventures Inc.	175,000,000 Common Shares	$ 0.23	$ 39 million
League Urban Ventures Inc.	4,000,000 Preferred Shares	$10.00	$ 40 million
TOTAL			**$106 million**

(ii) Asset Management and Wealth Management.

Management has determined that the Specified Value attributable to its asset management and wealth management divisions is $156 million. This portion of the Specified Value was determined by applying a multiplier of 14.5 to the 2014 forecasted earnings for the asset management division and a multiplier of 5.2 to the 2014 forecasted earnings for the wealth management division.

(iii) Real Estate Assets.

Management has determined that the Specified Value attributable to its real estate assets is $46 million, which represents the value of net assets in IGW REIT as at September 2012 excluding League Urban Ventures Inc. and certain planned asset sales.

(iv) Cash and Cash Equivalents.

Management has determined that, as of ● 2013, LEAGUE has fee receivables and cash on hand in the aggregate amount of approximately $5 million.

(v) Other Amounts Payable.

Following completion of the Transactions, management anticipates that LEAGUE will have approximately $9 million of other amounts payable.

Transaction Consideration

Pursuant to the Transactions, LEAGUE will issue Common Shares, Preferred Shares and, in certain circumstances, promissory notes, in connection with (i) the transfer by IGW REIT of its interest in REIT LP to the Company as described in Step #1, (ii) the transfer by all holders of limited partnership units of REIT LP (other than the Company) of their limited partnership units to the Company as described in Step #3, (iii) the transfer by League Assets Limited Partnership of the Transfer Entities to the Company as described in Step #4.

In addition to the above transfer consideration, (i) ● Common Shares will also be issued upon the conversion of LOF Convertible Notes as described under “Description of Share Capital – Convertible Notes of League Opportunity Fund Ltd.”, and (ii) ● Common Shares will be issued upon the conversion of LIF Convertible Notes as described under “Description of Share Capital – Units of League Investment Fund Ltd.”. Approximately $13.5 million principal amount of LOF Convertible Notes have been issued and will be convertible at the option of the holder into Common Shares if the Common Shares become listed on the TSX or the TSX Venture Exchange at a 25% discount to the Specified Value attributable per Common Share (*i.e.*, $7.50). Approximately $1.6 million of LIF Convertible Notes have been issued and will be convertible into Common Shares of LEAGUE at a price equalling a 20% premium to the Specified Value attributable per Common Share (*i.e.*, $12.00).

In accordance with the above, approximately ● Common Shares, ● Preferred Shares and $● principal amount of promissory notes will be issued and outstanding following completion of the Transactions. Based on the ascribed value of $10 per Common Share and $25 per Preferred Share, the ascribed value of all Common Shares and Preferred Shares and the principal amount of the promissory notes to be issued and outstanding will equal the Specified Value of $310 million. For purposes of allocating the Common Shares and the Preferred Shares amongst the above noted recipients, management of LEAGUE has allocated shares of LEAGUE first to holders units of REIT LP as described below under Step #1 and Step #3, second to holders of LOF Convertible Notes and LIF Convertible Notes as described below under “Convertible Note Consideration”, and third to League Assets Limited Partnership as described below under Step #4.

Step #1 and Step #3 Consideration

Pursuant to Step #1 and Step #3, an aggregate of ● Common Shares, ● Preferred Shares and $● principal amount of promissory notes of LEAGUE will be issued to former holders of units of REIT LP representing $● of the $310 million Specified Value. Step #1 and Step #3 involve the transfer of three classes of units of REIT LP to the Company, namely, common units, income priority units and convertible units. In an effort to ensure that holders of each class of units are treated equitably, the number of Common Shares and Preferred Shares and, in certain circumstances, the principal amount of the promissory note to be received for each unit has been determined by a mathematical formula that is applied equally to all holders of a given class of REIT LP units and based on management’s determination of the present value of such units. The following is a general overview of the consideration to be received by holders of common units, income priority units and convertible units of REIT LP.

With respect to the common units of REIT LP, the consideration has been calculated to reflect an 80%/20% split between Common Shares and Preferred Shares to be received by the former holder of common units and the consideration to be received reflects an $0.18 premium above the statement unit price of the holders’ existing common units as of March 25, 2012, being the date used by management for such calculation.

With respect to the income priority units, generally, the consideration has been calculated to reflect the following: (i) the issuance of Preferred Shares (with an initial dividend rate of 5.65%) in an amount that is equal to the face value of a holders current income priority units, (ii) the payment of a “top-up” (in the form of a promissory note) in an amount equal to (a) the face value of the relevant income priority unit multiplied by (b) the difference between the distribution rate on such income priority unit and the initial dividend rate on the Preferred Shares for one month for every three months of outstanding term, and (ii) the payment of additional consideration in the form of Common Shares, with the number of Common Shares calculated to equate the value of (i) and (ii) above, to the present value of the holders original income priority units using a discount rate equal to the initial dividend rate on the Preferred Shares plus a 10% increase.

With respect to the convertible units, generally, the consideration has been calculated to reflect the treatment of the securities into which such convertible units may be converted (being either common units or income priority units).

Convertible Note Consideration

Pursuant to the conversion of LOF Convertible Notes and LIF Convertible Notes, up to ● Common Shares may be issued to former holders of such notes representing $● of the $310 million Specified Value. For purposes of the allocation of Common Shares and Preferred Shares, management has assumed that all LOF Convertible Notes and LIF Convertible Notes will be converted into Common Shares in connection with the Transactions.

Step #4 Consideration

Pursuant to Step #4, an aggregate of ● Common Shares, ● Preferred Shares and $3.0 million principal amount under the LALP Note will be issued to League Assets Limited Partnership representing $●, being the remainder of the $310 million of Specified Value.

LEAGUE SUBSIDIARIES

The following section describes the proposed subsidiaries of LEAGUE following completion of the Transactions, including current business operations, ownership and directors and officers of each entity.

League Assets Corp.

League Assets Corp. was incorporated under the *Business Corporations Act* (British Columbia) (the "**BCBCA**") on October 14, 2005. League Assets Corp.'s head office is located at 200 - 710 Redbrick Street, Victoria, British Columbia, V8T 5J3. League Assets Corp.'s registered and records office is located at 2800 Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2Z7. League Assets Corp. is currently wholly-owned by League Assets Limited Partnership, the general partner of which is League Assets GP Inc. Through their indirect ownership of all of the shares of League Assets GP Inc., trusts for the families of Adam Gant and Emanuel Arruda indirectly control all the issued and outstanding shares of League Assets Corp. Messrs. Gant and Arruda are the sole directors and officers of League Assets Corp.

Currently, League Assets Corp. manages the activities of various Canadian limited partnerships, including certain Project LPs as described in greater detail under "Project LPs". REIT LP engages licensed property management companies, from time to time, to assist in managing REIT LP's properties. League Assets Corp. may establish the necessary organization and obtain the requisite licensing to fulfill this role, in which case it may assume the responsibilities of managing REIT LP's properties. League Assets Corp. supervises the property managers as well as monitors REIT LP's properties on a continual basis to gauge the effectiveness of management processes on cash flows and tenant satisfaction. The monitoring is augmented by League Assets Corp.'s property management models that are designed to maximize incremental cash flows. These models were designed to provide precise information of incremental revenues and expenses on an asset-by-asset basis. They allow League Assets Corp. to understand what is happening with a given property and to project accurately expected growth. League Assets Corp. may determine which of REIT LP's properties are performing efficiently and against expectations. As well, through analysis of market rental rates, League Assets Corp. will determine where capital expenditures will permit the largest increase in rental rates and when the rate of return of one of REIT LP's property has been maximized. REIT LP can then decide whether to re-deploy capital in opportunities that will provide greater returns.

League Investment Services Inc.

League Investment Services Inc. was incorporated on September 14, 2007 under the BCBCA. League Investment Services Inc. is registered in the category of exempt market dealer under National Instrument 31-103 *Registration Requirements and Exemptions and Ongoing Registration Obligations* ("**NI 31-103**"). An exempt market dealer may act as a dealer or underwriter for any securities which are prospectus exempt and as a dealer for any securities sold to clients who qualify for purchase of exempt securities. League Investment Services Inc.

provides such services for the entities that League Assets Corp. manages. The head office of League Investment Services Inc. is located at 200 - 710 Redbrick Street, Victoria, British Columbia, V8T 5J3. The registered and records office of League Investment Services Inc. is located at 215-209 Carrall Street Vancouver, British Columbia, V6B 2J2. Adam Gant and Emmanuel Arruda are the sole directors of League Investment Services Inc. The officers of League Investment Services Inc. are Adam Gant, Ultimate Designated Person; Emanuel Arruda, Chief Operating Officer; John Kelly, Chief Financial Officer and Pat Minogue, Chief Compliance Officer. League Investment Services Inc. is currently wholly owned by League Assets Limited Partnership.

League Capital Markets Ltd. and Catalyst Investment Corp.

League Capital Markets Ltd. is a holding company that was incorporated under the BCBCA on October 31, 2008. Adam Gant and Emmanuel Arruda are the sole directors of League Capital Markets Ltd. The officers of League Capital Markets Ltd. are Adam Gant, President; Emanuel Arruda, Secretary and Jacco Kooij, Vice-President. League Capital Markets Ltd. owns all of the issued and outstanding shares in the capital of Catalyst Investment Corp., and is currently wholly owned by League Assets Limited Partnership.

Catalyst Investment Corp. was formed pursuant to an amalgamation completed under the *Business Corporations Act* (Ontario) on July 1, 2007. The principal business of Catalyst Investment Corp. is asset management and the company has several sources of diversified revenue streams including sales commissions on products and trailer revenues on assets under administration. Catalyst Investment Corp. is the shareholder of three subsidiary corporations, Monarch Wealth Corporation, Monarch Wealth Assurance Agencies Inc. and Monarch Wealth Deposit Group Inc. (collectively, the "**Monarch Group**"). Monarch Wealth Corporation is registered in the category of exempt market dealer under NI 31-103 in Ontario, and a licensed mutual fund dealer in Ontario, Alberta, British Columbia, Nova Scotia and Quebec. Monarch Wealth Deposit Group Inc., is a licensed seller of GICs and maintains contracts with over 40 banks, trust companies and credit unions. Monarch Wealth Assurance Agencies Inc. earns revenues pursuant to the sale and promotion of life insurance and related products in Ontario and Alberta. Adam Gant and Emmanuel Arruda are the sole directors of Catalyst Investment Corp. The officers of Catalyst Investment Corp. are Adam Gant, President; Emanuel Arruda, Secretary and John Kelly, Chief Financial Officer.

Monarch Purchase Agreement

On November 1, 2012, League Capital Markets Ltd. completed the acquisition of Catalyst Investment Corp. and Monarch Wealth Assurance Agencies Inc. pursuant to a share purchase agreement with Forbes & Manhattan Asset Management Corp. ("**Forbes**") dated as of May 15, 2012 (the "**Monarch Purchase Agreement**"). Prior to the completion of the transaction, Forbes was the registered holder and beneficial owner of all the issued and outstanding shares in Catalyst Investment Corp. and the registered holder and beneficial owner of 1,000 issued and outstanding common shares in the capital of Monarch Wealth Assurance Agencies Inc. (collectively, the "**Monarch Shares**").

The following is a summary of the material terms of the Monarch Purchase Agreement, which is qualified in its entirety by reference to all of the provisions of such agreement. The Monarch Purchase Agreement will be available following completion of the Transactions on SEDAR at www.sedar.com.

Pursuant to the Monarch Purchase Agreement, League Capital Markets Ltd. acquired the Monarch Shares from Forbes for an aggregate purchase price of approximately $1.95 million. On the closing of the transactions contemplated by the Monarch Purchase Agreement, $650,000 was paid to Forbes, with the balance to be paid in instalments (subject to applicable adjustments) over 18 months.

The Monarch Purchase Agreement contains certain limited representations and warranties of League Capital Markets Ltd. customary for a transaction of this type, including those relating to: execution and delivery of the Monarch Purchase Agreement; corporate status; governmental authorizations; non-contravention; and no brokers.

The Monarch Purchase Agreement contains a number of representations and warranties of Forbes customary for a transaction of this type relating to, among other things: execution and delivery of the Monarch Purchase Agreement; corporate status; constating documents; minute books; governmental authority consents; contractual consents; no conflict; reporting issuer status; capital structure; rights to the Monarch Shares; subsidiaries; financial statements; inventory; liabilities; assets; revenues; receivables; litigation; no orders or restrictions; material contracts; insurance policies and bonds; breach of applicable laws; permits; non-arms' length transactions; products and services; intellectual property rights; tax matters; dividends; employees; employee benefits; collective bargaining; independent contractors; owned real property; leased or licensed property; environmental laws; major suppliers and customers; privacy; no brokers; and accuracy of statements.

Pursuant to the Monarch Purchase Agreement, Forbes has agreed to certain non-competition and non-solicitation covenants in favour of League Capital Markets Ltd. from the date of the Monarch Purchase Agreement to the second anniversary of the closing date.

Forbes will indemnify League Capital Markets Ltd. for any breach of representations and warranties or covenants under the Monarch Purchase Agreement. Subject to certain exceptions, Forbes will have no obligation to make a payment for damages until the aggregate amount of damages exceeds $25,000 at which point Forbes shall be liable from the first dollar up to a maximum amount of the aggregate purchase price actually paid to Forbes. There is no limitation on claims for indemnification against Forbes for breach of any representation or warranty made by Forbes with an intent to mislead or defraud or with a reckless disregard for the accuracy thereof. League Capital Markets Ltd. will also indemnify Forbes for any breach of representations and warranties or covenants under the Monarch Purchase Agreement, provided that such claims, in the aggregate, exceed $25,000.

Harris Fraser Group Limited

Harris Fraser Group Limited was incorporated under the laws of the British Virgin Islands on May 24, 2002. Harris Fraser Group Limited is a private company that provides financial advisory services in Hong Kong, Taiwan and mainland China. Harris Fraser Group Limited is principally engaged in services relating to insurance brokerage and client securities account management. Pursuant to its insurance brokerage business, Harris Fraser Group Limited, as agent, negotiates and arranges contracts of insurance for its clients in the Hong Kong area and advises on matters related to such insurance. Through the client securities account management business, it acts as an advisor to clients with respect to investments in mutual funds, worldwide equities and other securities through various types of securities accounts in Hong Kong, Singapore and Australia.

Investment-linked Assurance Scheme ("**ILAS**") is a type of contract of insurance in connection with which Harris Fraser Group Limited provides advisory services and from which Harris Fraser Group Limited generated over 76% of its revenue for the nine months ended December 31, 2012. ILAS products are similar to long term savings accounts whereby the savings are invested in mutual funds for the client by the insurance company that issues the product. In addition to assisting clients to start ILAS contracts, Harris Fraser Group Limited advises its clients with respect to investments under ILAS contracts.

HF Partners Limited, a subsidiary of Harris Fraser Group Limited, is a corporate member of the Professional Insurance Brokers Association of Hong Kong and a corporate intermediary of the Hong Kong Mandatory Provident Fund Schemes Authority. In addition, Harris Fraser (International) Limited is a licensed corporation under the Hong Kong Securities and Futures Commission. Harris Fraser (Australia) Pty Limited has an Australian Financial Services License regulated by the Australian Securities Investments Commission and Harris Fraser Group Limited's Singapore subsidiary, Harris Fraser (Singapore) Pte Limited is regulated by the Singapore Monetary Authority as an Exempt Fund Manager. Collectively, the Group Companies carry on their business under the trademarks "Harris Fraser Group" and the Chinese version 晋裕集團.

The directors of Harris Fraser Group Limited are Adam Gant, Emanuel Arruda and Joseph Frank Attrux.

Harris Fraser Purchase Agreement

On July 1, 2013, League Assets Limited Partnership completed the acquisition of Harris Fraser Group Limited pursuant to a purchase and sale agreement dated February 1, 2013 (the "**Harris Fraser Purchase Agreement**") between League Assets International Inc. and Yuen Yee Ng (the "**Harris Fraser Acquisition**").

The following is a summary of the material terms of the Harris Fraser Purchase Agreement, which is qualified in its entirety by reference to all of the provisions of such agreement. The Harris Fraser Purchase Agreement will be available following completion of the Transactions on SEDAR at www.sedar.com.

Prior to closing of the Harris Fraser Acquisition, Yuen Yee Ng was the sole registered holder and beneficial owner of 2,000 ordinary shares (the "**Shares**") of Harris Fraser Group Limited, which represented all of the issued and outstanding shares in the capital of Harris Fraser Group Limited. Harris Fraser Group Limited is the sole registered and beneficial owner of all the issued and outstanding share capital of Harris Fraser (International) Limited, Harris Fraser Corporate Services Limited, Capital One Trust Limited, HF Enterprise Management Consulting Co., Ltd., Harris Fraser (Australia) Pty Ltd., Harris Fraser (Singapore) Pte Ltd., Jamison Services Limited, Harris Fraser (Asia) Limited and 99.1% of the share capital of HF Partners Limited (collectively, the "**Group Companies**" and each a "**Group Company**"). Pursuant to the Harris Fraser Purchase Agreement, League Assets Limited Partnership acquired the Shares from Yuen Yee Ng for an aggregate purchase price of approximately $5.75 million plus approximately $750,000 in satisfaction of certain regulatory capital requirements as set out in greater detail in the Harris Fraser Purchase Agreement. On the closing of the transactions contemplated by the Harris Fraser Purchase Agreement, $3.2 million was paid to Yuen Yee Ng, and the balance will be paid in yearly instalments (subject to certain adjustments) over three years.

The Harris Fraser Purchase Agreement contains certain limited representations and warranties of League Assets International Inc. customary for a transaction of this type including those relating to: power, authority, execution and delivery of the Harris Fraser Purchase Agreement; no violations; and no conflicts.

The Harris Fraser Purchase Agreement contains a number of representations and warranties of Yuen Yee Ng and the Group Companies customary of a transaction of this type relating to, among other things: ownership of the Shares; organization, power, authority, execution and delivery of the Harris Fraser Purchase Agreement; no violation or conflict with the governing documents of the Group Companies; corporate records of the Group Companies; the absence of certain changes and events; no brokerage commissions; litigation; compliance with law; bankruptcy; employees and independent consultants; disclosure; subsidiaries; sufficiency of assets; intellectual property; software; access to data; financial matters; insurance; tax matters; and privacy.

Yuen Yee Ng has agreed to indemnify League Assets International Inc. for any breach of representations and warranties or covenants under the Harris Fraser Purchase Agreement. League Assets International Inc. has agreed to indemnify Yuen Yee Ng for any breach of representations and warranties or covenants under the Harris Fraser Purchase Agreement, except to the extent such failure is as a result of Yuen Yee Ng's default or non-performance of any of its obligations under the Harris Fraser Purchase Agreement or under any ancillary documents. Yuen Yee Ng will have no obligation to make a payment for damages until the aggregate amount of damages exceeds $100,000 at which point Yuen Yee Ng shall be liable from the first dollar up to a maximum amount of the gross purchase price actually received by Yuen Yee Ng. There is no limitation on claims for indemnification against Yuen Yee Ng in connection with fraud, intentional misrepresentation or a deliberate or wilful breach by Yuen Yee Ng of any of Yuen Yee Ng's representations and warranties under the Harris Fraser Purchase Agreement.

League Opportunity Fund Ltd.

League Opportunity Fund Ltd. was incorporated under the laws of Ontario on September 18, 2012 and is a wholly owned subsidiary of League Assets Limited Partnership. Adam Gant and Emmanuel Arruda are the sole directors of League Opportunity Fund Ltd. The officers of League Opportunity Fund Ltd. are Adam Gant, Chief Executive Officer and Co-Chair; Emanuel Arruda, President and Co-Chair; John Kelly, Vice-President and Chief Accounting Officer; and Patrick Miniutti, Chief Operations Officer.

League Opportunity Fund Ltd. was created to raise funds for purposes of providing bridge capital to fund the acquisition of and investment into strategic corporate and real estate assets intended to facilitate the growth of LEAGUE. Between November 18, 2012 and February 10, 2013, League Opportunity Fund Ltd. issued approximately $13.5 million principal amount of secured convertible promissory notes (the "**LOF Convertible Notes**"). The LOF Convertible Notes are guaranteed by League Assets Corp. and REIT LP and bear interest at a rate of 8% per annum, calculated monthly and payable quarterly. The LOF Convertible Notes will be convertible at the option of the holder into Common Shares if the Common Shares become listed on the TSX or the TSX Venture Exchange at a 25% discount to the Specified Value of the Common Shares. The LOF Convertible Notes will mature on the earlier of (i) March 14, 2014 or (ii) the date on which the Common Shares are listed on the TSX or TSX Venture Exchange (at which point the holder will have the option to accept repayment of the principal amount of the LOF Convertible Note together with interest accrued thereon, or exercise the holders' option to exchange the LOF Convertible Notes for Common Shares at a 25% discount to the Specified Value of the Common Shares. Upon conversion, such holder will receive accrued and unpaid interest on the LOF Convertible Notes up to the date of the conversion.

League Investment Fund Ltd.

League Investment Fund Ltd. was incorporated under the laws of Ontario on February 1, 2013 and is a wholly owned subsidiary of LEAGUE. Adam Gant and Emmanuel Arruda are the sole directors of League Investment Fund Ltd. The officers of League Opportunity Fund Ltd. are Adam Gant, Chief Executive Officer and Co-Chair; Emanuel Arruda, President and Co-Chair; John Kelly, Vice-President and Chief Accounting Officer; and Patrick Miniutti, Chief Operations Officer.

On April 30, 2013, League Investment Fund Ltd. issued approximately $1.6 million of units (the "**Units**") by way of private placement. The Units, each with a subscription price of $1,000, consist of a $1,000 principal amount convertible unsecured promissory note (the "**LIF Convertible Notes**") and 50 Common Share purchase warrants (the "**Warrants**"). The LIF Convertible Notes are guaranteed by League Assets Corp. and REIT LP and bear interest at a rate of 8% per annum, calculated monthly and payable quarterly. LEAGUE and League Investment Fund Ltd. have agreed to complete a short form amalgamation pursuant to the *Canada Business Corporations Act* on or about the date on which LEAGUE completes a listing of its shares for trading on the TSX (a "**Listing Transaction**"). Pursuant to and following such amalgamation, the LIF Convertible Notes will then become convertible for Common Shares of LEAGUE at a price equalling a 20% premium to the Specified Value of the Common Shares, subject to standard anti-dilution adjustments in certain events. Holders converting their LIF Convertible Notes will receive accrued and unpaid interest thereon to the date of conversion. The LIF Convertible Notes will mature 30 months from the date of closing of the private placement. In the event a Listing Transaction and the amalgamation of League Investment Fund Ltd. and LEAGUE have not occurred within two years of closing of the private placement, then League Investment Fund Ltd. will be required to make an offer to purchase, on the maturity date, all of the LIF Convertible Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest. League Investment Fund Ltd. has the right at any time to purchase the LIF Convertible Notes, by tender, or by private contract. Subject to certain conditions, the LIF Convertible Notes may be repaid by League Investment Fund Ltd. at any time following the Listing Transaction and amalgamation without notice or bonus.

Pursuant to and following the amalgamation of League Investment Fund Ltd. and LEAGUE, each Warrant will become exercisable for such number of Common Shares of LEAGUE, equal to the number determined by dividing (A) 10 by (B) the Specified Value of each Common Share, at a price equalling a 15% premium to the Specified Value of the Common Shares, subject to standard anti-dilution adjustments in certain events, exercisable before the date that is 30 months from the date of closing of the private placement.

REIT LP

REIT LP is a limited partnership formed under the laws of the province of British Columbia and governed under an amended and restated limited partnership agreement dated May 6, 2011. The general partner of REIT LP is

IGW REIT GP Inc., a corporation incorporated under the laws of the province of British Columbia. Adam Gant and Emmanuel Arruda are the sole directors of IGW REIT GP Inc. The officers of IGW REIT GP Inc. are Adam Gant, President; Emanuel Arruda, Secretary; John Parkinson, Chief Financial Officer; and Peter D. Morris, Chief Operating Officer.

The business of REIT LP involves the acquisition, development and redevelopment, expansion, improvement, refurbishing, holding, and operating of various mid-sized commercial, industrial and multi-family residential properties in Canada. REIT LP also provides financing to related real estate limited partnerships for the acquisition, development and redevelopment of commercial and residential properties in Canada. REIT LP has also made an investment in Partners REIT, as described below under “Partners REIT”.

REIT LP’s properties currently include commercial properties; shopping malls or multi-tenanted business parks; and industrial properties, including light industrial buildings. REIT LP’s properties are leased to a variety of tenants in different types of businesses and may have a range of lease expiry dates to minimize vacancies. Typically multi-tenanted commercial and residential properties minimize the risk of vacancies and are more likely to provide consistent cash flow while preserving invested capital. However, REIT LP may also acquire, or finance the acquisition of a premise (except residential real properties) that has a single or anchor tenant.

Lending by REIT LP is one aspect of its investment activities. Loans are generally connected to the acquisition or development of a real estate property and are provided when REIT LP has a reasonable expectation that at a later date it might wish to acquire an interest in all or a significant part of the property. Generally, pursuant to the loan agreements, REIT LP waives the requirement for monthly interest payments from entities that are related to REIT LP, in which case the amount of any accrued and unpaid interest is added to the loan balance at the applicable interest rate. Interest rates on certain of the outstanding loans extended by REIT LP to certain entities that are related to REIT LP are at an effective interest rate of 11%. As at March 31, 2013, REIT LP has an aggregate of $156,019,337 in outstanding loans inclusive of capitalized interest. Pursuant to the Transactions, LEAGUE will act as a listed asset manager and the assets currently held by REIT LP will be transferred to LEAGUE and will form a component of its balance sheet.

Partners REIT

REIT LP, through its wholly owned subsidiary IGW Public Limited Partnership, currently owns 3,872,863 trust units of Partners REIT representing approximately 14.99% of the issued and outstanding trust units of Partners REIT. Partners REIT is listed and traded on the Toronto Stock Exchange under the symbol “PAR.UN”. Partners REIT is an unincorporated open-end real estate investment trust formed pursuant to a declaration of trust and governed by the laws of the Province of Ontario. The registered and head office of Partners REIT is located at 200 – 710 Redbrick Street, Victoria, British Columbia, V8Y 5J3. Partners REIT is focused on acquiring and managing a portfolio of retail and mixed-use retail community and neighbourhood centres, generally in the mid-market deal size range of $10 - $50 million, from both primary and secondary markets throughout Canada. Additional information regarding Partners REIT can be found on SEDAR at www.sedar.com.

League Urban Ventures Inc.

As described under “Colwood Transaction”, the Company is in the process of completing the Colwood Transaction, which will result in the creation of League Urban Ventures Inc. Following completion of the Colwood Transaction, it is anticipated that REIT LP will hold the majority of the issued and outstanding shares of League Urban Ventures Inc.

The business of League Urban Ventures Inc. will be solely focussed on the ground-up development and sale of new real estate assets located within high-density, urban environments. Within that context, there are three primary categories of asset creation: high-density residential, professional office space, and urban retail. The investment criteria for League Urban Ventures Inc. provides that each development initiative should have zoning entitlements in place for no less than one million square feet of floor space to an upper range of 2.5 to 4 million square feet. The primary goal and approach for each project is to acquire an interest in the real estate or register a mortgage that secures a preferred equity investment capable of generating a base-level return coupled with revenue participation structured as a royalty agreement tied to 100% of all improvements, be they commercial or residential.

Colwood Transaction

Colwood City Centre Limited Partnership ("**Colwood**") was formed to enable investors to participate in the planning, design and construction of Capital City Centre, a mixed-use project development located in Colwood, British Columbia. The project will take over 12 years to complete with potential build-out costs in excess of $1 billion. On January 30, 2013, Colwood and Oriana Resources Corporation ("**Oriana**") ("OUP.P" - TSX Venture), a Capital Pool Company, entered into a letter of intent to complete a business combination (the "**Colwood Transaction**") whereby certain real property and related assets of Colwood related to its Capital City Centre development project (the "**Colwood Assets**") would be transferred to Oriana in exchange for securities of Oriana. The Colwood Transaction is intended to constitute a qualifying transaction of Oriana as such term is defined in Policy 2.4 of the Corporate Finance Manual (the "**Qualifying Transaction**") of the TSX Venture Exchange. Concurrent with the closing of the Colwood Transaction, Oriana intends to change its name to League Urban Ventures Inc.

Subject to regulatory approval, Oriana will acquire the Colwood Assets (including both the assumption and conversion to equity of existing debt financing obligations of Colwood related to the Colwood Assets) for an estimated purchase price of $161 million. The estimated purchase price will be satisfied by issuing 258.5 million common shares of Oriana, 6.4 million preference shares of Oriana, a non-interest bearing promissory note in the amount of $3.9 million, and by the assumption of indebtedness of Colwood in the amount of $35 million. In addition to the above noted payments, Oriana will also issue approximately $1.2 million principal amount of promissory notes to certain existing holders of promissory notes of Colwood. The final purchase price and the number of shares and amount of the promissory note to be issued by Oriana in satisfaction therefor are subject to adjustment on or prior to closing to reflect ongoing construction and related activities up to the closing date of the transaction. It is expected that the common shares of Oriana will be issued at a deemed issuance price of $0.225 per share and the preference shares of Oriana will be issued at a deemed issuance price of $10.00 per share. The proposed Qualifying Transaction will be effected by way of a Plan of Arrangement pursuant to the BCBCA and an information circular will be completed detailing the terms of the Colwood Transaction and seeking approval from shareholders of Oriana and certain securityholders of Colwood and then voted on at concurrent meetings of securityholders of Oriana and Colwood. The Colwood Assets have been valued for the purposes of the Qualifying Transaction at approximately $127 million, plus the capitalized and uncapitalized development and other costs related to the Colwood Assets incurred by Colwood to date and expected to be incurred prior to the closing of the Qualifying Transaction.

It is currently anticipated that the board of directors of Oriana will consist of Richard Buzbuzian, who is currently the Chief Executive Officer and a director of Oriana, as well as Adam Gant, Patrick Miniutti, Tony Quo Vadis, Bob Skene and Hermann Baron von Pfetten. Mr. Quo Vadis will also serve as Chairman. The officers will include Adam Gant, Chief Executive Officer, Jeffrey Simpson, Chief Operating Officer, and John Parkinson, Chief Financial Officer. The current directors of Oriana, other than Mr. Buzbuzian, will resign upon closing of the Transaction.

The Colwood Transaction is conditional upon, among other things, receiving all necessary regulatory and third party approvals and authorizations, approval by the shareholders of Oriana and certain securityholders of Colwood, confirmation of no material adverse change having occurred for Oriana or the Colwood Assets prior to close, the completion of a definitive agreement setting forth the terms and conditions for the closing of the Colwood Transaction, the completion of due diligence satisfactory to each party, and the completion of a sponsorship report satisfactory to the TSX Venture Exchange (or waiver by the TSX Venture Exchange of that requirement). Oriana is currently confirming the terms of a sponsorship relationship for this transaction with an TSX Venture Exchange member firm, which will be disclosed as soon as an engagement is formalized.

Following completion of the Colwood Transaction, it is anticipated that each of Colwood and REIT LP will own, directly or indirectly, more than 10% of the issued and outstanding voting securities of Oriana.

PROJECT LPS

League Assets Corp. currently manages the following 16 Project LPs. Approximately 95% of the committed capital in the Project LPs has come from individual investors. Further details regarding the Project LPs are set forth in the table below and under "Project LP Profiles". For a discussion of the Contractual Fees and Performance Fees earned by League Assets Corp. as manager of the Project LPs, see "The Business – LEAGUE's Revenues".

Project LP	Focus	Final Closing Date	Committed Capital	Assets Under Management
Cowichan District Financial Centre Limited Partnership	Office Redevelopment Project	May 2012	$ 2.1 million	$10.1 million
Redux Duncan City Centre Limited Partnership	Retail Shopping Center Development	September 2009	$25.3 million	$45.1 million
Eagle Landing Retail Limited Partnership	Retail Shopping Center Development	August 2010	$ 9.7 million	$38.8 million
Fort St. John Retail Limited Partnership	Retail Shopping Center Development	September 2008	$ 3.0 million	$ 7.2 million
Gatineau Centre Development Limited Partnership	Large Multi-Phase Mixed Use Urban Development	ongoing	$ 5.6 million	$ 9.5 million
IGW Residential Capital Limited Partnership	Residential Redevelopment	May 2010	$ 2.6 million	$29.4 million
IGW Segregated Debt 1 Limited Partnership	Investment in Commercial Mortgage Backed Securities	May 2009	$ 6.5 million	$ 5.3 million
IGW Segregated Debt 2 Limited Partnership	Investment in Commercial Mortgage Backed Securities	September 2009	$ 7.6 million	$ 5.2 million
Member-Partners Solar Energy Limited Partnership	Commercial Solar Photovoltaic Projects (Solar Rooftops)	July 2012	$23.1 million	$19.0 million
North Vernon Properties Limited Partnership	Retail Shopping Center Development	October 2010	$ 3.1 million	$16.0 million
Place Trans Canadienne Commercial Limited Partnership	Industrial Redevelopment	December 2009	$ 5.6 million	$18.2 million
Residences At Quadra Village Limited Partnership	Residential Apartment Redevelopment	September 2011	$ 3.5 million	$12.6 million
IGW Diversified Redevelopment Fund Limited Partnership	Industrial and Hotel Redevelopment LP	ongoing	$ 1.7 million	$ 3.5 million
Stoney Range Industrial Limited Partnership	Industrial Redevelopment	ongoing	$ 0.2 million	$11.3 million
Tsawwassen Retail Power Centre Limited Partnership	Retail Power Center Development	ongoing	$ 1.1 million	$ 1.0 million
Wesbrooke Retirement Limited Partnership	Independent Living Residential Development	May 2011	$ 5.2 million	$21.2 million

Project LP Profiles

Cowichan District Financial Centre Limited Partnership

Cowichan District Financial Centre Limited Partnership focuses on office redevelopment projects. This Project LP has 1,793,500 units outstanding and currently has committed capital in the amount of approximately $2.1 million and approximately $10.1 million Assets Under Management. The general partner of this Project LP is Cowichan District Financial Centre GP Inc. which is a wholly owned subsidiary of League Assets Limited Partnership. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual review engagement financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. This Project LP was formed to purchase, operate and renovate the lands and buildings located at 435 Trunk Road, in the City of Duncan, British Columbia. The gross building area is 40,000 square feet situated on 1.18 acres, and tenants include the Bank of Nova Scotia and the United Way. The Cowichan District Financial Centre is currently under active renovation, in addition, marketing initiatives to lease the space are ongoing. The project will be refinanced and sold once the required lease-up is achieved.

Redux Duncan City Centre Limited Partnership

Redux Duncan City Centre Limited Partnership focuses on retail shopping centre development projects. This Project LP has 15,253,495 units outstanding and currently has committed capital in the amount of approximately $25.3 million and approximately $45.1 million Assets Under Management. The general partner of this Project LP is Duncan City Centre GP Inc. which is a wholly owned subsidiary of League Assets Corp. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual audited financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. In 2008, Redux Duncan City Centre Limited Partnership acquired a retail centre in Duncan, British Columbia and commenced significant renovations and expansion activities. As of December 31, 2011, such renovations and expansion were completed. The Duncan City Centre retail shopping redevelopment project is complete and the project is being refinanced with term mortgage debt. Once the refinancing is complete and operations are stabilized the shopping centres will be sold by the Project LP.

Eagle Landing Retail Limited Partnership

The Eagle Landing Retail Limited Partnership focuses on retail shopping centre development projects. This Project LP has 8,930,398 Class A Units, 538,500 First Preferred Units and 120,740 Class BB Units outstanding and currently has committed capital in the amount of approximately $9.7 million and approximately $38.8 million Assets Under Management. The general partner of this Project LP is Eagle Landing GP Inc. which is a wholly owned subsidiary of League Assets Corp. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual audited financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. This Project LP is part owner of the Eagle Landing Retail Centre in Chilliwack, British Columbia, which maintains strong anchor tenants including the Home Depot and Walmart. The Eagle Landing development project is in its final phase of construction. Upon completion, the project will be fully refinanced and sold.

Fort St. John Retail Limited Partnership

Fort St. John Retail Limited Partnership focuses on retail shopping centre development projects. This Project LP has 3,001,709 units outstanding and currently has committed capital in the amount of approximately $3.0 million and approximately $7.2 million Assets Under Management. The general partner of this Project LP is Fort St. John Retail GP Inc. which is a wholly owned subsidiary of League Assets Corp. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual audited financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. This Project LP develops the modern form of shopping center development where multiple brand name "big-box" free-standing anchor tenants are surrounded by smaller complementary retail business, also in free standing buildings. The parcel of land that Fort St. John Retail LP was originally intended to acquire was the security for a mortgage provided by the Project LP to the vendor of the property. The mortgage was provided to fund the subdivision of the property. As a result of delays and the failure by the vendor to complete the subdivision process, the Project LP made a demand for repayment of the loan. As a result of certain ongoing litigation, the Project LP has been delayed in realizing on the mortgage security. The litigation is anticipated to be completed in the second half of 2013. Once complete, the Project LP intends to pursue a foreclosure process to either realize on proceeds from the sale of all of the lands or seek ownership of the property in order to complete the subdivision process and sell the remaining parcels which are not required by LEAGUE.

Gatineau Centre Development Limited Partnership

Gatineau Centre Development Limited Partnership is a large multi-phase mixed use urban development. This Project LP has 5,252,000 units outstanding and currently has committed capital in the amount of approximately $5.6 million and approximately $9.5 million Assets Under Management. The general partner of this Project LP is Gatineau Centre Development GP Inc. which is a wholly owned subsidiary of League Assets Limited Partnership. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual audited financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. This Project LP intends to acquire, rezone and develop the Tecumseh Golf Course lands, in Gatineau, Quebec, into a mixed use urban development. This project is in the early stages of the planning and zoning process. The architects and land planning consultants are preparing the site plan layouts and working on the overall plan for the massing of the buildings and the allocation to the different types of zoning that will be required.

IGW Residential Capital Limited Partnership

IGW Residential Capital Limited Partnership focuses on residential redevelopment projects. This Project LP has 2,609,390 units outstanding and currently has committed capital in the amount of approximately $2.6 million and approximately $29.4 million Assets Under Management. The general partner of this Project LP is IGW Residential Capital GP Inc., the shares of which are owned by Adam Gant and Emanuel Arruda. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual audited financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. This Project LP was initially established with four separate residential real estate projects including one in Vegreville, Alberta, two in Hamilton, Ontario, and one in Langley, British Columbia. It was intended that the multi-unit residential properties be converted into condominiums and sold as separately titled properties. Due to market conditions, this plan has been discontinued. One of the Project LPs large apartment buildings in Ontario and a smaller residential building in Alberta have been sold. The last remaining building in Ontario is intended to be sold and the residential redevelopment project in Langley, British Columbia is being redesigned for a larger low rise format building. It is anticipated that redevelopment of the Langley project will commence in 2014.

IGW Segregated Debt 1 Limited Partnership and IGW Segregated Debt 2 Limited Partnership

IGW Segregated Debt 1 Limited Partnership has 6,505,000 units outstanding and currently has committed capital in the amount of approximately $6.5 million and approximately $5.3 million Assets Under Management. The general partner of this Project LP is IGW Segregated Debt 1 GP Inc. which is a wholly owned subsidiary of League Assets Corp. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual audited financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP.

IGW Segregated Debt 2 Limited Partnership has 7,598,912 units outstanding and currently has committed capital in the amount of approximately $7.6 million and approximately $5.2 million Assets Under Management. The general partner of this Project LP is IGW Segregated Debt 2 GP Inc. which is a wholly owned subsidiary of League Assets Corp. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual audited financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP.

IGW Segregated Debt 1 Limited Partnership and IGW Segregated Debt 2 Limited Partnership were created to take advantage of a tough credit market in the spring of 2009 where the Canadian commercial mortgage backed security pools were trading at extremely large discounts to their book values. There was approximated $50 million in face value purchased between the two limited partnerships for total purchases prices of approximately $12 million. As the credit markets improved the mortgage certificates were sold.

Member-Partners Solar Energy Limited Partnership

Member-Partners Solar Energy Limited Partnership focuses on FIT and Micro-FIT solar power asset development. The final closing date for this Project LP was July 2012**.** This Project LP has 8,548,800 Class P Units and 14,552,883 Class A Units outstanding and committed capital in the amount of approximately $23.1 million and approximately $19.0 million Assets Under Management. The general partner of this Project LP is Member-Partners Solar Energy GP Inc. which is a wholly owned subsidiary of League Assets Limited Partnership. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual audited financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. This Project LP provides investment capital for commercial solar photovoltaic projects that qualify under the Ontario Power Authority's Feed-In Tariff Program ("**FIT**"). FIT provides for fixed rates for solar power energy generation based on a twenty year term. This Project LP has recently completed a refinancing of some of the finished solar assets and will be pursuing the final build out of all of the remaining Micro-FIT sites. It is believed that there will be the opportunity to sell some of the larger FIT assets in the near future but it is intended that the Micro-FIT sites will be retained by the Project LP indefinitely.

North Vernon Properties Limited Partnership

North Vernon Properties Limited Partnership focuses on retail shopping centre redevelopment projects. The final closing date for this Project LP was October 2010. This Project LP has 3,177,821 units outstanding and currently has committed capital in the amount of approximately $3.1 million and approximately $16.0 million Assets Under Management. The general partner of this Project LP is North Vernon Properties GP Inc. which is a wholly owned subsidiary of REIT LP. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual review engagement financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. This Project LP acquired and developed the Anderson Crossing shopping centre in Vernon, British Columbia, five structures on 3.3 acres, with a combined leasable area of 42,192 square feet.

Place Trans Canadienne Commercial Limited Partnership

Place Trans Canadienne Commercial Limited Partnership focuses on industrial redevelopment projects. The final closing date for this Project LP was December 2009. This Project LP has 2,414,991 units outstanding and currently has committed capital in the amount of approximately $5.6 million and approximately $18.2 million Assets Under Management. The general partner of this Project LP is Place Trans Canadienne Commercial GP Inc. which is a wholly owned subsidiary of League Assets Corp. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual audited financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. This Project LP is the majority owner of commercial development on the Trans-Canada Highway in Dorval, Quebec. Place Trans Canadienne Commercial Limited Partnership intends to redevelop two industrial buildings, with approx 242,402 square feet of leasable area, to take advantage of the emerging retail concentration in the area. This project is over 95% completed including the lease up of all but 3 remaining spaces.

Residences At Quadra Village Limited Partnership

Residences At Quadra Village Limited Partnership focuses on residential apartment redevelopment projects. The final closing date for this Project LP was September 2011. This Project LP has 2,472,500 units outstanding and currently has committed capital in the amount of approximately $3.5 million and approximately $12.6 million Assets Under Management. The general partner of this Project LP is Residences At Quadra Village GP Inc. which is a wholly owned subsidiary of League Assets Limited Partnership. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual review engagement financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. This Project LP has invested in the redevelopment of two buildings located at 2835 and 2855 Quadra Street, Victoria, British Columbia. This project is approximately half way through the re-construction of the exterior entry-ways, deck areas, and interior suite renovation. While the renovations are being completed, the final stages of the rezoning of the surplus parking lands is being completed which will allow for subdivision and sale.

IGW Diversified Redevelopment Fund Limited Partnership

IGW Diversified Redevelopment Fund Limited Partnership focuses on industrial and hotel redevelopment projects. This Project LP has 1,493,000 Class A Units, 170,000 Class P Units and 102,000 Class SP Units outstanding and currently has committed capital in the amount of approximately $1.7 million and approximately $3.5 million Assets Under Management. The general partner of this Project LP is IGW Diversified Redevelopment Fund GP Inc. which is a wholly owned subsidiary of League Assets Limited Partnership. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual audited financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. This Project LP has invested in the redevelopment of Arrow Road, Toronto, Ontario a 51,000 square foot industrial building and a deposit on the Plaza Hotel in Victoria, British Columbia. The industrial redevelopment project is underway and the residential redevelopment project is in the final stages of public planning approvals. The acquisition of the Plaza Hotel is expected to close in the summer 2013.

Stoney Range Industrial Limited Partnership

Stoney Range Industrial Limited Partnership focuses on industrial redevelopment projects. This Project LP has 200,000 units outstanding and currently has committed capital in the amount of $0.2 million and approximately $11.25 million Assets Under Management. The general partner of this Project LP is Stoney Range Industrial GP Inc. which is a wholly owned subsidiary of League Assets Limited Partnership. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration certain for Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual audited financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. This Project LP holds a 35.78-acre industrial-zoned site in the Wagon Wheel Industrial Park in East Balzac Alberta. The investment strategy is to hold the asset in its current income-producing form and take advantage of the above market yield and potentially increasing land prices.

Tsawwassen Retail Power Centre Limited Partnership

Tsawwassen Retail Power Centre Limited Partnership focuses on a retail power centre development project. This Project LP has 38,000 Class A Units and 1,030,000 Class P Units outstanding and currently has committed capital in the amount of approximately $1.1 million and approximately $1.0 million Assets Under Management. The general partner of this Project LP is Tsawwassen Retail Power Centre GP Inc. which is a wholly owned subsidiary of League Assets Limited Partnership. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual audited financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. This Project LP is party to a joint venture for the development of Tsawwassen Commons on Tsawwassen First Nation lands in Tsawwassen, British Columbia.

The intention is to develop a 570,000 square foot destination retail power centre. A number of tenants including Walmart, Canadian Tire and PetSmart have already been secured. The Tsawwassen project requires the resolution to one remaining primary servicing negotiation in order to proceed with the purchase of the prepaid lease for the land. Once the negotiation is complete the initial purchase can close and the pre-loading and site preparation work can begin.

Wesbrooke Retirement Limited Partnership

Wesbrooke Retirement Limited Partnership focuses on independent living residential development projects. The final closing date for this Project LP was May 2011. This Project LP has 3,335,582 Class A Units, 365,000 Class P Convertible Units and 1,426,000 Class P Non-Convertible Units outstanding and currently has committed capital in the amount of approximately $5.2 million and approximately $21.2 million Assets Under Management. The general partner of this Project LP is Wesbrooke Retirement GP Inc. which is a wholly owned subsidiary of League Assets Limited Partnership. The general partner has entered into a management agreement with League Assets Corp. pursuant to which League Assets Corp. is generally responsible for the overall management, financial and business operations of the Project LP in consideration for certain Contractual Fees and Performance Fees. Notwithstanding such management agreement, pursuant to the governing limited partnership agreement, the ultimate decision making authority rests with the general partner. This Project LP prepares stand alone annual audited financial statements (with the assistance of LEAGUE's accounting team). LEAGUE has not committed capital to this Project LP. This Project LP is in a joint venture with Allegro Properties Inc. which developed and is currently operating The Wesbrooke, a senior's living community, located in Pitt Meadows, British Columbia. The construction of the building was completed in the fall of 2012 and residents began moving in throughout the month of December 2012. The lease up of the project continues and, in addition, refinancing of the construction debt is expected to occur in the late spring or early summer of 2013. It is intended that the building will be retained and operated by the Project LP for two to four years before a sale is considered.

THE BUSINESS

Overview

Adam Gant and Emanuel Arruda established the business that will be operated by LEAGUE in 2005 through a predecessor entity, namely, Member Partners' Consolidated Properties Limited Partnership, a limited partnership formed under the laws of British Columbia, which was acquired by REIT LP on February 1, 2007. The business to be operated by LEAGUE was established to provide individuals access to large scale commercial real estate investment opportunities traditionally available only to institutional investors. LEAGUE will continue to focus on real estate investment, development and the financing of real estate ownership.

The following discussion of the business to be operated by LEAGUE assumes the completion of the Transactions.

LEAGUE has approximately $1.28 billion in Assets Under Management and $837.5 million in Assets Under Administration as at December 31, 2012. The Company has offices in Victoria, Vancouver, Toronto, and Calgary with over 120 highly seasoned professionals and support staff.

Upon completion of the Transactions, as set out in greater detail below, LEAGUE anticipates dividing its operations into the following three divisions: (i) Asset Management, (ii) Wealth Management, and (iii) Management of Real Estate Projects. Although not historically operated as three distinct divisions, LEAGUE intends to implement the above operational split and will appoint a President of each division to monitor the profitability of each division. In the future, LEAGUE anticipates expanding its business to include residential mortgage lending.

(iv) Asset Management

The asset management segment of the business covers the management of retail shopping centers as well as commercial office buildings and light industrial properties. The management resources of the Company include the ability to oversee asset management, property management and leasing activities across Canada. LEAGUE will continue to build property management capacity over time as the concentration of properties in a given market increases. In addition to the continuous asset management and property management activities, additional management of construction and renovation is required from time to time at existing properties to adapt and respond to the evolving needs of tenants. Management believes that asset management revenues will grow as a result of the acquisition of new properties by LEAGUE. Currently the asset management business is only overseeing real estate in Canada but the Company will look to manage other investment vehicles with assets in markets outside Canada in the future. LEAGUE has recruited expertise and will bring previously external property management services in-house in order to achieve a greater return on investment overall. The asset management segment of the business is currently operated through League Assets Corp. and IGW REIT. Certain historical financial statements for the entities that operate the asset management segment of the business are included elsewhere in this Prospectus.

(v) Wealth Management

The wealth management business includes (i) the funding activities of private real estate investments, (ii) the Exempt Market Dealer platform, through which the Company may act as a dealer or underwriter for direct investment in real estate related securities in accordance with applicable securities laws, (iii) the Mutual Fund Dealers Association dealer platform through which the Company may sell mutual funds and similar products, (iv) the insurance dealer platform through which the Company will provide clients with advice relating to life insurance products as well as segregated fund investments, (v) the GIC Deposit brokerage through which the Company will provide access for clients to competitive rates for GIC investments, and (vi) the Portfolio Management business through which the Company will provide clients with portfolio management services which will also allow clients to allocate capital to historically unavailable alternative investment categories. LEAGUE is focused on providing individuals with access to investments that they would not normally have access to and structuring the relationship to avoid the incentive of investing for only a short period of time. The focus of the Company is long-term fee-for-service relationships that produce stable recurring revenues. LEAGUE has been built on an investment style that favours absolute returns over performance that is benchmarked to an index. Management believes that lower volatility and increased tax efficiency of investment income derived from LEAGUE investments improves the investing experience and mitigates the increased market uncertainty that has been experienced in recent years. The wealth management segment of the business is currently operated through League Investment Services Inc., Catalyst Investment Corp. and Harris Fraser Group Limited. The wealth management segment of the business currently has business activities and clients in Canada, and as a result of the Harris Fraser Acquisition, has business activities and clients in Hong Kong and Australia. Certain historical financial statements for the entities that operate the wealth management segment of the business are included elsewhere in this Prospectus.

(vi) Management of Real Estate Projects

The management of real estate projects segment of the business includes (i) development, which involves the purchase of suitable land, marketing the property, developing the building program and design, obtaining the necessary public approvals and financing, building the structure, and leasing, managing, and ultimately selling the property, (ii) redevelopment, which involves the process of demolition of existing improvements and construction of new improvements on a site where the new improvements are often of a different type from the existing improvements, and (iii) opportunistic private equity real estate investment, which involves providing investors with opportunities to invest in real estate development and redevelopment projects. LEAGUE's development and redevelopment activities cover of a broad range of asset classes, including high and medium density residential, independent and assisted living seniors housing, "big-box" store formats, neighbourhood and mixed-use retail shopping centres, professional office buildings and industrial space. The opportunistic private equity real estate investment activities covers such things as mortgage investments as well as investments in entities that hold solar feed-in-tariff contracts (known as FIT contracts).

Going forward, LEAGUE intends to expand its business related to the management of real estate projects by seeking participation in its projects from a wider group of partners as well as increasing the amount of management oversight that the LEAGUE management team will provide. The management services that are required in connection with development or redevelopment activities are far more labour intensive than management services required in connection with stabilized income producing assets. Although, on a proportionate basis, it takes a larger team of people to manage each dollar that is invested in such activities, the potential return on investment is greater than what is available in connection with the management of stabilized income producing assets. LEAGUE will generally earn Performance Fees once a minimum return threshold is achieved on its investment. LEAGUE's ability to earn Performance Fees can result in significant earning potential which further aligns LEAGUE's interests with those of the investors in the projects. To diversify its revenue in this area of the business, LEAGUE intends to manage a growing number of individual projects with different completion timelines in order to spread out its earning potential as evenly as possible. The management of real estate projects segment of the business is currently operated through League Assets Corp. and Colwood. Certain historical financial statements for the entities that operate the asset management segment of the business are included elsewhere in this Prospectus.

Business Objectives and Milestones

The short term business objectives of LEAGUE include: (i) listing the Common Shares and the Preferred Shares on the TSX, which listing will be subject to LEAGUE fulfilling all of the listing requirements of the TSX, (ii) obtaining all required approvals in connection with the completion of the Transactions, and (iii) completion of the Colwood Transaction to create League Urban Ventures Inc.

The long term business objectives of LEAGUE include: (i) growing the Assets Under Management in the each of the three active areas of the business to be operated by LEAGUE including asset management, wealth management and management of real estate projects, (ii) growing earnings per share and price-to-earnings ratios commensurate with the peer group asset management companies operating similar businesses, (iii) attracting and retaining key employees, (iv) attracting sources of finance from capital markets, (v) investing in successful projects that yield a safe and strong return on investment so as to ensure shareholder value, (vi) increasing the brand recognition of LEAGUE, (vii) adding a residential mortgage lending business which could include the origination, servicing and management of direct lending funds, and (viii) obtaining a portfolio manager license for LEAGUE.

Capitalization of New Projects

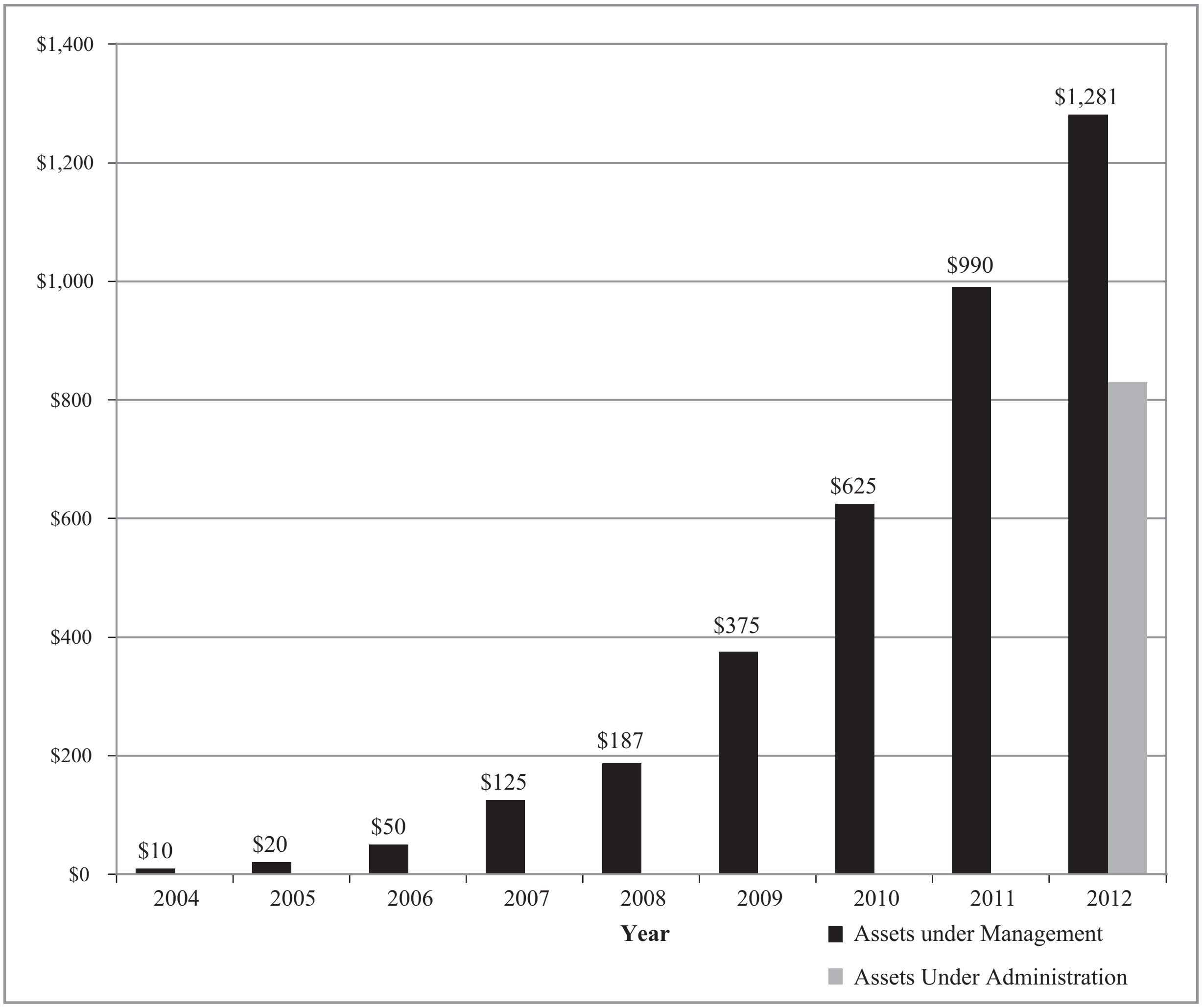
The Company, through its predecessor entities, has built large networks of individual investors across the country who participates in the Company's real estate investment projects. The majority of these individuals have a relationship with someone at LEAGUE and there are an increasing number of new individual investors that are starting to participate with LEAGUE through referring advisors. Management believes that this trend will continue as a result of LEAGUE's increasingly established track record and the increased efficiencies that stem from the growth of its business.

A single purpose entity is used for each investment project to help reduce costs and complexity which reduces the time and administrative requirements. The Company has found that single purpose investment vehicles are the most effective in this regard. There are also qualitative benefits to this format as management believes that individuals are more comfortable avoiding blind or semi-blind pool offerings. In addition, project specific entities allow the timelines to be kept as short as possible for faster turnaround to a liquidity event.

Historical Growth of Assets Under Management and Assets Under Administration

LEAGUE has approximately $1.28 billion in Assets Under Management and $837.5 million in Assets Under Administration as at December 31, 2012. Notwithstanding its historic growth rate, the Company believes it can further accelerate the growth of its Assets Under Management and Assets Under Administration by increasing its direct investment in new managed Project LPs and with additional capital raised from LEAGUE's investors. As set forth in greater detail under "LEAGUE's Revenues", LEAGUE derives certain Contractual Fees from its Assets Under Management and Assets Under Administration.

The following table sets out the historical growth (in millions of dollars) of LEAGUE's Assets Under Management and Assets Under Administration for the periods indicated:



Assets Under Management

The following table sets out details regarding the Assets Under Management. For further details regarding the entities described below see "LEAGUE Subsidiaries" and "Project LPs".

Entity	Assets Under Management ($)
IGW REIT	$278.7 million
Partners REIT	547.5 million
Colwood City Centre Limited Partnership	114.0 million
Cowichan District Financial Centre Limited Partnership	10.1 million
Redux Duncan City Centre Limited Partnership	45.1 million
Eagle Landing Retail Limited Partnership	38.8 million
Fort St. John Retail Limited Partnership	7.2 million
Gatineau Centre Development Limited Partnership	9.5 million
IGW Residential Capital Limited Partnership	29.4 million
IGW Segregated Debt 1 Limited Partnership	5.3 million
IGW Segregated Debt 2 Limited Partnership	5.2 million
Member-Partners Solar Energy Limited Partnership	19.0 million
North Vernon Properties Limited Partnership	16.0 million
Place Trans Canadienne Commercial Limited Partnership	18.2 million
Residences at Quadra Villa Limited Partnership	12.6 million
IGW Diversified Redevelopment Fund Limited Partnership	3.5 million
Stoney Range Industrial Limited Partnership	11.3 million
Tsawwassen Retail Power Centre Limited Partnership	1.0 million
Wesbrooke Retirement Limited Partnership	21.2 million
Harris Fraser Group Limited	86.0 million
TOTAL:	**$1.28 billion**

Assets Under Administration

LEAGUE will have an aggregate of $837.5 million in Assets Under Administration. $535.5 million of such amount will be through Catalyst Investment Corp., which amount is comprised of: (i) GIC assets in the amount of $323 million, (ii) mutual fund assets in the amount of $137 million, and (iii) segregated funds (insurance) in the amount of $75.5 million. Through Harris Fraser Group Limited, LEAGUE will have an aggregate of $302 million in Assets Under Administration.

Competitive Advantages

Platform Advantage

With the overall aim of reduced earnings volatility, LEAGUE's platform advantage incorporates two revenue sources: (i) direct investment and (ii) asset management. Direct investment in large-scale portfolios of high quality assets offers potential for capital gains, interest payments, acquisition fees, management fees and dividends paid by portfolio companies. Asset management creates a recurring source of revenue, through management fees and performance bonuses on products it manages/sponsors, with minimal equity commitment.

LEAGUE's asset management products are made available to individual investors through its Exempt Market Dealer – LEAGUE Investment Services Inc., which operates an active "lead flow engine" to attract potential investors. Leads are generated through online and direct mail advertising as well as word of mouth, public relations and print advertising. A lead management process is in place to ensure that potential investors are contacted by a registered representative within 48 hours of initial contact and are efficiently managed thereafter. With the help of Salesforce.com software this lead management process is highly automated and potential investors can be tracked by criteria such as source, province, potential and last contact. The online direct marketing efforts are continuously optimized through A/B testing, impression and response tracking.

Pipeline Advantage

LEAGUE'S direct development pipeline, which is financed through LEAGUE's individual Project LPs, provides the potential for growth in Assets Under Management, as completed development projects present the opportunity for existing investment platforms (for example, Partners REIT) to acquire additional assets. As described elsewhere in this Prospectus, development projects are undertaken through individual Project LPs that are managed by League Assets Corp. When a development project is completed and stabilized it will be sold by the Project LP in order to realize a gain for the investors in that particular Project LP. Where the property characteristics of the development project are in line with the investment criteria of a LEAGUE managed entity, such entity may be the ultimate acquirer of the stabilized development project once sold by the Project LP. In this way the development pipeline, provides an opportunity for growth in Assets Under Management.

Every year more development partners are added to increase the growth capacity of the pipeline. The table below is an estimate of LEAGUE's development pipeline.

Project Type	Details
Retail Power Centres	5 projects for a total of approximately 1.9 million square feet
Urban Mixed-Use	2 projects for a total of approximately 5.8 million square feet
Retail Strip Centres	2 projects for a total of approximately 120 thousand square feet
Solar Energy Micro/FIT Sites	5 roof tops under FIT and 340 ground mounted micro-FIT sites
Commercial Redevelopment	4 projects for a total of approximately 261,000 square feet

Retail Power Centres

These projects are comprised of shopping complexes that accommodate a large number of national brand anchor tenants, including several "big box" or warehouse type stores. They range from 250,000 ft^2 to 600,000 ft^2 of gross building area. Investing in a Power Centre has become popular in recent years because construction and operating costs are comparatively low - the buildings have simple, almost austere, warehouse design; a large surface parking area; and minimal landscaping.

Urban Mixed-Use

Urban-mixed-use centres are designed to integrate a full range of commercial and residential uses on one site, including living quarters, shopping facilities, office, and recreation venues. These projects are being developed in response to the urbanization trend underway across major metropolitan cities. The increasing cost of land and construction also influences the drive toward higher density uses.

Retail Strip Centres

Ranging from 20,000 square feet to 100,000 square feet, these retail strip centres are often located on major traffic corridors, and most often are anchored by a large food store. They are designed to allow motorists quick "in and out" visits. Such retail strip centres may have one or more banks, a restaurant, a pharmacy, a dental or medical clinic, coffee boutiques, and a liquor store. There may also be a mix of various merchants, service providers, and national brand tenants. These centres draw consumers from a wider area than convenience centres and are sometimes referred to as "necessity shopping centres" when they feature a majority of merchants that cater to everyday essentials such as food, pharmacy, and frequently used services.

Solar Energy Micro/FIT Sites

Such projects include five roof-top systems that range in size from one to two and a half acres of solar panels on top of industrial buildings. The Micro/FIT investment includes a pool of over 340 systems located in rural areas across Southern Ontario. Each system is about fourteen hundred square feet in size and sits three to five feet off the ground. These assets are all utilizing photovoltaic technology to turn the sun's radiation into electricity. This electricity is sold to the Ontario Power Authority under twenty year fixed price, power purchase agreements. Using industry specific modeling software, the amount of electricity generated can be determined annually with little variation, resulting in a predictable revenue stream for the twenty year term of the contract with the provincial government.

Commercial Redevelopment

Such projects include either dedicated (single purpose) or mixed use properties which can be on secondary (non-arterial) roads or in industrial centers or in like-zoned areas. They are typically existing buildings which are then improved to a higher use and/or density, or updated and re-themed for either sale or lease. Examples of such projects would be warehouse space converted to showroom/warehouse space and subdivided into smaller individual condominium or strata spaces for individual sale; or operating assets which can be expanded in area or by utilizing adjacent parcels within the footprint of the property, thus adding value. Often such investments can result in higher rent-rolls and a lowering of the capitalization rate, adding significant value to them. "For sale" (Condominium) spaces can add a significant lift in value to a property in need of modernization as well as a planned and foreseeable end date for those projects. By investing capital in the acquisition and improvements of such properties, and managing the sale or lease up in a timely and responsible way, solid returns can be achieved, where obsolete and often disused properties existed prior. Consumers and users of these spaces include small business, technology concerns, independent specialty companies, and single purpose users looking for newer updated space at a discount; or affordable (as compared to new construction) space for growing concerns.

Management Advantage

LEAGUE has built a team of senior executives that have significant experience in all facets of the commercial real estate industry, including acquisitions, asset management, financing, leasing and development, as well as significant experience in capital markets and wealth management.

Growth Advantage

LEAGUE continues working to further increase its investment platforms. LEAGUE has positioned itself to have access to proprietary deal flow on both its public and private investment platforms and also to gain access to additional new deal flow, financing and development resources through actively leveraging developer and other relationships across all of its platforms.

LEAGUE's proprietary marketing platform should continue to evolve with the goal of providing growth opportunities across an expanding investor base.

The management team will continue to work in partnership with investors across all of LEAGUE's various platforms to drive growth. It will continue to focus on income producing and wealth creation projects and products.

The Company believes that it has developed a competitive advantage over time by creating new approaches to investing in real estate development and redevelopment as well as creating different financing structures for individuals to participate in real estate investment in which they would normally not be able to participate. Management believes these innovations will allow the Company to grow its Assets Under Management in the short term through continuing to initiate and invest in new development and redevelopment projects. The Company may further expand its Assets Under Management by retaining ownership of assets following the completion of their development in LEAGUE's investment platforms.

Long-Term Relationships within the Real Estate Profession

Since the Company's inception it has grown its asset base at a significant pace and has built a number of long-term relationships with real estate brokers, developers and existing property owners.

Return enhancing Financing approach

The Company is actively involved in the financing of all of its real estate development and redevelopment projects, and management of the Company believes that this return enhancing approach provides the Company's projects with significant advantages and opportunities that would otherwise not be achieved through more passive forms of financing. The Company has oversight of its real estate development projects but may also partner with its developers to create and implement strategies.

Minimal Competition

The Company is not aware of any major dedicated and national competitor in Canada with a similar investment approach to syndicated real estate. Management believes there are limited firms with a national scale in other countries or markets that take a similar investment approach to LEAGUE and management believes this will create expansion opportunities for the Company in the future. Given the years of innovation and experience that the Company has put into the creation of its platform and approach to the real estate syndication model it is reasonable to believe that the Company has a significant head start and will continue to outpace new entrants into its competitive space.

Growth Strategies

Asset Management and focus on absolute return, low volatility, tax efficient income producing investments

The Company believes that if it is able to deliver real return investment performance and provide a positive investment experience to its partners the Company will continue to enrol new partners to participate with the Company in new projects. The Company continues to expand its ability to reach broader population bases through new networks of communication channels and referral advisors.

Grow Assets Under Management through Larger Direct Investments

The Company believes that the ability to use capital to increase its direct investment in new Project LPs will enhance its ability to attract additional capital into its investment platforms through the alignment of interest that this creates as well as the additional direct capital that can then be invested. In establishing such levels of direct investment, the Company believes that its larger successor development projects or public investment platforms will (a) encourage increased investments into Project LPs from current investors, and (b) appeal to a broader investment audience, thereby allowing the Company to grow its Assets Under Management base which, in turn, will increase the Company's revenue from its Assets Under Management.

Increase Investment Income

Management believes that the ability to invest significant amounts directly into future projects (as determined on an investment-by-investment basis), will, in addition to enhancing the Company's future capital raising results, also increase its future investment income from its principal investments.

Project LP Specialization

In the longer term, the Company believes a public platform will not only facilitate larger Project LP offerings but also enable management to potentially develop a broader range of asset specific development and redevelopment projects as well as additional private equity investments for income and growth. Management believes that with a broader base of potential project types comes the ability to expand the Company's development management services business and the team associated with that division of the Company.

Focus on Urbanization of Cities

The ongoing trend of urbanization, where cities are becoming larger and more densely populated, provides opportunities for LEAGUE through the development of new higher density real estate projects of individual or multiple mixed-use asset classes. The higher density forms of real estate assets typically have the potential to yield higher values per square foot.

Opportune Timing

Management believes that the private investment markets are increasingly favoured as both individuals and institutions are increasing their allocation to "non-correlated" asset classes (meaning asset classes for which the return is not linked to the core financial markets or an overall index) and looking for alternative ways to gain access to both direct real estate investments as well as corporate private equity investments.

League's Investment Process

LEAGUE's Selection and Evaluation Process

The Company's investment process for proposed new development or redevelopment projects generally need to meet certain pre-conditions or criteria before they are considered, including the following:

1. Nature of Underlying Real Estate: The Company's primary focus is on retail shopping centre, higher density residential or mixed use real estate development.
2. Market Opportunity: The Company generally only considers development projects in larger trade areas or markets in any given province. Each of the markets in which the Company's active Project LPs invest typically have, in management's judgment, solid underlying real estate fundamentals including strong job and population growth (in the long-term) and rising or stable rental rates, occupancy rates and asset prices. Only markets with significant upside potential in the short-term to medium-term are considered.
3. Investment Size: The Company typically seeks development projects that require commitments of equity in the range of $5 million to $20 million. The Company also considers smaller or larger investments that, among other things, offer above-target returns or a number of other strategic benefits.
4. Investment Period: In the case of development projects, return of capital is typically sought within two to four years of the initial investment, which would include the full build out and completion as well as refinancing if required and sale of the assets. Occasionally, the Company undertakes longer-term transactions which have the potential to offer above-target returns.
5. Returns and Performance Standards: Investments are generally made only in development projects that have sufficient margin on cost to absorb reasonable contingencies in the business plan.
6. Calibre of Developers: In selecting the Project LPs transactions, the reputation, integrity, experience and competence of the third party developer (or operating partner) is likely to be a primary determining factor in the Company's underwriting process.
7. Construction/Acquisition Financing: Since acquisition and/or construction financing for a particular development project is generally required from outside lenders, the making of any investment by the Project LPs is typically conditional upon strong indications from a financial institution that senior lending will be forthcoming. The financial institution and the terms of the senior lending must be acceptable to LEAGUE.

8. Security/Control: When LEAGUE's investment entities acquire property for their own account as a wholly-owned subsidiary LEAGUE will generally control the property through a general partner entity. Where an arms length development partner has capital in the project LEAGUE will have ultimate authority to watch over the project on behalf of the Project LP unitholders.
9. Due Diligence: Investments are subject to extensive due diligence reviews, generally including in-depth consultant checks, environmental audits, market analysis, site analysis, financial and construction cost analysis and legal review.

Development Management Process

LEAGUE employs a number of different staffing models for the supervision, oversight and direct management of the development and redevelopment activities required for the different array of Project LP projects that LEAGUE is invested in at any one time. The majority of the Project LPs are managed by LEAGUE staff and contractors, all of whom have bonus and incentive programs tied to the profitability of the development project and the total return on investment generated for the investors participating in the project. LEAGUE will also work with third party development partners from time to time who have specialized skills and have contracted to acquire property or land at attractive prices or terms. These partners will either have an investment in the projects or have a significant portion of their share in the project based on the final outcome and realization of a sale or refinancing where actual cash is obtained.

LEAGUE's Revenues

The Company derives its revenue principally from Contractual Fees, Performance Fees and Investment Income.

Contractual Fees

Contractual fees are charged as outlined in the management agreements governing each of LEAGUE'S Project LPs and other investment platforms and include the fees set forth below (collectively, the **Contractual Fees**"):

- Asset Management fees, which are earned on the assets LEAGUE manages for the Project LPs and public investment platforms. Such fees range from 0.3% per annum on total assets for public investment platforms to 1.25% to 2% on equity invested for private entities and Project LPs.
- Acquisition fees, which are earned for properties and assets that LEAGUE acquires. Such fees range from 0.5% to 1.25% of the purchase price of the applicable acquisition.
- Finance Arrangement and Administration fees, which are charged at 0.5% on loan financing that is arranged and an annual fee of 0.5% of the loan for finance administration expenses.
- Organisation, Set Up and Service fees, which include a 0.25% per annum service fee and an additional 5.5% to 7.5% fee on capital invested in LEAGUE's investment platforms. A portion of these fees are paid to investment advisers (including those employed by League Investment Services Inc.) for placement of capital in development projects.
- Transfer fees, which is a fee of $95 per transaction and is charged for each subscription of capital, redemption or transfer.
- Real Estate Development Management fees, which are earned by LEAGUE in its capacity as a development manager in the amount of 3% to 4% on the aggregate development spending for key development projects.

Future Contractual Fees will be earned from:

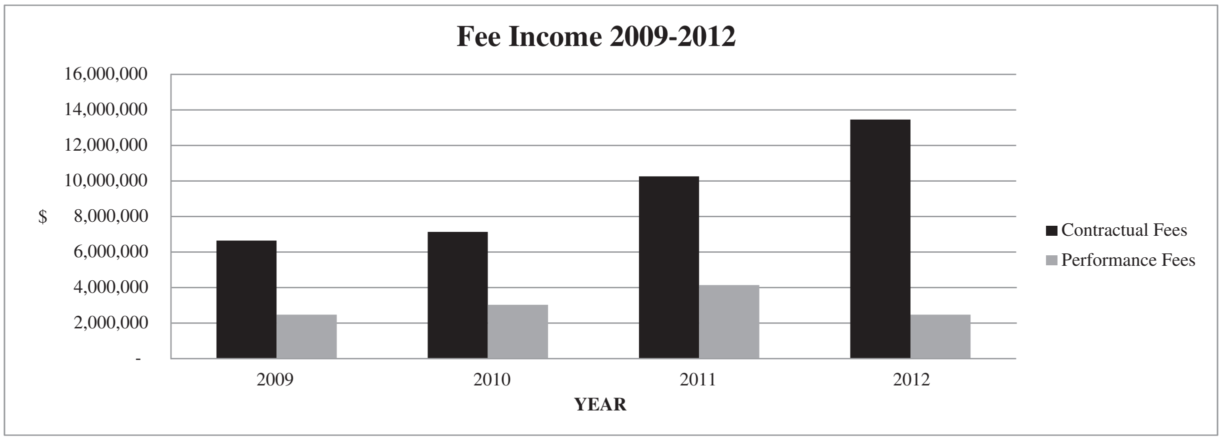
- Portfolio management licence activity: LEAGUE will charge portfolio management fees on Assets Under Management governed by LEAGUE's portfolio management licensed business activity.
- Sales commissions: LEAGUE will earn commissions on condominium sales.

Certain Contractual Fees, namely Asset Management fees and Organisation, Set Up and Service fees, are earned on capital raised from the Company's investors. The table below provides an analysis of capital raised for the years ending December 31, 2012 and December 31, 2011:

Capital Raised Analysis	31 December 2012 Capital Raised	31 December 2011 Capital Raised
Private and Public REITs	$292.2 million	$131.2 million
Project LPs	$ 40.3 million	$ 42.5 million
Total Capital Raised	$332.5 million	$173.8 million

Performance Fees

League may earn performance fees calculated as a percentage of the appreciation (net of Contractual Management Fees and other expenses) above target investment returns in each of our Project LP ("**Performance Fees**"). In connection with the disposal of specific assets within the Assets Under Management of the investment platforms, and provided the disposal meets specified thresholds and benchmarks, LEAGUE will be entitled to earn a Performance Fee in the amount of 20% of any gain on such disposal.



Investment Income

Investment income is earned by LEAGUE pursuant to its lending or investing activities with the Project LPs. Also included as investment income, is any income earned on LEAGUE'S own capital.

THE INDUSTRY

Private Capital Management Industry

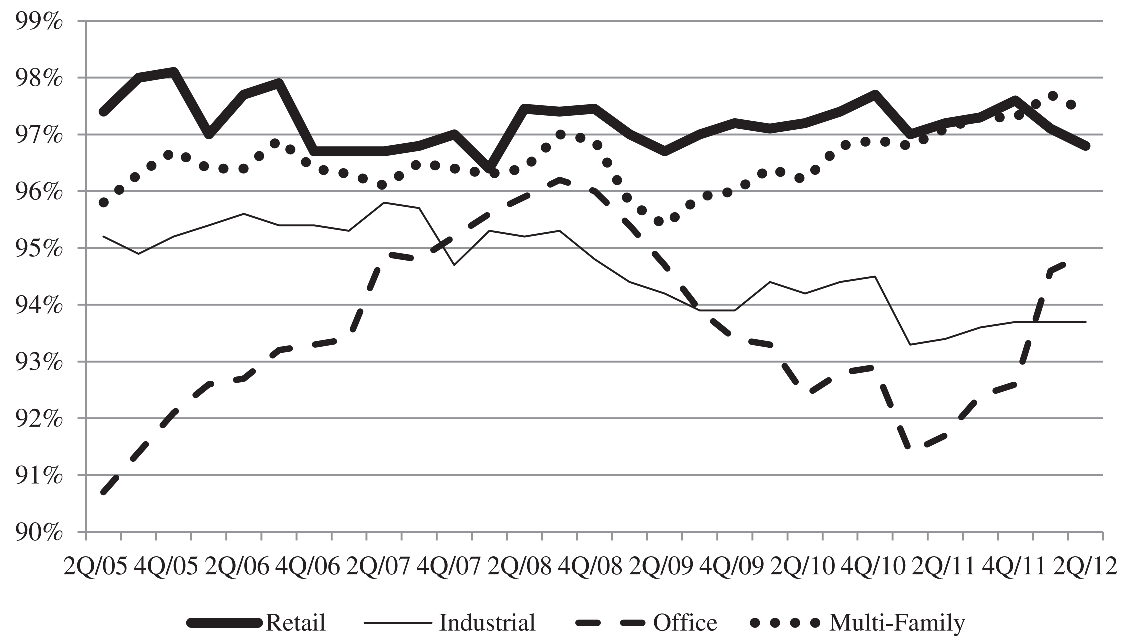
While the institutional allocation to private equity investments has continued to grow and is generally in the hundreds of billions annually of new capital allocated to private equity type funds whether real estate related or corporate private equity related, there are far fewer options for individuals to gain access into the world of private equity. Generally it is more difficult for larger scale enterprises to provide access to individuals as lack of liquidity on a month to month basis makes it difficult to manage the changing needs of each individual as well as the co-ordination and communication challenges that are created in dealing with dozens and in some cases hundreds of decision makers on each project.

As more and more people are striving towards achieving better absolute returns and a reduction in volatility there is a greater swing towards private equity style investing. Asset managers who have a specialization in this area are seeing their business grow and in some cases strength in the private capital management side of the business can lead to greater growth in the traditional asset classes because of association by relationship.

Canadian Commercial Real Estate Market

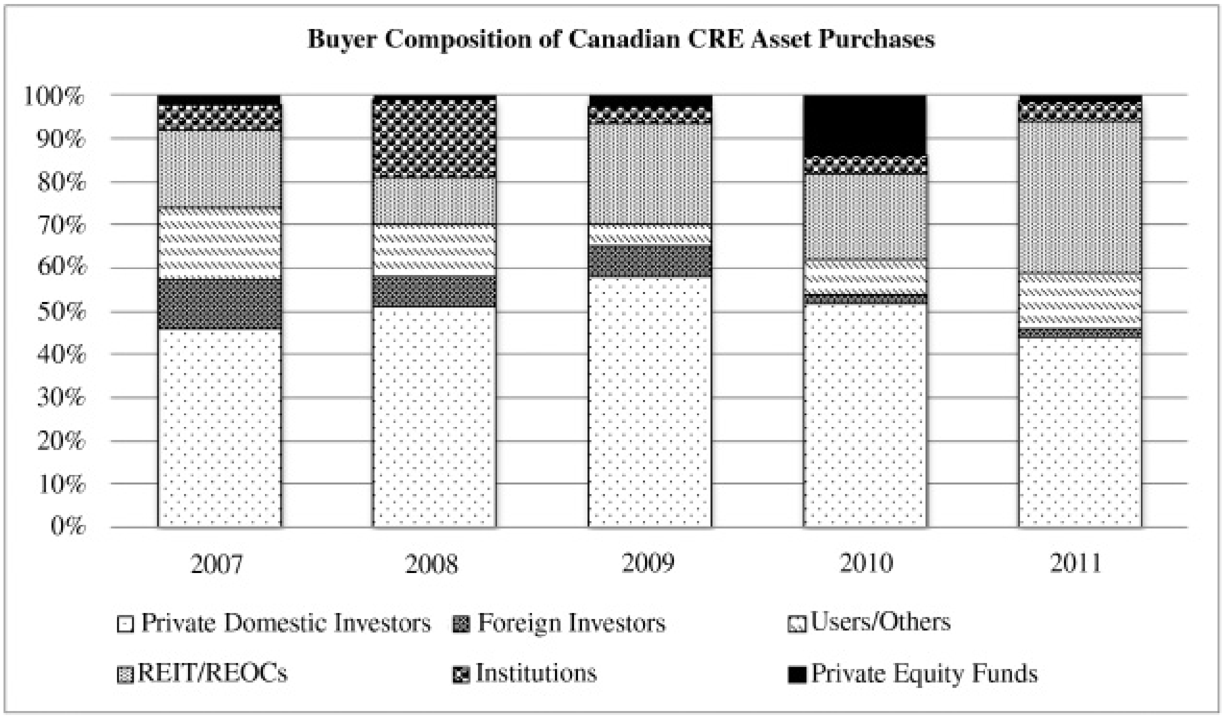
Although 2012 was another period of global macroeconomic volatility and uncertainty, the Canadian commercial real estate markets enjoyed a very robust year from coast to coast. Occupancy levels were generally higher, rents continued to trend upwards, and a very active and liquid investment sales market pushed prices and total volumes near record levels.*)*

Historical Occupancy for Canadian Real Estate Asset Classes



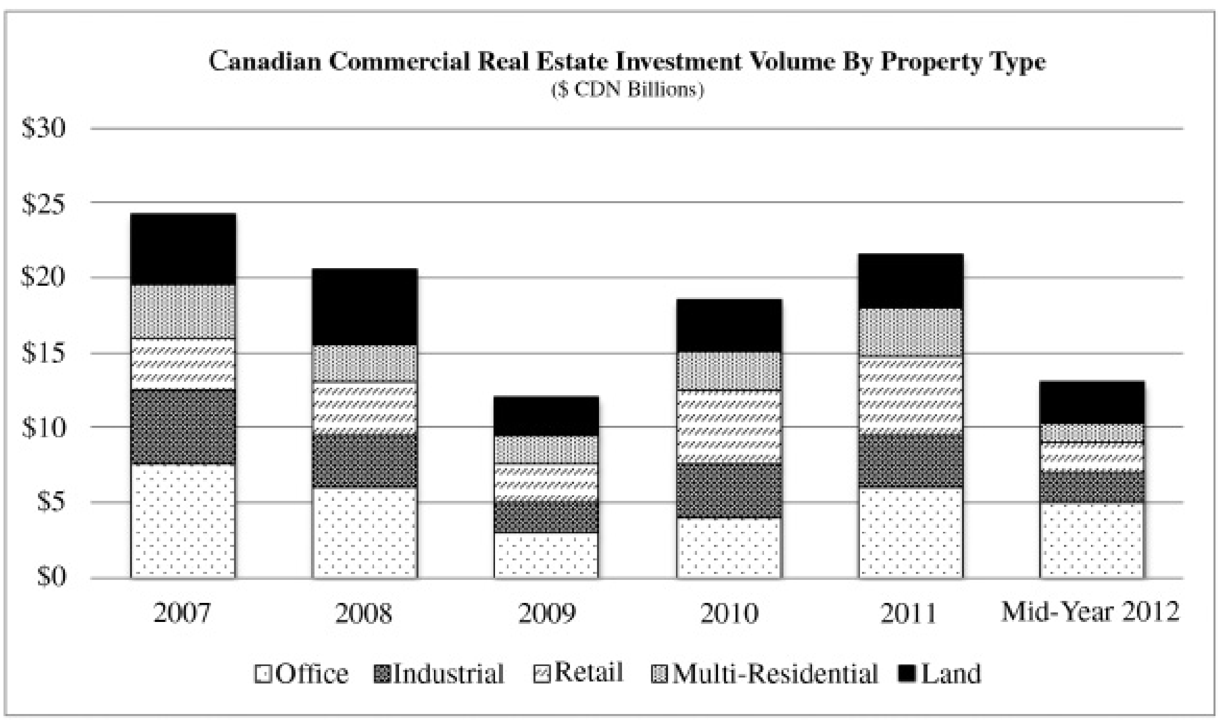
Source: Cushman & Wakefield, A Maturing Asset Class: A Comparative Study in Canadian Versus US Real Estate

Investment volume is on track to total $28 billion in 2012, second only to 2007 and up over 18% from 2011. Indications point to record investment volumes for a number of markets, including Vancouver, Calgary, Toronto and Ottawa. Investors in every major city and all property types have been comforted by fundamentals that were largely favourable to increasing occupancy and higher rental income. Prices continue to rise due to multiple bids on most properties. REITs remain dominant and will account for almost 40% of all transactions in 2012.



Source: Raymond James – A Maturing Asset Class: A Comparative Study in Canadian versus US Real Estate

2012 was a year of big deals, highlighted by the record $1.3 billion acquisition of Scotia Plaza in the heart of Toronto's financial core. This sale, among others, established REITs as aggressive buyers who can go head-to-head with, and outbid, the pension funds for coveted assets.



Source: Avison Young Commercial Real Estate Investment Review Fall 2012

Retail Market

Canada's retail landscape remains a popular destination, especially for many U.S. retailers lured by the resilience of the Canadian economy and low-cost financing, which lets consumers spend more, despite warnings about rising household debt. The key impetus driving retailers north of the border may well be the sizeable difference in Canadian and U.S. retail sales per square foot at $600 and $425, respectively, as well as the large spread in retail space per capita between the two countries, 14 and 23, respectively. Steadily rising retail sales growth in most Canadian markets, coupled with aggressive U.S. expansion into Canada, has kept retail stock almost fully occupied (current occupancy rate is 95%) and the development pipeline active.

Canadian retail leasing market fundamentals continued their winning ways with yet another solid year of healthy demand and just the right amount of new retail space. Retail completions will total 3.4 million square feet in 2012, a three-year high, before reaching 4.3 million square feet in 2013. The national vacancy rate, at 4.9%, continues to track lower and is expected to end 2013 at 4.7%.

Canadian retailers are bracing for store openings from U.S. discount giant Target in 2013, while landlords are continually reinvesting in and repositioning retail centres to retain tenants and attract the many new brands coming to Canada from the U.S. and Europe. Live-work-play downtown lifestyles are increasingly popular, and urban retail intensification is increasing, transforming urban centres as suburban retail players join forces with office and residential experts to acquire sites for mixed-use developments. Retailers continue their balancing act between "bricks and clicks", responding to evolving consumer habits with small-format stores, virtual stores, electronic coupons and mobile apps.

Multi-housing Market

Despite Canada's aging multi-housing stock, apartment properties continue to command premium pricing. Investors are almost guaranteed full occupancy and, despite rent controls, have the ability to push rents higher each year. The Canada Mortgage Housing Corporation reports that vacancy increased slightly from 2.1% in 2011 to 2.2% in 2012, however, vacancy is expected to decrease to 1.9% by year-end 2013. Conditions remain tight even in cities where a secondary condo rental market exists.

Across the country, construction of purpose-built rental housing is minimal. Only Toronto and Halifax are developing a substantial number of rental units. With the housing market slowing and rental dynamics strengthening, Canada's multi-housing market is positioned for another strong year and a rewarding one for owners of this property type. The high cost of replacing units will encourage investors to purchase existing properties and immigration trends will provide stable demand for rental product.

Industrial Market

Canada's 1.8-billion-square-foot industrial sector made modest gains in 2012 as a relatively robust domestic economy was offset by weak trade activity. After narrowing in 2011, the east-west divide that has characterized the Canadian industrial market grew. Space shortages are evident in the western markets, which posted a combined vacancy rate of 3.7% in 2012; the eastern markets were higher but respectable at 5.1%.

In 2012, occupied space in the western industrial markets increased by just over 9.7 million square feet or 83.4% of national absorption. Activity in the west dwarfs the 1.9 million square feet of absorption in Central and Eastern Canada.

Fundamentals continued to strengthen in western markets, as the energy sector remained a key driver of demand. The performance of industrial markets in the east has been more mixed. Toronto registered one of the weakest periods of absorption since 1993. Of note, however, is a resurgent auto sector that is expected to provide a much needed boost in 2013. The relatively high value of the Canadian dollar remains an issue for many exporters and is making it difficult to be competitive in international markets.

The national availability rate is expected to close 2012 at 6.3%, unchanged from 2011. Availability is expected to remain at 6.3% throughout 2013, which is just marginally above the 10-year average of 6.0%. Demand for industrial space is expected to be below trend in 2013, which is consistent with economic growth in the 1.5% to 2.0% range.

Construction activity, which is at a three and a half year high, is likely to moderate and return to more normal levels. While industrial rents are off the bottom recorded in 2010, rents will remain below 2008 levels. Also, well-capitalized businesses continue to take advantage of record-low interest rates and are pursuing ownership.

Office

2012 was an active year for Canada's 494-million-square-foot office market, which exhibited mainly low- to mid-single-digit vacancy rates, relatively healthy demand, stable-to-rising rental rates and a growing urban supply pipeline driven by corporations following the migration of younger workers who are increasingly living downtown.

In 2012, the national office vacancy rate was 7.1%, down from 7.3% in 2011 and 2009's recessionary peak of 9.2%. A west-east divide persists in employment rates and vacancy rates. Larger resource-rich and commodity-based western markets (Vancouver, Calgary and Edmonton) had a combined vacancy of 6% in 2012, 110 basis points below the national average. In contrast, the major financial services and manufacturing-based markets in the east (Toronto, Montreal and Ottawa) collectively posted a vacancy rate almost 200 basis points higher (7.9%).

Strong office fundamentals and a confluence of demand factors have spurred a new development cycle in downtown markets. Currently, 16.2 million square feet is under construction in downtown markets across the country, up from 8.9 million square feet a year ago. Of the 16.2 million square feet under construction, only 1.0 million square feet of new supply will be completed nationally in downtown markets in 2013. Construction is concentrated in Toronto, Calgary and Vancouver, but Montreal will also be home to several new office developments.

Investment

Canadian commercial real estate remains a clear favourite amongst investors. Investors in every major city and all property types have been comforted by fundamentals that were largely favourable to increasing occupancy and higher rental income. Investment volume is on track to total over $28 billion in 2012, second only to 2007 and up 22% from 2011. Prices continue to rise due to multiple bids on most properties. REITs remain dominant and will account for almost 40% of all transactions in 2012.

	Transactions ($billions)		
Property Type	**2011**	**2012F**	**2013F**
Office	$ 6.1	$ 9.2	$ 7.9
Retail	$ 5.7	$ 4.5	$ 4.2
Industrial	$ 4.3	$ 4.5	$ 4.7
Multi-housing	$ 3.6	$ 5.3	$ 4.8
ICI Land	$ 3.1	$ 4.2	$ 3.3
Hotel	$ 0.9	$ 0.9	$ 0.9
Total	$23.5	$28.6	$25.8

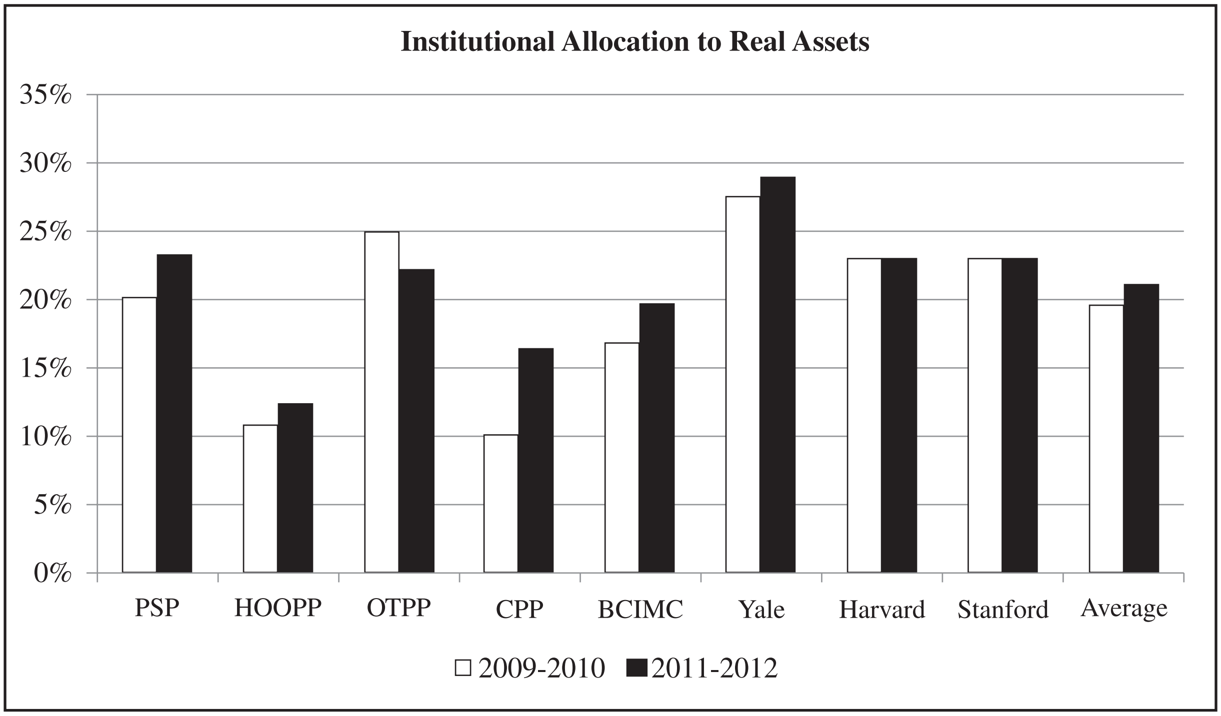
Source: CBRE Canadian Market Outlook 2013

Capitalization rates for all property types fell below 2007 levels on the back of some of the lowest interest rates on record. Spreads against fixed income product remained wide by historic standards, leaving the potential for additional capitalization rate compression.

Investment markets are set for another active year in 2013 as owners look to cull existing portfolios and yield-hungry buyers seek investments that provide steady cash flows. The formation of new REITs will add fuel to an already liquid investment market. The market will likely experience a series of investment waves that correspond to periods of heightened uncertainty and unease.

No one region or property type stood out in 2012, and the same is expected to be true in 2013. Alberta, with its sizable gains in population and employment, is a clear favourite, but investors continue to show a healthy appetite for income producing real estate across the country.

In a volatile and highly unstable investment world, real estate is sure to remain a sought after investment class. Major pension plans and endowment plans have large portions of their asset base allocated to real estate and over the past year have increased the allocation in an attempt to reduce the volatility of asset base and to better match up their assets with their long term commitments.



Sources:
PSP – Public Sector Pension Investment Board, Annual Report for the year ended March 31, 2010, & March 31. 2012
HOOPP – Healthcare of Ontario Pension Plan, Annual Report for the year ended December 31, 2009 & December 31, 2011
Ontario Teachers – Ontario Teachers' Pension Plan, Annual Report for the year ended December 31, 2009, & December 31, 2011
Yale – Yale University Endowment, Annual Report for the year ended June 30, 2009 & June 30, 2012
Harvard – Harvard University Endowment, Annual Report for the year ended June 30, 2010 & June 30, 2012
Stanford – Stanford University Endowment, Annual Report for the year ended June 30, 2009 & June 30, 2012
BCIMC – British Columbia Investment Management Corporation, Annual Report for the year ended March 31, 2010 & March 31, 2012.
CPP – Canada Pension Plan Investment Board, Annual Report for the year ended March 31, 2010 & March 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF LEAGUE FINANCIAL PARTNERS INC. AS AT MARCH 31, 2013.

Overview & Financial Highlights

Basis of Presentation

Financial data included in this Management's Discussion and Analysis ("**MD&A**") covers:

(i) the period from formation on February 22, 2013 to March 31, 2013

(ii) material information up to March 31, 2013.

Financial data provided has been prepared using accounting policies in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") for fiscal periods ending 2013. This MD&A has been prepared solely for the purposes of inclusion in an information circular document as part of a listing process. Readers are cautioned that the MD&A may not be appropriate for their purposes.

The MD&A is intended to provide readers with material information up to June 30, 2013 of League Financial Partners Inc. over the period referenced. The MD&A should be read in conjunction with the financial statements and appended notes for the period from formation on February 22, 2013 to March 31, 2013 on page F-16 of this Prospectus.

Overview of the Business

League Financial Partners Inc. (LFP) is a company incorporated pursuant to the CBCA on February 22, 2013. LFP's head and registered office is located at 200-710 Redbrick Street, Victoria, BC V8T 5J3. LEAGUE IGW Real Estate Investment Trust is the sole shareholder of LFP and holds one Common Share. LFP intends to list its shares on the Toronto Stock Exchange as the holding company for a number of entities.

During the period from incorporation on Feb.22, 2013 to March 31, 2013, LFP incurred $494,000 of listing and issuance costs which were funded by League Assets Corp., a related party. The loan is unsecured, non-interest bearing, and with no fixed terms for repayment.

On March 8, 2013, League Assets Limited Partnership transferred ownership of League Investment Fund Ltd. (LIF) to LFP. As at April 30, 2013, LIF had issued approximately $1.5 Million of convertible units paying interest at 8% per annum. These units mature on October 31, 2015 at which time they will be converted into common shares of LFP. LIF plans to issue up to $15 million of units by way of private placement.

Critical Accounting Policies and Estimates

The preparation of financial statements requires certain estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. LFP significant accounting policies are described in Note 2 to the consolidated financial statements for the period from incorporation on February 22, 2013 to March 31, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION OF LEAGUE ASSETS CORP. AS AT MARCH 31, 2013.

Overview & Financial Highlights

Basis of Presentation

Financial data included in this Management's Discussion and Analysis ("**MD&A**") covers:

(i) fiscal 2011 compared to 2010;

(ii) fiscal 2011 compared to 2012; and

(iii) Q1 fiscal 2013 compared to Q1 fiscal 2012.

Financial data provided has been prepared using accounting policies in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") for fiscal periods ending in 2010, 2011 and 2012.

This MD&A has been prepared solely for the purposes of inclusion in a non-offering prospectus as part of a listing process. Readers are cautioned that the MD&A may not be appropriate for their purposes.

The MD&A is intended to provide readers with an assessment of the performance of League Assets Corp. ("**LAC**") over the past three months, as well as our financial position and future prospects. The MD&A should be read in conjunction with the financial statements and appended notes for the three months ended March 31, 2013, which begin after page F-30 of this Prospectus.

Current Business Environment and Outlook

LAC continues to execute on its business plan.

LAC's development is performing as anticipated and management remains confident that there will be continued growth for the remainder of 2013 and for 2014.

Overview of the Business

LAC is a private company formed on October 14, 2005. The principal activity of LAC is real estate asset management and it raises investors' funds through League Investment Services Inc., which are placed in various real estate development projects throughout Canada. None of LAC's securities have been listed for trade on a public exchange. In addition to earning organization and set-up fees based on capital invested in LEAGUE's LPs and investment platforms, LAC also earns asset management fees, performance, acquisition fees along with overhead recoveries and other investment income. The company has enjoyed consistent year-over-year revenue growth since its formation.

Financial Highlights

The following is a summary of key financial information for the periods indicated:

	31-Mar-13	31-Dec-12	31-Dec-11	31-Dec-10
Total assets	$23,774,246	$21,940,605	$17,531,174	$ 8,612,335
Total liabilities	25,690,091	22,363,231	15,024,207	7,697,593
Total equity (deficiency)	(1,915,845)	(422,626)	2,506,967	914,742

	Three Months Ended		Year Ended		
	31-Mar-13	31-Mar-12	31-Dec-12	31-Dec-11	31-Dec-10
Total revenues	$ 3,686,429	$ 3,517,668	$18,094,623	$15,909,631	$11,733,710
Total expenses	4,817,514	2,856,492	18,412,649	12,734,821	12,152,771
Net (loss) income before other items, and income taxes	(1,131,085)	661,176	(318,026)	3,174,810	(419,061)
Total other items	(844,419)	(59,878)	(1,782,311)	(347,804)	(388,182)
Total consolidations	(43,947)	(48,208)	(195,071)	(198,488)	(138,369)
Net (loss) income before income taxes	(1,975,504)	601,298	(2,100,337)	2,827,006	(807,243)
Income taxes	(482,285)	167,198	(219,774)	825,981	(175,977)
Net (loss) income	(1,493,219)	434,100	(1,880,593)	2,001,025	(631,266)

Performance Measurement

While more detailed numerical comparisons are provided below the following is a general description of our key business drivers:

- **Total Revenues:** Are derived from:
  1. Asset management fees earned on our assets under management in LPs and Partners REIT. LAC has achieved a consistent year on year growth as a result of increases in assets under management arising from capital invested in limited partnerships and also as a result of acquisitions of properties in Partners REIT.
  2. Acquisition and Incentive Management fees on assets and properties acquired and disposed of in LPs and Partners REIT. LAC has seen strong performance in acquisition fees as an increased number of properties were acquired in Partners REIT and LPs. Sale of specific assets within LPs has produced significant incentive management fees. In 2012 we earned development fees from one key major project i.e. Capital City Center based in Victoria which will form part of a new public entity League Urban Ventures Inc.
  3. Commissions and wealth management fees (Organisation and set-up fees) earned on capital invested in LPs and public entities. These have shown increases year over year from 2010 to 2011. In the 2012 fiscal year figures, as capital invested in LPs was lower than 2011, this fee income stream has declined.
- **Total Expenses**: Expenditure control and value for money are the key objectives with this key performance indicator. The main items of spend are staff salaries, marketing and promotional costs, professional fees and general and administrative expenses. Year over year LAC has invested in staff, staff training, marketing and promotional spend and information technology to drive efficiency and automation while being able to grow revenue streams in a profitable manner.
- **Other Items**: A number of essential activities undertaken in fiscal 2012 and Q1 2013 have been singular to organisational restructuring and preparation for a becoming public listed company. The related costs have been borne by LAC.
- **Consolidations**: Consolidation requirements of five RSP qualified entities have contributed to a decline in net income before taxes as these business units contribute mainly interest expense and do not participate in the primary functions of LAC.

- **Net Income**: has fluctuated year over year as a result of the increased investment in staff, marketing and technology coupled with strong growth in our main revenue streams.

Q1 fiscal 2013 compared to Q1 fiscal 2012

- Total revenue for the three months ended March 31, 2013 increased over the same period in 2012 by $169,000. The increase is predominantly due to increased asset management fees and acquisition fees as a result of increased assets under management in LPs and Partners REIT, and an increase in properties acquired by Partners REIT.
- Net income before income taxes for the three months ended March 31, 2013 decreased over the same period in 2012 by $2.6 million. The decrease is predominantly the result of increased general and administrative expenses and 'other' items as management executes on its growth and restructuring plans. In the three months ended March 31, 2013 restructuring costs contributed $470,000 toward the quarter's reported loss.
- Consolidations included in the calculation of net income for the three months ended March 31, 2013 and the same period in 2012 effectively contributed $44,000 and $48,000 respectively toward the reported loss.
- In the three months ended March 31, 2013 LAC recorded an impairment loss of $78,000 on loans due from managed entities. The impairments were the result of changing market conditions and management's decisions to discontinue the development of certain properties. These factors resulted in a reduction in the recoverability of the receivables.

Fiscal 2012 compared to 2011

- Total revenue for the year ended December 31, 2012 increased over the same period in 2011 by $2.2 million (14%).
- Net Income for the year ended December 31, 2012 decreased over the same period in 2011 by $3.9 million (190%).
- The net increase in revenue for the year ended December 31, 2012 over the same period in 2011 is comprised of increases in asset management, acquisition fees and overhead recoveries and other income together with a decrease in organisation and set-up fees. The increase in asset management fees is on account of an increase in assets under management in LPs and public entities. The decrease in net income before income taxes, despite the increase in revenues, is predominantly due to increases in professional fees related to the first time registration as an exempt market dealer and the organisational restructuring required to undertake a public listing. In addition, advertising and promotions related to an expanded marketing plan and to the most degree, salaries and benefits arising from increased number of employees contributed to increased expenses for the year ended December 31, 2012 restructuring costs contributed $655,000 toward the year's reported loss.
- Consolidations included in the calculation of net income for the year ended December 31, 2012 and year ended December 31, 2011 effectively decreased net income by $195,000 and $198,000 respectively.
- In the year ended December 31, 2012 LAC recorded an impairment loss of $0.5 million on loans due from managed entities. The impairments were the result of changing market conditions and management's decisions to discontinue the development of certain properties. These factors resulted in a reduction in the recoverability of the receivables.

Fiscal 2011 compared to 2010

- Total revenue and net income before income taxes for the year ended December 31, 2011 increased over the same period in 2010 by $4.2 million (36%) and $3.6 million (450%) and respectively.
- The increase in net income before income taxes is predominantly due to increasing revenue in the face of operating expenses remaining relatively consistent.

- The increase in revenue for the year ended December 31, 2011 over the same period in 2010 is predominantly due to increases in asset management, organisation and set-up fees and incentive management fees. This increase is on account of an increase in capital invested in LPs and an overall increase on the assets LAC manages for the LPs and Partners REIT. The increase in incentive management fees was in regards to gains realized by investors in specific limited partnerships.
- Consolidations included in the calculation of net income for the year ended December 31, 2011 and year ended December 31, 2010 effectively decreased net income by $198,000 and $138,000 respectively.

Results of Operations

Statement of Operations

The following is selected financial information from the condensed consolidated statements of comprehensive income for the three months ended March 31, 2013 and 2012:

	Three Months Ended 31-Mar-13	Three Months Ended 31-Mar-12	Change
Revenue			
Asset management fees	$ 1,824,745	$1,545,621	18%
Commissions and wealth management fees	500,986	1,020,745	(51%)
Acquisition and Incentive management fees	1,002,245	563,495	78%
Recoveries and other	358,453	387,807	(8%)
Total revenue	3,686,429	3,517,668	5%
Total expenses	4,817,514	2,856,492	69%
Depreciation	66,516	45,724	45%
General and administrative	4,750,998	2,810,768	69%
Interest and financing costs	266,735	14,191	1780%
Salaries, benefits and commissions	1,742,264	813,508	114%
Total other items	(844,419)	(59,878)	1310%
Income tax expense (recovery)	(482,285)	167,198	(389%)
Net (loss) income	$(1,493,219)	$ 434,100	(444%)

Net Income and Comprehensive Income

- LAC reported decreases in net income before income taxes of $2.6 million (429%) for the three months ended March 31, 2013 compared to the same period in 2012.
- Net income decreased by $1.9 million (444%) for the three months ended March 31, 2013 compared to the same period in 2012.

Revenue

- Total revenue for the three months ended March 31, 2013 increased over the same period in 2012 by $0.2 million (5%). The increase in revenue is predominantly due to increases in asset management and acquisition fees over the same period in 2012. The increase is predominantly due to increased asset management fees and acquisition fees as a result of increased assets under management in LPs and Partners REIT, and an increase in properties acquired by Partners REIT.

Expenses

- General and administrative expenses increased by 69% for the three months ended March 31, 2013 compared to the same period in 2012.
- The increase in general and administrative expenses for the three months ended March 31, over the same period in 2012 is primarily due to increases in advertising and promotion campaigns, professional fees

related to consultants fees and recruitment expenses, increases in basic rent, expansion of information technology and employee travel and training. Salaries, benefits and commissions increased by 114% for the three months ended March 31, over the same period in 2012.

- The increase in salaries, benefits and commissions for the three months ended March 31, over the same period in 2012 is on account of new employees hired throughout the reporting period and supports the organisational restructuring and preparation for becoming public listed company.

Related Party Transactions

LAC's shares are wholly owned by League Assets Limited Partnership.

LAC provides advisory, asset management, and administration services to a number of entities pursuant to management agreements. These entities are considered related parties due to LAC's role as manager of the entity. Virtually all of LAC's revenue is derived from providing such services to its managed entities.

Balances owing from and owing to non-managed related parties are non-interest bearing with no fixed terms of repayment.

Balances owing from managed entities are interest bearing at prime plus 4% annually and are due on demand.

Statement of Financial Position

The following is selected financial information from LAC's condensed consolidated statements of financial position as at March 31, 2012 and December 31, 2012:

	As at 31-Mar-13	As at 31-Dec-12	Change
Assets			
Other assets	$ 2,591,293	$ 1,152,494	125%
Advances to managed entities	8,089,681	8,374,108	(3%)
Investments in associates	6,956,595	7,130,293	(2%)
Due from related parties	2,631,673	2,091,520	26%
Loans receivable	2,596,947	2,527,615	3%
Property, equipment and leasehold improvements	878,057	664,575	32%
Total assets	$23,744,246	$21,940,605	9%
Liabilities			
Bank indebtedness	$ 121,321	—	—
Bonds payable	1,682,453	1,688,389	(.04%)
Due to managed entities	329,459	429,271	(23%)
Due to related parties	12,899,232	9,864,767	31%
Accounts payable and other liabilities	4,240,568	3,771,651	12%
Total liabilities	25,690,091	22,363,231	15%
(Deficit)	(1,915,845)	(422,646)	(353%)

Other Assets

Other assets is comprised of cash, accounts receivable, deposits, prepaid expenses, and deferred acquisition costs (spending on new LPs with little or no activity commenced) and income taxes. The increase is predominantly on account of additional investment in new LP's and increased, prepaid expenses and income taxes receivable.

Advances to/ Due to Managed Entities

Net advances to managed entities is comprised of fees receivable in regards to the advisory, asset management, and administration services provided by LAC net of any additional advances made. During the three months ended March 31, 2013 LAC effectively decreased the average age of the advances to managed entities thereby improving its cash flows.

A listing of the individual balances is provided for in Note 7 to the annual audited consolidated financial statements for the year ended December 31, 2012 and in Note 6 to the condensed consolidated financial statements for the three months ended March 31, 2013.

Due From / Due to Related Parties

Net advances to and from related parties is mainly comprised of balances with League Holdings Corp., League Assets Limited Partnership, League Assets GP Inc., League Investment Services Inc, and League Opportunity Fund. The transactions with League Holdings Corp. are mainly comprised of rent and related costs paid under an office space lease. Transactions with League Assets GP Inc. are comprised of management fees paid to controlling interests of the parent entity, League Assets Limited Partnership. The transactions with League Investment Services Inc. are reimbursements of expenses for services provided (cost plus 1%). The transactions with League Opportunity Fund are mainly comprised of bridge capital to fund the growth and restructuring of League Assets Corp. Amounts owed to League Opportunity fund are secured by a general security agreement from LAC and incur interest at a rate of interest of 10.0% per annum calculated monthly. The balances with related parties are subject to routine fluctuation.

Property, Equipment and Leasehold Improvements

The increase in property, equipment and leasehold improvements is predominantly on account of increased spend on computer equipment.

Financial Risks

In the normal course of business, LAC is exposed to a number of risks that can materially affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Credit Risk

LAC is exposed to credit risk as a lender of financing in the event that a borrower is unable to make the contracted payments. Such risk is mitigated through careful evaluation of the worth of underlying assets held as security.

Liquidity Risk

LAC’s approach to managing its obligations is to maintain sufficient resources to meet its obligations when due without undue risk to LAC.

LAC’s principle liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, and planned funding of new ventures.

Market Risk

LAC does not have any significant foreign currency or interest rate risk.

Critical Accounting Policies and Estimates

LAC's critical accounting policies are those that management has determined to be the most important in portraying LAC's financial condition and results, and which require the most substantive estimates and judgment.

The preparation of financial statements requires certain estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. LAC's significant accounting policies are described in Note 4 to the annual audited consolidated financial statements for the year ended December 31, 2012.

Our estimates are based on previous experience, results, and various other assumptions that are believed to be reasonable under the circumstances. The result of our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of LAC's assets and liabilities, and the reported amounts of revenues and expenses that are not readily apparent from other sources. Consequently, actual results could differ from these estimates.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION OF LEAGUE INVESTMENT SERVICES INC. AS AT MARCH 31, 2013.

Overview and Highlights

Basis of Presentation

Financial data included in this Management's Discussion and Analysis ("**MD&A**") covers:

(i) fiscal 2011 compared to 2010; and

(ii) fiscal 2012 compared to fiscal 2011

(iii) Q1 2013

Financial data provided has been prepared using accounting policies in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). All dollar references are in Canadian dollars.

This MD&A has been prepared solely for the purposes of inclusion in a non-offering prospectus as part of a listing process. Readers are cautioned that the MD&A may not be appropriate for their purposes.

The MD&A is intended to provide readers with an assessment of the performance of League Investment Services Inc. over the year ended December 31, 2012 and the first quarter in 2013, as well as our financial position and future prospects. The MD&A should be read in conjunction with the financial statements and appended notes for the year ended December 31, 2012, which begin after page F-70 of this Prospectus.

Current Business Environment and Outlook

League Investment Services Inc. continues to execute on its business plan.

Overview of the Business

League Investment Services Inc. was incorporated under the *Business Corporations Act* (British Columbia) on September 14, 2007. League Investment Services Inc. changed its name from Evolve Equity Fund Inc. to League Wealth Management Ltd. on October 21, 2008, and then to League Investment Services Inc. on February 16, 2010. There was no business activity in the years prior to 2010. On September 28, 2010, League Investment Services Inc. registered as an exempt market dealer in all provinces and territories of Canada. The principal activity of League Investment Services Inc. is raising investors' funds as an exempt market dealer in all provinces and territories of Canada on behalf of League Assets Corp. Funds raised are placed in various real estate development projects throughout Canada. None of League Investment Services Inc.'s securities have been listed for trade on a public exchange. League Investment Services Inc. earns service fees pursuant to an agreement with League Assets Corp. based on costs incurred plus 1%. The company has enjoyed consistent year-over-year revenue growth since its formation.

Financial Highlights

	31-Mar-13	31-Dec-12	31-Dec-11	31-Dec-10
Total Assets	$613,835	$836,853	$669,924	$444,723
Total Liabilities	$433,048	$663,947	$518,626	$314,688
Total Equity	$180,787	$172,906	$151,298	$130,035

	Three months ended		Year Ended		
	31-Mar-13	31-Mar-12	31-Dec-12	31-Dec-11	31-Dec-10
Total Revenues	$951,026	$616,631	$3,122,207	$2,565,193	$704,447
Total Expenses	941,611	612,704	$3,090,827	$2,539,795	$698,472
Income Tax Expense	1,534	—	$ 9,772	$ 4,135	$ 941
Net Income	7,881	3,927	$ 21,608	$ 21,263	$ 5,034

Performance Measurement

While more detailed numerical comparisons are provided below the following is a general description of our key business drivers:

- Total General and Administrative expenses. The main component is staff expenses as our Member Wealth Managers ("**MWM**") are all employees of League Investment Services Inc. Staff numbers have grown as follows:

As at	Staff Numbers
31-Dec-10	22
31-Dec-11	21
31-Mar-12	25
31-Dec-12	35
31-Mar-13	40

Three month interim period ended March 31, 2013 compared to the three month interim period ended March 31, 2012

- Total revenue for the three months ended March 31, 2013 increased over the same period in 2012 by $0.3 million (54%).
- Total expenses for the three months ended March 31, 2013 increased over the same period in 2012 by $0.3 million (54%).
- Operating expenses have increased for the three months ended March 31, 2013 over the same period in 2012 due to increases in the number of Member Wealth Managers outlined above. Operating expenses form the basis for the calculation of revenue which increased accordingly over the same periods.

Fiscal 2012 compared to Fiscal 2011

- Total revenue for the year ended December 31, 2012 increased over the same period in 2011 by $0.6 million (22%).
- The increase in revenue for the year ended December 31, 2012 over the same period in 2011 is due to increases in operating expenses which form the basis for the calculation of revenue.
- Income before income taxes for the year ended December 31, 2012 and three months ended March 31, 2013 increased over the same period in 2011 and 2012 by $6,000 (24%) and $5,000 (140%) respectively.

Fiscal 2011 compared to 2010

- On September 28, 2010, League Investment Services Inc. registered as an exempt market dealer in all provinces and territories of Canada. The operating period for 2010 was thus 95 days compared to 365 days for fiscal 2011.
- Total revenue increased by $1.9 million (264%) for the year ended December 31, 2011 when compared to December 31, 2010. The significant increase is largely due to the fact League Investment Services Inc. was operational for only 95 days in 2010. When 2010 is normalized to 365 days, the year over year change is a decrease of $0.1 million (6%).

- Income before income taxes increased by $19,000 (325%) for the year ended December 31, 2011 when compared to December 31, 2010. The increase is largely due to the fact League Investment Services Inc. was operational for only 95 days in 2010. When 2010 is normalized to 365 days, the year over year change is an increase of $2,000 (11%).

	Three month period Ended March 31, 2013	Three month period Ended March 31, 2012	Change	Year Ended December 31, 2012	Year Ended December 31, 2011	Change
Revenue						
Service fees	$951,026	$616,631	54%	$3,122,207	$2,565,193	22%
Expenses						
General and administrative (total expenses less interest and bank charges)	940,695	611,458	54%	$3,086,359	$2,537,493	22%
Interest and bank charges	916	1,246	(26%)	$ 4,468	$ 2,302	94%
Income tax expense	1,533	—	—	$ 9,772	$ 4,135	136%
Net income	7,882	3,927	100%	$ 21,608	$ 21,263	2%

Results of Operations

Statement of Operations

Net Income and Comprehensive Income

- League Investment Services Inc. reported increases in income before income taxes of 24% and net income of 2% for the year ended December 31, 2012 compared to the same period in 2011.

Revenue

- Total revenue for the three months ended March 31, 2013 increased by 54% over the same period in 2012.
- Total revenue for the year ended December 31, 2012 increased over the same period in 2011 by $0.6 million (22%).
- Total revenue is pursuant to an agreement with League Assets Corp. and is based on reimbursable costs incurred plus 1%. Therefore any changes to revenue relates to changes in reimbursable costs.

Reimbursable Costs

- General and administrative expenses increased $0.3 million (54%) for the three months ended March 31, 2013 compared to the same period in 2012 and increased by $0.5 million (22%) for the year ended December 31, 2012 compared to the same period for 2011.The increase in general and administrative expenses for the three months ended March 31, 2013 compared to the same period for 2012 is predominantly due to the increase in the number of employees.
- The increase in general and administrative expenses for the for the year ended December 31, 2012 compared to the same period for 2011 is predominantly due to costs related to an increase in the number of employees.

Related Party Transactions

League Investment Services Inc.'s shares are wholly owned by League Assets Limited Partnership.

The due from related party balance is due from League Assets Corp. and is non-interest bearing and has no specified terms of repayment. Service fees are earned from League Assets Corp. and pursuant to an agreement, equate to costs incurred plus 1%.

The due to related balance is due to IGW REIT LP, an entity related by virtue of directors in common. The amount is non-interest bearing and has no specified terms of repayment.

Statement of Financial Position

The following is selected financial information from League Investment Services Inc.'s condensed consolidated statements of financial position as at December 31, 2012 and December 31, 2011:

	As at December 31, 2012	As At December 31, 2011	Change
Assets			
Due from related parties	$703,592	$567,467	24%

Due from Related Parties / Due to Related Parties

Due from related parties is due from League Assets Corp.

The balances with related parties are subject to routine fluctuation.

Risks & Uncertainties

In the normal course of business, League Investment Services Inc. is exposed to a number of risks that can materially affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Credit Risk

League Investment Services Inc. is exposed to credit risk as a lender of financing in the event that a borrower is unable to make the contracted payments. League Investment Services Inc. does not believe that there is significant credit risk associated with these receivables as a result of Management's evaluation and ongoing monitoring of the related entities' financial condition.

Liquidity Risk

This risk to League Investment Services Inc. is generally low. League Investment Services Inc.'s approach to managing liquidity is to ensure that it has sufficient cash and or credit facilities available to meet its obligations when due.

Market Risk

League Investment Services Inc. does not have any significant foreign currency or interest rate risk.

Critical Accounting Policies and Estimates

League Investment Services Inc.'s critical accounting policies are those that management has determined to be the most important in portraying League Investment Services Inc.'s financial condition and results, and which require the most substantive estimates and judgment.

The preparation of financial statements requires certain estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. League Investment Services Inc.'s significant accounting policies are described in Note 3 to the annual audited consolidated financial statements for the year ended December 31, 2012.

League Investment Services Inc. makes estimates and assumptions that affect carried amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Our estimates are based on previous experience, results, and various other assumptions that are believed to be reasonable under the circumstances. The result of our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of League Investment Services Inc.'s assets and liabilities, and the reported amounts of revenues and expenses that are not readily apparent from other sources. Consequently, actual results could differ from these estimates.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION OF CATALYST INVESTMENT CORP. AS AT MARCH 31, 2013.

Overview and Financial Highlights

Basis of Presentation

Financial data included in this Management's Discussion and Analysis ("**MD&A**") covers:

(i) Catalyst fiscal 2011 compared to Catalyst 2010;

(ii) Catalyst fiscal 2012 compared to Catalyst 2011; and

(iii) League Capital Markets Q1 fiscal 2013 compared to Catalyst Q1 fiscal 2012.

Financial data provided has been prepared using accounting policies in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). All dollar references are in Canadian dollars.

This MD&A has been prepared solely for the purposes of inclusion in a non-offering prospectus as part of a listing process. Readers are cautioned that the MD&A may not be appropriate for their purposes.

League Capital Markets Ltd. acquired all of the issued shares of Catalyst Investment Corp. on November 1, 2012 The MD&A is intended to provide readers with an assessment of the historical performance of Catalyst Investment Corp. ("the Company" or "**Monarch**") as well as our financial position and future prospects. The MD&A should be read in conjunction with the financial statements and appended notes for the three months ended March 31 2013, which begin after page F-123 of this Prospectus.

Current Business Environment and Outlook

Monarch continues to execute on its business plan.

Monarch's development is performing as anticipated and management remains confident that there will be continued growth for the remainder of 2013 and for 2014.

The Company is focused on acquisitions of under sized and strategically aligned Canadian firms providing wealth management services.

The Company has a phased strategy that aims to combine distribution companies with asset management capabilities, product manufacturing, advisor credit services, and full line of insurance services.

The Company's strategy follows the principles of other successful wealth management firms and has an accelerated three year growth timeline.

Overview of the Business

Monarch is an investment management company formed more than 20 years ago through mergers and acquisitions. The principal activity of Monarch is the management of client assets located in Toronto area. None of Monarch's securities have been listed for trade on a public exchange.

Monarch is the holding company located in Ontario with segregated subsidiary operating companies handling: Mutual Funds, Segregated Funds and GICs.

Amalgamations and mergers:

- Monarch amalgamated with Monarch Delaney Financial Partners Inc.

- The Investment Shop acquired Monarch Delaney Financial Inc and was rebranded Monarch Wealth and Investment Group Inc., then changed its name Monarch Wealth Corporation.
- Monarch Delaney Inc changed its name to Monarch Wealth Deposit Group Inc.

Monarch group of companies has several sources of diversified income: revenues include sales commission on products and trailer revenues on asset under administration

1. Sale of mutual fund products through its internal and external advisor network.
2. Sale of Insurance products.
3. Sale of GIC investment.

Monarch Wealth Corporation is an exempt market dealer ("EMD") in Ontario with licenses in Alberta, BC, Nova Scotia and Quebec.

Financial Highlights

The following is a summary of key financial information and statistics for the periods indicated:

Since 2010, revenues have been increasing. There are a few contributing factors to this trend. One such factor is a result of our recruiting strategy. Also, due to market conditions, there had been an increase in conversion from more conservative products such as GICs into mutual funds and segregated products which have the opportunity to produce a higher rate of revenue.

Summary of assets under administration ("**Assets Under Administration**"):

- December 2010: approximately $533 million.
- December 2011: approximately $542 million.
- December 2012: approximately $537 million.
- March 2013: approximately $534 million.

The decrease in Assets Under Administration **("AUA")** was a result of two forces: market conditions (external, not controllable) as well as reducing the number of external advisors due to regulatory issues. As a result, trailers fee revenues have been impacted slightly.

	31-Mar-13	**31-Dec-12**	**31-Dec-11**	**31-Dec-10**
Total Assets	$2,138,529	$2,151,728	$2,160,289	$2,639,976
Total Liabilities	$ 776,975	$ 801,159	$ 797,482	$1,140,275
Total Equity	$1,361,554	$1,350,569	$1,362,807	$1,499,701

	Three Months Ended		**Year Ended**		
	31-Mar-13	**31-Mar-12**	**31-Dec-12**	**31-Dec-11**	**31-Dec-10**
Total Revenues	$690,868	$746,180	$2,640,646	$2,686,172	$2,517,194
Total Expenses	$677,709	$715,512	$2,676,077	$2,861,762	$2,659,505
Net Income (Loss)	$ 10,985	$ 28,191	$ (12,238)	$ (136,895)	$ (144,730)

League Capital Markets Q1 fiscal 2013 compared to Catalyst Q1 fiscal 2012

- Total assets increased by $0.127 million (0.6%) for the period ended March 31, 2013 when compared to December 31, 2012. The increase is predominantly due to an increase in revenue in the first quarter.

- Total debt increased by $1.569 million (195%) for the period ended March 31, 2013 when compared to December 31, 2012
- Net income increased by 33% for the three months ended March 31, 2013 compared to the same period in 2012
- The increase in net income is predominantly due to decreases in expenses
- Total revenue was slightly down (7.5%) in the three months ended March 31, 2013 compared to the same period in 2012. The contributing factor was due to a decline in mutual funds sales and AUA revenue.

Fiscal 2012 compared to 2011

- Total assets decreased slightly by $0.008 million (0.4%) million for the year ended December 31, 2012 when compared to the same period for 2011.
- Total liabilities increased slightly by $0.003 million (0.46%) for the year December 31, 2012 when compared to the same period for 2011.
- Results of operations before income taxes for the year ended December 31, 2012 increased over the same period in 2011 by $0.140 million (80.%).
- The increases in the results of operations are predominantly due to decreases in general and administrative costs and salaries and benefits.

Fiscal 2011 compared to 2010

- Total assets decreased by $0.5 million (18.2%) for the year ended December 31, 2011 when compared to the same period for 2010.
- Total liabilities decreased by $0.3 million (30.1%) for the year ended December 31, 2011 when compared to the same period for 2010.
- Total revenue for the year ended December 31, 2011 increased over the same period in 2010 by $0.17 million (6.7%).
- The loss before income taxes increased slightly as expenses increased by $0.2 million (7.6%) Performance Measurement

Key Performance Indicators

Management has determined that the performance of Monarch will be evaluated against the following key measures:

- Assets Under Administration – an increase in Assets Under Administration results in a direct increase in revenues and trailer commissions.
- Asset conversion – the move from more conservative products like GIC to mutual fund and segregated products produces a higher rate of commission.
- Recruitment of new advisors – this produces an increase in monthly fees charges to the advisors as well as an increase in revenues with little effect on general and administrative expenses.

Results of Operations

Statement of Operations

The following is selected financial information from the condensed consolidated statements of comprehensive income for the three months ended March 31, 2013 and 2012 and for the year ended December 31, 2012 and 2011:

	Three Months Ended 31-Mar-13	Three Months Ended 31-Mar-12	Change
Revenue			
Commissions and wealth management fees	$690,868	$746,180	(7%)
Expenses			
Depreciation	$ 1,658	$ 2,789	(41%)
General and administrative	$ 55,464	$ 52,843	5%
Interest and financing costs	$ 10,392	$ 3,073	238%
Salaries, benefits and commissions	$526,135	$552,690	(5%)
Other	$ 52,605	$104,117	(49%)
Income tax expense (recovery)	$ 7,050	$ 2,477	185%
Net (loss) income	$ 37,564	$ 28,191	33%

	Year Ended 31-Dec-12	Year Ended 31-Dec-11	Change
Revenue			
Commissions and wealth management fees	$ 2,640,646	$ 2,686,172	(2%)
Expenses			
Depreciation	$ 17,968	$ 24,394	(26%)
General and administrative	$ 166,788	$ 182,486	(8%)
Interest and financing costs	$ 8,007	$ 17,596	(55%)
Salaries, benefits and commissions	$ 2,008,756	$ 1,818,268	10%
Other	$ 474,558	$ 819,017	(42%)
Income tax expense (recovery)	($ 23,193)	($ 38,695)	(40%)
Net income (loss)	($ 12,238)	($ 136,894)	(91%)

Net Income and Comprehensive Income

- Monarch has been operating at a loss for the past few years, however for the three months ended March 31 2013, Monarch realized a profit of $37,564 as a result of lower expenses.
- Although revenues are slightly down (2%) for the year ended December 31, 2012 in comparison to the same period in 2011, the net loss decreased by $124,656. The contributing factor is the reduction in total expenses.

Revenue

- Total revenue for the three months ended March 31, 2013 has slightly decreased over the same period in 2012
- The decrease in revenue for the year ended December 31, 2012 over the same period in 2011 is predominantly due to declining revenues from commissions and wealth management fees on account of a smaller offering of investment products.
- Total revenue for the year ended December 31, 2012 decreased over the same period in 2011 by $0.045 million (2%).

Expenses

- Salaries, benefits and commissions increased by 10% for the year ended December 31, 2012 compared to the same periods in 2011. This increase was due primarily to an increase in commissions paid.
- The General and Administrative Expenses consist of certain costs (excluding staff costs) to run the business, including all membership and licensing fees. Since 2010, these costs have been steadily decreasing mostly due to efficiency and cost saving measures in particular, there has been a significant reduction in professional fees and insurance costs.

Statement of Financial Position

The following is selected financial information from Monarch's consolidated statements of financial position as at December 31, 2012 and December 31, 2011:

	As at 31-Dec-12	As at 31-Dec-11	Change
Assets			
Other assets	$ 84,053	$107,526	(22%)
Due from related parties	$ 0	$ 4,360	(100%)
Property, equipment and leasehold improvements	$ 23,796	$ 47,283	(50%)
Liabilities			
Due to related parties	$520,592	$281,208	85%

Other Assets

Other assets are comprised of deposits, prepaid expenses and a note receivable. The increase is predominantly on account of additional prepaid expenses and deposits.

Due from / Due to Related Parties

Net advances to and from related parties is comprised of balances with the shareholder and a company related by way of common control. The transactions with related parties are mainly comprised of general advances.

The balances with related parties are subject to routine fluctuation.

Property, Equipment and Leasehold Improvements

The decrease in property, equipment and leasehold improvements is on account of amortization taken.

Financial Risks

In the normal course of business, Monarch is exposed to a number of risks that can materially affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Credit Risk

Monarch is exposed to credit risk as a lender of financing in the event that a borrower is unable to make the contracted payments. Such risk is mitigated through credit checks and related due diligence of the borrowers and through careful evaluation of the worth of underlying assets held as security.

Liquidity Risk

Monarch's approach to managing its obligations is to maintain sufficient resources to meet its obligations when due without undue risk to Monarch.

Monarch’s principle liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, and planned funding of new ventures.

Market Risk

Monarch does not have any significant foreign currency or interest rate risk.

Critical Accounting Policies and Estimates

The preparation of financial statements requires certain estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Monarch’s significant accounting policies are described in Note 2 to the annual audited consolidated financial statements for the year ended December 31, 2012. Monarch makes estimates and assumptions that affect carried amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Our estimates are based on previous experience, results, and various other assumptions that are believed to be reasonable under the circumstances. The result of our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of Monarch’s assets and liabilities, and the reported amounts of revenues and expenses that are not readily apparent from other sources. Consequently, actual results could differ from these estimates.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION OF HARRIS FRASER GROUP LIMITED AS AT MARCH 31, 2013.

Overview & Financial Highlights

Basis of Presentation

Financial data included in this Management's Discussion and Analysis ("**MD&A**") covers:

(i) Fiscal 2013 compared to 2012

(ii) fiscal 2012 compared to 2011;

Financial data provided has been prepared using accounting policies in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). All dollar references are in Hong Kong dollars.

This MD&A has been prepared solely for the purposes of inclusion in a non-offering prospectus as part of a listing process. Readers are cautioned that the MD&A may not be appropriate for their purposes.

The MD&A is intended to provide readers with an assessment of the performance of the Harris Fraser Group Limited ("**HFG**") over the past year, as well as our financial position and future prospects. The MD&A should be read in conjunction with the financial statements and appended notes for the year ended March 31, 2013, which begin after page F-183 of this Prospectus.

Current Business Environment and Outlook

HFG continues to execute on its business plan.

HFG's development is performing as anticipated and management remains confident that there will be continued growth for the remainder of 2013 and for 2014.

Since global securities markets should generally trend upwards in 2013, our directors believe that HFG will perform well in 2013 since client account opening improves when securities markets are trending upwards. Additionally, the quantitative easing that drives securities markets also causes risk free rates of return to be negative resulting in clients around the world and in Asia, to seek out returns wherever they can get them. Since China is expected by most economists to maintain a GDP growth rate in excess of 7% for the foreseeable future, many regional clients like those from Singapore, Taiwan, Japan and South Korea are seeking out ways of investing into China through Hong Kong. HFG is well positioned to service these clients and is establishing the sales personnel and referral relationships as well as the operational capability in foreign language speaking staff to take up these opportunities as they present themselves.

HFG is also observing a specific increase in high net worth individuals and families from around the world seeking to invest into China. For this reason, HFG plans to expand its personnel in the high net worth and family office services in 2013 and 2014.

Overview of the Business

HFG is a British Virgin Islands company formed on May 24, 2002. The principal activity of HFG is the provision of financial advisory services located in Hong Kong and the Greater China (Taiwan, Hong Kong and mainland China) area. None of HFG's securities have been listed for trade on a public exchange.

HFG is principally engaged in the insurance and brokerage business and client securities account management services. In the insurance brokerage business, we negotiate and arrange contracts of insurance in Hong Kong as the agent of our customers, i.e. the policyholders, and advise on matters related to insurance. In pursuing the insurance brokerage business, HFG commenced business in 1991, for carrying on long term (including linked long term) and general insurance business, and to provide independent advisory services in connection with insurance products. In May 2002, HFG's brokerage business along with the securities business was reorganized into a group holding structure under HFG. In 1998, HFG commenced securities advisory business to tap into the mutual fund investing market. HFG's subsidiary, HF Partners Limited, is a corporate member of the Professional Insurance Brokers Association of Hong Kong and a corporate intermediary of the Hong Kong Mandatory Provident Fund Schemes Authority. Another of HFG's subsidiaries, Harris Fraser (International) Limited, is a licensed corporation under the Hong Kong Securities and Futures Commission. HFG's Australian subsidiary, Harris Fraser (Australia) Pty Limited has an Australian Financial Services License regulated by the Australian Securities Investments Commission. HFG's Singapore subsidiary, Harris Fraser (Singapore) Pte Limited is regulated by the Singapore Monetary Authority as a Registered Fund Management HFG. Collectively, we carry on our business under the trademarks "Harris Fraser Group" and the Chinese version 晉裕集團.

ILAS or Investment-linked Assurance Scheme is the major contract of insurance on which HFG provides advisory services and from which over 58% of our group's revenue for the year ended March 31, 2013 was generated. By way of explanation, ILAS products are like long term savings accounts whereby the savings are invested in mutual funds for the client by the insurance HFG. HFG acts as an advisor by assisting the client to enter into the contract for the ILAS product and provides advice on what the client should invest in over the life of the contract.

As a supplement, our group also acts as an advisor for clients investing in mutual funds, worldwide equities and other securities through various types of securities accounts in Hong Kong, Singapore and Australia.

Our customers are policy and account holders whom our consultants provide services to. Our directors believe that among all products and schemes we promote, ILAS is the most popular choice as it is believed to be one of the most effective investment products to achieve our customers' objectives. HFG is not involved in the underwriting of any product we promote.

Financial Highlights

The following is a summary of key financial information and statistics for the periods indicated:

	31 Mar-13 HK$'000	31-Mar-12 HK$'000	31-Mar-11 HK$'000
Total Assets	58,986	54,903	29,183
Total Liabilities	28,039	31,781	19,783
Total Equity	30,947	23,122	9,400

	Year Ended		
	31 Mar-13 HK$'000	31-Mar-12 HK$'000	31-Mar-11 HK$'000
Total Revenues	87,695	94,088	100,314
Total Expenses	78,567	78,408	165,237
Net Income (loss) before tax	9,128	15,680	(64,923)

Q3 fiscal 2012 compared to Q3 fiscal 2011

	3 Months Ended 31 March		
	2013 HK$'000	2012 HK$'000	% Change
Revenues	24,887	28,370	(12%)
Commissions Paid	18,395	19,750	(7%)
Gross Profit Margin	6,492	8,620	(25%)
Gross Profit Margin (% of sales)	26.1%	30.4%	
Administrative Expenses	4,380	3,082	42%
Profit Before Tax and Special Items	1,974	5,913	(67%)
Profit Margin (% of sales)	8.0%	20.8%	
Total Assets	58,985	54,902	7%
Total Liabilities	27,855	31,781	(12%)
Total Equity	30,947	25,122	34%

Q4 fiscal 2013 was a tough quarter for HFG given the state of global markets and the culmination of a fiscal year of investment market uncertainty. This caused investors to stay in cash and out of investments thus HFG's sales were 12% lower than the same quarter in 2012. The directors continued their efforts to find more profitable products for HFG but were unable to increase the gross profit which fell from 30.4% in Q4 fiscal 2012 to 26.1% in Q4 fiscal 2013. As the macroeconomic situation improved and forecasted conditions were expected to improve in Fiscal 2014, the directors increased head count and investment in resources in anticipation of increased business volumes and as a result of increased complexity of business. This resulted in higher expenses (42% increase over the previous year's Q4). The decreased revenues, profit margins and increased expenses in Q4 fiscal 2013 resulted in profit that was 67% lower than Q4 fiscal 2012.

HFG increased the strength of its balance sheet in Q4 fiscal 2013 increasing its total equity by 33.8% when compared to Q4 fiscal 2012.

Fiscal 2013 compared to 2012

	Year Ended 31 March		
	2013 HK$'000	2012 HK$'000	% Change
Revenues	86,914	93,505	(7%)
Commissions Paid	63,725	66,066	(4%)
Gross profit margin	23,189	27,439	(16%)
Gross profit margin (% of sales)	26.7%	29.3%	
Administrative expenses	14,396	12,034	20%
Profit before tax and special items	9,128	15,680	(42%)
Profit margin (% of sales)	10.4%	16.8%	

HFG's profit before tax and special items decreased in 2013 over 2012, due to a drop in revenues of 7% and an increase in expenses of 20%.

The drop in sales came as a result of clients maintaining their cash positions and not investing due to uncertain economic and investment market conditions. To counter this trend, the directors added several new investment products and expanded into new foreign markets, both actions causing an increase in complexity of the business and requiring the addition of more human resources. This increase in headcount was the primary driver of the increase in administrative expenses of 19.6% in fiscal 2013 over fiscal 2012.

HFG's gross profit margin (defined as the difference it receives from providers or customers and the amount paid to consultants to provide the services for which HFG earns revenue) decreased from 29.3% in 2012 to 26.7% in 2013. Although the directors attempted to manage the gross profit margin carefully by finding and adding products and providers for which there was greater profit margin, the increased competitive payouts required to attract consultants from competing businesses, caused a decline in gross profit margin. When attracting consultants, there is ongoing competitive pressure to pay more commission to consultants to entice them to join.

Fiscal 2012 compared to 2011

	Year Ended 31 March		
	2012 HK$'000	2011 HK$'000	% Change
Revenues	93,505	99,426	(6%)
Commissions Paid	66,066	70,620	(6%)
Gross profit margin	27,439	28,806	(5%)
Gross profit margin (% of sales)	29.3%	29.0%	
Administrative expenses	12,034	15,082	(20%)
Profit before tax and special items	15,680	14,117	11%
Profit margin (% of sales)	16.8%	14.2%	

HFG's profit before tax and special items increased in 2012 over 2011, despite a decline in revenues. The directors were able to accomplish this by reducing staff headcount and salaries. The directors believe that these cuts are reversible in the future and will not affect HFG's long term strategy.

HFG's gross profit margin (defined as the difference it receives from providers or customers and the amount paid to consultants to provide the services for which HFG earns revenue) increased from 29% in 2011 to 29.3% in 2012. The Directors managed the gross profit margin carefully by finding and adding products and providers for which there was greater profit margin even while attracting more consultants from competing businesses. When attracting consultants, there is competitive pressure to pay more commission to consultants to entice them to join.

Performance Measurement

Key Performance Indicators

Management has determined that the performance of HFG will be evaluated against the following key measures:

- Recurring revenues (see below);
- Profit (see below); and
- Gross profit margin (see above).

Recurring Revenues

	Year Ended 31 March		
	2013 HK$'000	2012 HK$'000	2011 HK$'000
Revenues	86,914	93,505	99,426
Recurring Revenues (investment account management services)	17,139	15,401	8,364
Percentage of Revenues	20%	17%	8%
One-off, non-recurring revenues	69,775	78,104	91,062

HFG increased its recurring revenues as a percentage of total revenues from 8.1% in 2010 to 16.5% of total revenues in 2012 and again to 20% of total revenues in 2013. This is a result of an increase in the investment account management services that HFG offers to its customers on their ILAS accounts or securities accounts. The directors will continue to expand this service offering to customers and thus increase the recurring nature of its revenues which the directors believe will increase the predictability of the revenues for HFG.

Profits

	Year Ended 31 March		
	2013 HK$'000	**2012 HK$'000**	**2011 HK$'000**
Net income before tax and disposal of subsidiaries	9,128	15,680	14,117
Losses on disposals of subsidiaries	—	—	(79,040)
Provision for income taxes	(1,315)	(2,325)	(2,576)
Net income (loss) and comprehensive income (loss)	7,813	13,355	(67,500)

HFG's profit before tax and special items fluctuated over the three year period, due primarily to the fluctuation in revenues. In 2011, in a restructuring exercise, the business previously done in four subsidiaries was rationalized into one by transferring and assignment of contracts. The final disposal of the previous subsidiaries to the ultimate shareholder of HFG resulted in a loss for their accumulated book values of HK$79,040,000 and a final loss of HK$67,500,000 in 2011.

Related Party Transactions

HFG's shares are wholly owned by Halena YY Ng.

HFG's subsidiaries were rationalized by consolidating the business done in four subsidiaries into one. This occurred in fiscal 2011. These subsidiaries were transferred to the ultimate shareholder of HFG for HK$3 million consideration. Thus there was a loss on disposal of subsidiaries in fiscal 2011 of HK$79 million.

HFG procures legal and professional services as well as the rental of premises from related companies (not subsidiaries). The Directors believe these services are reasonably valued and not excessive and at least equal to that which could have been procured from unrelated parties.

Risks & Uncertainties

In the normal course of business, HFG is exposed to a number of risks that can materially affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Credit Risk

The carrying amount of the bank and cash balances, trade and other receivables and amount due from a director, included in the statement of financial position represents HFG's maximum exposure to credit risk in relation to HFG's financial assets.

HFG has no significant concentrations of credit risk.

It has policies in place to ensure that services are rendered to customers with an appropriate credit history.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity Risk

HFG's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity of HFG's financial liabilities at March 31, 2013 and March 31, 2012 is less than one year.

Market Risk

HFG has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and United States dollars. HFG currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. HFG monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Interest Rate Risk

As HFG has no significant interest-bearing assets and liabilities, HFG's operating cash flows are substantially independent of changes in market interest rates.

Critical Accounting Policies and Estimates

HFG's critical accounting policies are those that management has determined to be the most important in portraying HFG's financial condition and results, and which require the most substantive estimates and judgment.

The preparation of financial statements requires certain estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. HFG's significant accounting policies are described in Note 4 to the annual audited consolidated financial statements for the year ended March 31, 2013. HFG makes estimates and assumptions that affect carried amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Our estimates are based on previous experience, results, and various other assumptions that are believed to be reasonable under the circumstances. The result of our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of HFG's assets and liabilities, and the reported amounts of revenues and expenses that are not readily apparent from other sources. Consequently, actual results could differ from these estimates.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION OF IGW REIT AS AT MARCH 31, 2013.

Overview & Financial Highlights

Basis of Presentation

Financial data included in this Management's Discussion and Analysis ("**MD&A**") covers:

(i) the year ended December 31, 2011 compared to the year ended December 31, 2010;

(ii) the year ended December 31, 2012 compared to the year ended December 31, 2011; and

(iii) three months ended March 31, 2013 compared to three months ended March 31, 2012.

Financial data provided has been prepared using accounting policies in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). All dollar references are in Canadian dollars.

This MD&A has been prepared solely for the purposes of inclusion in a non-offering prospectus as part of a listing process. Readers are cautioned that the MD&A may not be appropriate for their purposes.

The MD&A is intended to provide readers with an assessment of the performance of LEAGUE IGW Real Estate Investment Trust ("**IGW REIT**") over the past three months, as well as our financial position and future prospects. The MD&A should be read in conjunction with the financial statements and appended notes for the three months ended March 31, 2013, which begin after page F-243 of this Prospectus.

Current Business Environment and Outlook

IGW REIT continues to execute on its business plan.

IGW REIT's development is performing as anticipated and management remains confident that there will be continued growth for the remainder of 2013 and for 2014.

Overview of the Business

IGW REIT was formed on January 31, 2007, in conjunction with the formation on the same date of IGW REIT Limited Partnership. The business of IGW REIT involves the acquisition, development and redevelopment, expansion, improvement, refurbishing, holding, and operating of mid-sized commercial, industrial and multi-family residential properties in Canada. IGW REIT also provides financing to related real estate limited partnerships for the acquisition, development and redevelopment of commercial and residential properties in Canada. IGW REIT also holds an investment in Partners REIT, currently representing approximately 15% of the outstanding trust units.

IGW REIT's properties currently include commercial properties; shopping malls or multi-tenanted business parks; and industrial properties, including light industrial buildings. Usually IGW REIT's properties are leased to a variety of tenants in different types of businesses and may have a range of lease expiry dates to minimize vacancies. Typically multi-tenanted commercial and residential properties minimize the risk of vacancies and are more likely to provide consistent cash flow while preserving invested capital. However, IGW REIT may also acquire, or finance the acquisition of a premise (except residential real properties) that has a single or anchor tenant.

Lending by IGW REIT is one aspect of its investment activities. Loans are generally connected to the acquisition or development of a real estate property and are provided when IGW REIT has a reasonable expectation that at a later date it might wish to acquire an interest in all or a significant part of the property. Generally, pursuant to the loan agreements, IGW REIT waives the requirement for monthly interest payments from entities that are related to IGW REIT, in which case the amount of any accrued and unpaid interest is added to the loan balance at the applicable interest rate. Pursuant to a management agreement, LEAGUE Asset Corporation manages the operations and activities of IGW REIT.

As of March 31, 2013, IGW REIT classified the following properties as held for sale because IGW REIT is committed to a plan to sell these properties in the next twelve months as part of a strategy to exit out of the market of small retail and commercial properties.

- Sobey's Centre, 4820 66th Street, Camrose, Alberta
- Carlton Court, 2805 6th Avenue, Prince Albert, Saskatchewan
- Londondale Shopping Centre, 7604 144th Avenue, Edmonton, Alberta
- Westwinds Shopping Centre, 6200 & 6400 46th Avenue, Taber, Alberta

The following properties were disposed of during the three months ended March 31, 2013.

- Arbutus Industrial Park, 1485 Huntley Road, Parksville, British Columbia
- Seaway Village, 700-720 14th Street West, Cornwall, Ontario

Financial Highlights

Selected Financial Information as of March 31, 2013

(Unless otherwise stated, all tabular amounts are in $'000s)

The following summarizes the financial position and financial performance of IGW REIT:

	Mar. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Total adjusted revenue	$ 8,123	$ 29,900	$ 27,753	$ 27,786
Adjusted EBITDA(1)	$ 5,418	$ 17,384	$ 15,565	$ 16,889
Net earnings	$ 1,330	($ 39,492)	($ 7,770)	($ 3,975)
Property operating income	$ 2,605	$ 9,725	$ 8,284	$ 9,171
Total Assets	$309,380	$ 310,761	$ 292,367	$ 280,563
Total liabilities	$268,521	$ 264,656	$ 202,280	$ 189,955

(1) Adjusted EBITDA is a non-IFRS measure-see reconciliation of non-IFRS measures in this MD&A

Financial Position — As at March 31, 2013 Compared to December 31, 2012

Total assets decreased $1.4 million, primarily due to the disposition of properties with an aggregate market value of $6.1 million. The sale transactions were undertaken as part of IGW REIT's shift in focus to new, industrial and higher-income-producing properties as opposed to maintaining existing, smaller properties. Increases in other assets and accounts receivable of $2.7 million, cash of $1.1 million, and loans receivable from related parties of $4.1 million were offset by decreases in long-term investments and loans receivable of $2.5 million and $0.7 million, respectively.

Total liabilities increased $3.8 million due primarily to a net increase of $8.9 million from issuance of Income Priority Units and an increase in loans payable of $5.2 million offset by decreases in mortgages payable of $5.5 million, payables and other liabilities of $4.3 million, and loans payable to related parties of $0.5 million.

Results of Operations — Three Months Ended March 31, 2013 Compared to March 31, 2012

(Unless otherwise stated, all tabular amounts are in $'000s)

Property Operating Income

	Mar. 31, 2013	Mar. 31, 2012	$ Variance	% Variance
Revenues from income-producing properties	$4,528	$3,878	$650	16.8%
Property operating expenses	$1,923	$1,807	$116	6.4%
Property operating income	$2,605	$2,071	$534	25.8%

During the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, revenues from income producing properties increased $0.6 million (16.8%). This is primarily due to the acquisition of new properties and to increases in percentage rent and common area maintenance recoveries on existing properties, offset by the disposition of certain properties held for sale.

Property operating expenses increased $0.1 million (6.4%) for the period ending March 31, 2013 compared to the same period in 2012 primarily due to the acquisition of new properties, offset by the disposition of certain properties held for sale.

Property operating income increased $0.5 million (25.8%), primarily as a result of the increase in revenues from income producing properties, offset by the increase in property operating expenses, as discussed above. Property operating income as a percentage of revenues from income producing properties was 57.5% for the three months March 31, 2013 and 53.4% for the three months March 31, 2012.

Interest and Other Income

	Mar. 31, 2013	Mar. 31, 2012	$ Variance	% Variance
Interest and other income	$3,594	$2,913	$681	23.4%

Interest and other income consists primarily of interest income received from IGW REIT's portfolio of loans and advances to related entities. During the three months ended March 31, 2013, interest and other income increased $0.7 million. During that same time period, IGW REIT's loan portfolio increased $4.1 million, primarily related to advances made to Colwood City Centre Limited Partnership to support the continuing buildout of the Colwood City Centre project.

Finance Cost, Net

	Mar. 31, 2013	Mar. 31, 2012	$ Variance	% Variance
Finance cost, net	$2,541	$2,277	$264	11.6%

Interest expense for the three months ended March 31, 2013 increased $0.2 million from the same period in 2012, primarily due to an increase in both mortgages and loans payable on the financing of new acquisitions and refinancing of existing properties.

Fair Value Adjustment

	Mar. 31, 2013	Mar. 31, 2012	$ Variance	% Variance
Fair value adjustment	$46	$61	($15)	(24.6)%

The fair value adjustment relates to the increase in fair market value on the listing price of certain properties held for sale and to fluctuations in capitalization rates on income producing properties.

Impairment Losses on Loans to Related Parties

For the three months ended March 31, 2013, IGW REIT recorded an impairment loss of $0.8 million on loans receivable from entities under common control. The impairment loss was determined based on an assessment of the present value of estimated future cash flows to be received by IGW REIT from the related entities, using a weighted average of the original effective interest rates on the loans. Specifically, the loss relates to a decrease in the net realizable value of two apartment buildings located in Hamilton, Ontario, and held in IGW Residential Capital LP. These buildings were originally planned to be substantially upgraded and converted into condominiums which would then be sold as separately titled properties. The recent recession had a negative impact on the Hamilton housing market, particularly in the condominium submarket. In the period 2009-2012 the condominium market experienced a significant decline. Due to these market conditions, this plan was discontinued and one of the properties was sold in January 2013 resulting in the realization of a loss within IGW Residential Capital LP and, in turn, a reduction in the recoverability of the IGW REIT loan.

Cash Provided by Operating Activities

Cash used in operating activities for the three month period ended March 31, 2013 was $3.9 million compared to $8.4 million for the same period a year earlier. The increase is mainly due to the timing of payments of short-term liabilities and an increase in short-term receivables.

Cash Provided by Financing Activities

Total cash provided by financing activities for the three month periods ended March 31, 2013 and 2012 were $2.1 million and $5.6 million, respectively. The majority of the 2012 funds came from net proceeds of $10 million from issuance of new trust and income priority units as well as net proceeds of mortgages on the refinancing of existing properties of $3.5 million, and $4.8 million from loans payable. These were offset by principal payments on existing mortgages of $9.5 million, and payments of distributions and redemptions to unitholders of $2.6 million and $4.1 million, respectively. The 2012 funds were the net of investor contributions offset by ordinary principal and distribution payments.

Cash Used in Investing Activities

Total cash provided by investing activities for the three month period ended March 31, 2013 was $2.9 million. The majority of this related to net proceeds from disposal of income producing properties of $6.1 million and long-term investments of $5.9 million, distributions from long term investments of $0.5 million, and proceeds from loans receivable of $0.7 million. These were offset by purchases of long-term investments of $5.4 million, and advances to related parties of $4.9 million primarily related to the continuing buildout of the Colwood City Centre project.

Financial Position — As at December 31, 2012 Compared to December 31, 2011

Total assets increased by $18.3 million due primarily to $10.2 million increase in long term investments, $6.5 million increase in the fair value adjustment on income producing properties which was offset by $6.1 million net disposals income producing properties, and a $9.4 million net increase in other assets including loans receivables and accounts receivable. The increase in long term investments is a result of an $8.9 million investment in a publicly listed industrial real estate investment trust and a $1.3 million increase in existing investments. These increases in total assets were offset by a $1.7 million decrease in cash.

Total liabilities increased by $62.4 million due primarily to a net increase of $32.4 million from issuance of Income Priority Units, an increase in mortgages payable of $22 million, and an increase in loans payable of $4 million and accounts payable of $4.2 million, offset by a net decrease in other liabilities of $0.2 million.

Results of Operations — Year Ended December 31, 2012 Compared to December 31, 2011

(Unless otherwise stated, all tabular amounts are in $ '000s)

Property Operating Income

	Dec. 31, 2012	Dec. 31, 2011	$ Variance	% Variance
Revenues from income-producing properties	$17,289	$15,747	$1,542	9.8%
Property operating expenses	$ 7,564	$ 7,463	$ 101	1.4%
Property operating income	$ 9,725	$ 8,284	$1,441	17.4%

During the year ended December 31, 2012, as compared to the year ended December 31, 2011, revenues from income producing properties increased $1.5 million (9.8%). This is primarily due to the acquisition of new properties and to increases in percentage rent and common area maintenance recoveries on existing properties, offset by the disposition of certain properties held for sale.

Property operating expenses increased for the year ending December 31, 2012 compared to the same period in 2011 increased $0.1 million (1.4%), primarily due to the acquisition of new properties, offset by the disposition of certain properties held for sale.

Property operating income increased $1.4 million, primarily as a result of the increase in revenues from income producing properties, offset by the increase in property operating expenses, as discussed above. Property operating income as a percentage of revenues from income producing properties was 56.2% at December 31, 2012 and 52.6% at December 31, 2011.

Interest and Other Income

	Dec. 31, 2012	Dec. 31, 2011	$ Variance	% Variance
Interest and other income	$12,611	$12,007	$604	5%

Interest and other income consists primarily of interest income received from IGW REIT's portfolio of loans and advances to related entities. During the year ended December 31, 2012, interest and other income increased $0.6 million. During that same time period, IGW REIT's loan portfolio increased $2.3 million, primarily related to advances made to Colwood City Centre Limited Partnership to support the continuing buildout of the Colwood City Centre project.

Finance Cost, Net

	Dec. 31, 2012	Dec. 31, 2011	$ Variance	% Variance
Finance cost, net	$10,737	$11,155	($418)	(3.7%)

Interest expense for the year ended December 31, 2012 decreased $0.4 million from the same period in 2011, primarily due to a favourable decrease in the cost of capital.

Fair Value Adjustment

	Dec. 31, 2012	Dec. 31, 2011	$ Variance	% Variance
Fair value adjustment	($11,315)	$9,979	($21,294)	(213.4%)

The fair value adjustment relates to the decrease in fair market value on the listing price of certain properties held for sale and to fluctuations in capitalization rates on income producing properties.

Impairment Losses on Loans to Related Parties

At December 31, 2012, IGW REIT recorded an impairment loss of $23.8 million on loans receivable from related parties. The impairment loss was determined based on the present value of estimated future cash flows to be received by IGW REIT from the related parties, using a weighted average of the original effective interest rates on the loans. Specifically, the loss relates to a decrease in the net realizable value of two apartment buildings located in Hamilton, Ontario, and held in IGW Residential Capital LP. These buildings were originally planned to be substantially upgraded and converted into condominiums which would then be sold as separately titled properties. The recent recession had a negative impact on the Hamilton housing market, particularly in the condominium submarket. In the period 2009-2012 the condominium market experienced a significant decline, which negatively impacted the fair market value of the properties resulting in an unrealized loss within IGW Residential Capital LP and, in turn, a reduction in the recoverability of the IGW REIT loan.

Cash Provided From Operating Activities

Cash provided by operating activities for the year ended December 31, 2012 was $3.8 million compared to $3.9 million for the same period a year earlier. The increase is mainly due to the timing of payments of short-term liabilities.

Cash Provided From Financing Activities

Total cash provided by financing activities for the periods ended December 31, 2012 and 2011 were $36.9 million and $4 million, respectively. The majority of the 2012 funds came from net proceeds of mortgages on the financing of new acquisitions and refinancing of existing properties of $39.3 million, as well as net proceeds of $53.9 million from issuance of new units and $5.2 million from loans payable. These were offset by principal payments on existing mortgages payable of $19.7 million, and payments of distributions and redemptions to unitholders of $10.7 million and $31.1 million, respectively.

Cash Used in Investing Activities

Total cash used in investing activities for the period ended December 31, 2012 was $42.4 million. The majority of this related to increases in advances to related parties of $26.9 million from the continuing buildout of the Colwood City Centre project, additions to income producing properties of $21.6 million from the acquisition of two industrial properties acquired as part of IGW REIT's shift in focus to new, industrial and higher-income-producing properties as opposed to maintaining existing, smaller properties, and $4.9 million in long term investments driven by our continuing investment in Partners REIT units. These were offset by net proceeds from the sale of income producing properties of $8.8 million and income of $2 million received from investments, and loans receivable of $0.2 million. Funds used in investing activities for 2011 were $6.4 million, and related primarily to advances made to related parties in support of Colwood City Centre and Duncan projects, which were offset by proceeds from the sale of income producing properties.

Financial Position — As at December 31, 2011 Compared to December 31, 2010

Total assets increased by $11.8 million due primarily to $14.3 million increase in advances to related parties, the majority of which related to the buildout of the Colwood City Centre project, $10.6 million increase in the fair value adjustment on income producing properties, $1.6 million increase in cash, offset by $6.6 million net disposals of income producing properties and a $8.1 million net decrease in other assets including loans receivables.

Total liabilities increased by $12.3 million due primarily to a net increase of $18.7 million from issuance of Income Priority Units, and an increase in loans payable and accounts payable of $3.3 million and $2.7 million, respectively, offset by a decrease in mortgages payable of $10.5 million and loans payable to related parties of $1.9 million.

Results of Operations — Year Ended December 31, 2011 Compared to December 31, 2010

(Unless otherwise stated, all tabular amounts are in $ '000s)

Property Operating Income

	Dec. 31, 2011	Dec. 31, 2010	$ Variance	% Variance
Revenues from income producing properties	$15,747	$17,014	($1,267)	(7.4%)
Property operating expenses	$ 7,463	$ 7,843	($ 380)	(4.8%)
Property operating income	$ 8,284	$ 9,171	($ 887)	(9.7%)

During the year ended December 31, 2011, as compared to the year ended December 31, 2010, the net decrease in revenues from income producing properties was $1.3 million (7.4%), primarily due to the disposition of certain properties held for sale offset by acquisitions of income producing properties.

Property operating expenses decreased for the year ending December 31, 2011 compared to the same period in 2010 by net $0.4 million (4.8%), primarily due to the disposition of certain properties held for sale offset by acquisitions of income producing properties.

Property operating income decreased $0.9 million, as a result of the decrease in revenues from income producing properties and the increase in property operating expenses, as discussed above. Property operating income as a percentage of revenues from income producing properties was 52.6% at December 31, 2011 and 53.9% at December 31, 2010.

Interest and Other Income

	Dec. 31, 2011	Dec. 31, 2010	$ Variance	% Variance
Interest and other income	$12,007	$10,772	$1,235	11.5%

Interest and other income consists primarily of interest income received from IGW REIT's portfolio of loans and advances to related entities. During the year ended December 31, 2011, interest and other income increased $1.2 million. During that same time period, IGW REIT's loan portfolio increased $14.3 million, primarily related to advances made to Colwood City Centre Limited Partnership to support the continuing buildout of the Colwood City Centre project.

Finance Cost, Net

	Dec. 31, 2011	Dec. 31, 2010	$ Variance	% Variance
Finance cost, net	$11,155	$9,007	$2,148	23.8%

Interest expense for the year ended December 31, 2011 increased $2.1 million from the same period in 2010, primarily due to an unfavourable increase in the cost of capital on mortgages and an increase in the balance of loans payable.

Fair Value Adjustment

	Dec. 31, 2011	Dec. 31, 2010	$ Variance	% Variance
Fair value adjustment	$9,979	($1,141)	$11,120	974.6%

The fair value adjustment relates to the increase in fair market value of IGW REIT's income producing properties and properties held for sale due primarily to a reduction in capitalization rates.

Impairment Losses on Loans to Related Parties

At December 31, 2011, IGW REIT recorded an impairment loss of $7.0 million on loans receivable from related parties. The impairment loss was determined based on the present value of estimated future cash flows to be received by IGW REIT from the related parties, using a weighted average of the original effective interest rates on the loans. The loss relates primarily to a decrease in the net realizable value of two apartment buildings located in Hamilton, Ontario, and held in IGW Residential Capital LP. These buildings were originally planned to be substantially upgraded and converted into condominiums which would then be sold as separately titled properties. The recent recession had a negative impact on the Hamilton housing market, particularly in the condominium submarket. In the period 2009-2011 the condominium market experienced a significant decline, which negatively impacted the fair market value of the properties resulting in an unrealized loss within IGW Residential Capital LP. At December 31, 2011, IGW Residential Capital LP had a pending sale on a third property which resulted in an unrealized loss within IGW Residential Capital LP. These factors resulted in a reduction in the recoverability of the IGW REIT loan.

Cash Provided From Operating Activities

Cash provided by operating activities for the year ended December 31, 2011 was $3.9 million compared to $10.5 million for the same period a year earlier. The decrease is mainly due to the timing of payments of short-term liabilities.

Cash Provided From Financing Activities

Total cash provided by financing activities for the periods ended December 31, 2011 and 2010 were $4 million and $26.6 million, respectively. The majority of the 2011 funds came from net proceeds of mortgages and loan on the financing of new acquisitions and refinancing of existing properties of $21.2 million and $15.7 million, respectively, as well as net proceeds of $46.9 million from issuance of new units. These were offset by principal payments on existing mortgages and loans payable of $32.8 million and $12.9 million, respectively, and payments of distributions and redemptions to unitholders of $11.4 million and $22.7 million, respectively.

Cash Used in Investing Activities

Total cash used in investing activities for the period ended December 31, 2011 was $6.4 million. The majority of this related to increases in advances to related parties of $18.5 million, additions to income producing properties of $1.2 million and loans receivable of $0.9 million. These were offset by net proceeds from the sale of income producing properties of $12.1 million and income of $2.1 million received from investments. Funds used in investing activities for 2010 were $35.5 million, and related primarily to advances made to related parties and the purchase of units in Partners REIT.

Related Party Transactions

During the fiscal years 2012, 2011, and 2010 the following related party transactions occurred. Management of IGW REIT, in the normal course of business, carries out transactions with other business enterprises that fall within the definition of related parties. These transactions have been carried out on the basis of agreed-upon terms.

(Unless otherwise stated, all amounts are in $'000s)

	Mar. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Administrative service fees	$1,220	$3,579	$2,673	$1,911
Incentive fees	$ 86	$ 145	$ 145	$2,561
Capital appreciation fees	$ 104	—	$ 190	—
Renovation management fees	—	—	—	$ 26
Acquisition fees	$ 390	—	—	$ 229
Organization and set-up fees	$ 493	$2,147	$2,670	$1,781
Legal reimbursements	$ 65	$ 114	$ 147	$ 414
Transaction fees	$ 33	$ 106	$ 147	—
Expense reimbursements	$ 61	$ 465	$ 296	$ 114
	$2,452	$6,556	$6,268	$7,036

Administrative services fees, incentive fees, capital appreciation fees and expense reimbursements are included in profit or loss; acquisition fees and renovation management fees are capitalized to income producing properties; organization and set-up fees are capitalized as unit issuance costs; and legal services fees and transaction fees are capitalized as unit issuance costs or expensed as general and administrative fees depending on their nature.

Related Party Balances

The following related party balances have been included in loans receivable from related parties:

As at	Mar. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Colwood City Centre Limited Partnership	$ 59,887	$ 54,606	$ 39,050	$26,207
Colwood City Centre Limited Partnership	$ 17,682	$ 17,682	$ 17,682	$18,432
IGW Residential Capital Limited Partnership	$ 18,272	$ 18,272	$ 18,272	$18,272
IGW Residential Capital Limited Partnership	$ 11,284	$ 13,297	$ 9,386	$ 4,020
Redux Duncan City Centre Limited Partnership	$ 20,846	$ 20,025	$ 15,172	$12,939
Fort St. John Retail Limited Partnership	$ 5,446	$ 5,213	$ 4,293	$ 3,198
North Vernon Properties Limited Partnership	$ 3,855	$ 3,524	$ 2,491	$ 2,109
IGW Mortgage Investment Corporation	$ 297	—	$ 157	—
80 Aberdeen Office Investment Limited Partnership	—	—	$ 16	$ 38
Tyee Plaza Limited Partnership	—	—	—	—
Impairment loss provision	($ 31,600)	($ 30,800)	($ 7,000)	—
	$ 105,969	$ 101,819	$ 99,519	$85,215

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies are described in note 2 of the audited consolidated financial statements for the years ended December 31, 2012, 2011, and 2010 for IGW REIT. These statements were prepared under IFRS, under which management elected to account for the investment properties at fair market value.

Under IAS 40, *Investment Properties*, entities may elect subsequent to initial recognition to account for investment property using either the fair value model or the cost model. IGW REIT has elected the fair value model to account for its investment properties. Under the fair value model, investment properties are carried on the statement of financial position at fair value. The properties are not depreciated and changes in the fair value of the properties are recognized in the consolidated statements of comprehensive income in the period in which they occur.

Critical Accounting Estimates

A summary of significant accounting judgments, estimates, and assumptions are described in the notes to the audited consolidated financial statements for the years ended December 31, 2012, 2011, and 2010 for IGW REIT.

The fair value of income properties, in accordance with IFRS, is a significant estimate used in the preparation of the statements. These properties are valued by management with the assistance of qualified external valuation professionals using the net operating income approach. The stabilized net income is divided by an overall capitalization rate. The fair values are most sensitive to changes in capitalization rates that were derived in part from a combination of third-party appraisals and industry trends. Changes in fair value of income properties are recognized in the consolidated statements of comprehensive income in the period in which they occur. The fair value adjustment does not impact income from operations or cash flow.

The valuation of loans receivable from related parties contains significant estimates and assumptions. The related parties' ability to repay the loans contains estimates of the time horizons of the respective projects, ability to secure financing, expenditures required to complete development, pricing and market absorption.

Financial Risks

In the normal course of business, IGW REIT is exposed to a number of risks that can materially affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Interest rate risk

IGW REIT is exposed to interest rate risk on its borrowings. IGW REIT utilizes mortgage financing with varying rates and maturities. Interest rates on mortgage renewals may be significantly different than current rates. From time-to-time, IGW REIT may enter into interest rate swap contracts to modify the interest rate profile of its outstanding debt. No such contracts were in place at March 31, 2013.

Liquidity risk

Liquidity risk is the risk that IGW REIT will not be able to meet its financial obligations as they become due. IGW REIT's approach to managing its obligations is to maintain sufficient resources to meet its obligations when due without undue risk to IGW REIT.

IGW REIT's principle liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, planned funding of maintenance and improvements, leasing costs, distributions to unitholders, and property acquisition funding requirements.

These liquidity needs are funded from cash flows from operations, with the exception of debt repayment obligations, property acquisition funding requirements and, in part, distributions to unitholders. These may be funded from refinancing IGW REIT's maturing debt or obtaining second mortgages on specific properties. The particular features and quality of the underlying properties being financed or refinanced and the debt market parameters existing at the time will affect the success of this strategy. If required, other sources of funding may include disposing of specific properties.

IGW REIT's financial condition and results of operations would be adversely affected if it were unable to obtain financing/refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

IGW REIT attempts to mitigate its liquidity risk by staggering the maturities of its debt. As well, IGW REIT doesn't enter into property acquisitions unless it has secured, or knows that it can secure, the appropriate capital (debt and equity) to fund the particular acquisition.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and the perceived desirability of, such investments. Such illiquidity may limit IGW REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If IGW REIT were required to liquidate a real property investment, the proceeds to IGW REIT might be significantly less than the aggregate carrying value of such property.

Guarantees

IGW REIT has guaranteed mortgages on the properties for the following related entities:

- Redux Duncan City Centre Limited Partnership
- Fort St. John Retail Limited Partnership
- IGW Residential Capital Limited Partnership
- Colwood City Center Limited Partnership
- Wesbrooke Limited Partnership
- Eagle Landing Development Limited Partnership

These guarantees will remain until the mortgages mature or the properties are purchased by the IGW REIT.

Credit risks arise in the event that the borrowers default on repayment of their debt. To mitigate the risk of default, IGW REIT has recourse against the borrowers and would thereby have a claim against the underlying property. The estimated amount of debt guaranteed by IGW REIT, and therefore the maximum exposure to credit risk, is $96,900,000 (2011 — $54,550,000; 2010 — $15,700,000). The weighted average remaining term of the guarantees is twelve months (2011 — nine months; 2010 — eleven months).

During 2012, IGW REIT provided a guarantee for $850,000 lease financing for an Enerpro energy retrofit and metering system and building for the Cowichan District Financial Centre Limited Partnership. The initial lease term is 60 months.

On October 31, 2012, League Assets Corp. and IGW REIT provided a guarantee for up to $25 million in respect to promissory notes issued by League Opportunity Fund Ltd, a related party. Both parties to the guarantee are jointly and severally liable for any breach in the terms. As at June 20, 2013, a total of $13.5 million in notes have been issued and further issuances are closed. The guarantee expires in March 2014 concurrent with the maturity of the promissory notes. The guarantee includes a condition requiring IGW REIT to maintain a minimum net asset balance, as defined within the guarantee, of $145 million. As at the issuance date of the financial statements, the terms of the guarantee, in particular the definition of the minimum net asset balance, are being modified to exclude income priority units.

Market risk

IGW REIT operates in the Canadian commercial and residential real estate markets, and is dependent on access to financing. Fluctuations in real estate market values and general industry and economic circumstances affect the amount that can be borrowed, and the terms and conditions under which funds are available. This may limit IGW REIT's ability to execute its operating and growth plans. IGW REIT manages this risk by maintaining sufficient resources to meet its obligations without undue risk to IGW REIT.

Reconciliation of Non-IFRS Measures (2013, 2012, 2011, and 2010):

(all amounts are in $'000s)

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation amortization, fair value adjustment, equity income, gain/loss on properties and investments, distributions, impairment losses, and issuance costs. Adjusted EBITDA is a non-IFRS financial measure of financial performance and is used to show the results of operations regardless of capital structure. Adjusted EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS. Furthermore, management's method of calculating Adjusted EBITDA may differ from that of other entities and accordingly may not be comparable to financial measures with similar captions reported by other entities. A reconciliation of Adjusted EBITDA to net earnings is provided below.

	Three Months Ended Mar. 31, 2013	Three months Ended Mar. 31, 2012	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Total revenues	$ 8,123	$ 6,790	$ 29,900	$ 27,753	$ 27,786
Property operating expenses	($1,923)	($1,807)	($ 7,564)	($ 7,463)	($ 7,843)
General and administrative expenses	($ 782)	($ 886)	($ 4,952)	($ 4,725)	($ 3,054)
Adjusted EBITDA	**$ 5,418**	**$ 4,097**	**$ 17,384**	**$ 15,565**	**$ 16,889**
Finance cost, net	($2,541)	($2,277)	($10,737)	($11,155)	($ 9,007)
Equity income in consolidated entities	$ 1,006	$ 636	$ 4,349	$ 2,979	($ 667)
Gains (losses) on disposal of properties	($ 39)	($ 25)	($ 584)	($ 913)	($ 2,329)
Gains (losses) on investments	$ 1,040	($1,073)	($ 993)	($ 219)	$ 5,424
Fair value adjustment	$ 46	$ 61	($11,315)	$ 9,979	($ 1,141)
Impairment losses on loans to related parties	($ 800)	—	($23,800)	($ 7,000)	—
Distributions	($2,800)	($3,435)	($13,022)	($16,180)	($12,372)
Common unit issuance costs	—	($ 373)	($ 774)	($ 826)	($ 772)
Net earnings (loss)	**$ 1,330**	**($2,389)**	**($39,492)**	**($ 7,770)**	**($ 3,975)**

"**FFO**" is defined as net earnings in accordance with IFRS, (i) plus or minus fair value adjustments on investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus other fair value adjustments; (iv) minus acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (v) plus distributions on exchangeable units. FFO has been prepared consistently with the Real Property Association of Canada (''**REALpac**'') definition for all periods presented. FFO should not be construed as an alternative to cash flow from operating activities determined in accordance with IFRS. Management's methodology for calculating FFO may not be comparable to other entities. A reconciliation of FFO to Net Earnings (Loss) and Comprehensive Earnings (Loss) is provided below.

	Three Months Ended Mar. 31, 2013	Three months Ended Mar. 31, 2012	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Total revenues	$ 8,123	$ 6,790	$ 29,900	$ 27,753	$ 27,786
Property operating expenses	($ 1,923)	($ 1,807)	($ 7,564)	($ 7,463)	($ 7,843)
General and administrative expenses	($ 782)	($ 886)	($ 4,952)	($ 4,725)	($ 3,054)
Adjusted EBITDA	**$ 5,418**	**$ 4,097)**	**$ 17,384**	**$ 15,565**	**$ 16,889**
Finance cost, net	($ 2,541)	($ 2,277)	($ 10,737)	($11,155)	($ 9,007)
FFO	**$ 2,877**	**$ 1,820**	**$ 6,647**	**$ 4,410**	**$ 7,882**
Equity income in consolidated entities	$ 1,006	$ 636	$ 4,349	$ 2,979	($ 667)
Gains (losses) on disposal of properties	($ 39)	($ 25)	($ 584)	($ 913)	($ 2,329)
Gains (losses) on investments	$ 1,040	($ 1,073)	($ 993)	($ 219)	$ 5,424
Fair value adjustment	$ 46	$ 61	($ 11,315)	$ 9,979	($ 1,141)
Impairment losses on loans to related parties	($ 800)	—	($ 23,800)	($ 7,000)	—
Distributions	($ 2,800)	($ 3,435)	($ 13,022)	($16,180)	($12,372)
Common unit issuance costs	—	($ 373)	($ 774)	($ 826)	($ 772)
Net income (loss)	**$ 1,330**	**($ 2,389)**	**($ 39,492)**	**($ 7,770)**	**($ 3,975)**
Other comprehensive income (loss)					
Change in fair value of available-for-sale financial assets	(3,825)	—	3,888	—	—
Total comprehensive loss	**(2,495)**	**(2,389)**	**(35,604)**	**(7,770)**	**(3,975)**

Liquidity and Capital Resources

IGW REIT expects to have sufficient funds to meet all of its obligations as they become due. IGW REIT expects to have sufficient liquidity as a result of cash flow from operating activities and the disposition of properties. IGW REIT expects to roll-over mortgages as they come due. Distributions to common unitholders were suspended in June 2012 in order to conserve cash. Distributions may be reinstated once adequate cash resources are available.

Contractual Obligations

The following table shows the contractual cash flows (including principal and interest) on all of IGW REIT's non-derivative financial liabilities:

	2013	2014	2015	2016	Thereafter	Total
Mortgage payable						
Interest	$ 7,072	$ 4,290	$1,146	$ 826	$ 43	$ 13,377
Principal payments	$ 2,590	$ 1,840	$1,428	$ 1,189	$ 85	$ 7,132
Balances due on maturity	$23,835	$55,593	—	$13,934	$ 5,915	$ 99,277
Debentures						
Interest	$ 1,440	$ 1,080	—	—	—	$ 2,520
Balances due on maturity	—	$16,000	—	—	—	$ 16,000
Accounts and distributions payable and other liabilities	$19,706	—	—	—	—	$ 19,706
Limited partnership notes and investor promissory note	$ 9,773	—	—	—	—	$ 9,773
Income priority units	$20,405	$16,450	$6,386	$ 5,334	$59,289	$107,864
Total	**$84,821**	**$95,253**	**$8,960**	**$21,283**	**$65,332**	**$275,649**

Financial Instruments and Other Instruments

IGW REIT's financial assets and financial liabilities are substantially carried at amortized cost, which approximates fair value. Such fair value estimates are not necessarily indicative of the amounts IGW REIT might pay or receive in actual market transactions.

SELECTED FINANCIAL INFORMATION

The following table sets out selected financial information of the Colwood Assets for the periods indicated and is qualified in its entirety by the more complete information contained in the unaudited condensed interim carve-out financial statements of the Colwood Assets for the three month period ended March 31, 2103 and the audited consolidated carve-out financial statements of the Colwood Assets for the years ended December 31, 2012, 2011 and 2010.

	As at March 31, 2013	**December 31, 2012**	**As at December 31, 2011**	**December 30, 2010**
Total assets	**$129,650,497**	$121,383,613	$93,081,586	$76,281,489
Total liabilities	**125,560,348**	116,706,338	94,002,719	76,976,851
Net Assets (deficiency of assets)	**$ 4,090,149**	$ 4,677,275	$ (921,133)	$ (695,362)

	3-Months Ended March 31, 2013	**December 31, 2012**	**Years Ended December 31, 2011**	**December 30, 2010**
Total incidental revenues	**$ 276,131**	$ 979,762	$1,515,664	$ 1,585,600
Total operating expenses related to incidental revenues	**175,796**	629,994	969,902	941,770
Total general and administrative expenses	**364,103**	1,897,278	317,762	276,913
Depreciation expense (sales centre)	**21,115**	28,153	—	—
Net income (loss) from incidental operations	**(284,883)**	(1,601,348)	228,000	366,917
Comprehensive net income (loss)	**(284,882)**	(1,601,348)	228,000	(7,417,692)

See "– *Management's Discussion and Analysis of the Colwood Assets*" for more complete information regarding the financial statements of the Colwood Assets for the three month period ended March 31, 2013, and each of the financial years ended December 31, 2012, 2011 and 2010, including the changes in assets and liabilities over such periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF COLWOOD ASSETS

This Management's Discussion and Analysis ("**MD&A**") may contain forward-looking statements and information within the meaning of applicable securities legislation. These forward-looking statements reflect management's current beliefs and are based on assumptions and information currently available to management of the Project. See "Forward Looking Statements" for the discussion of the risks, uncertainty and assumptions relating to such information.

Part I – Overview & Financial Highlights

Basis of Presentation

Financial data included in this MD&A has been prepared using accounting policies in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). All dollar references are in Canadian dollars.

The MD&A is intended to provide readers with an assessment of the performance of the Project for the three month period ended March 31, 2013, and, over the previous three fiscal years, as well as its financial position and future prospects. The MD&A should be read in conjunction with the condensed special purpose carve-out financial statements and related notes for the three month period ended March 31, 2013, and fiscal years ended December 31, 2012, 2011 and 2010 which form part of this Circular.

In accordance with note 2(a) to the financial statements, the financial information discussed in the MD&A relates only to those assets, liabilities, revenues and expenses that form the Project. Any assets, liabilities, revenues and expenses that are owned by Colwood, but do not form part of the Project are excluded from the presentation of financial information and discussion included in this MD&A.

Overview of the Business

Colwood is a British Columbia limited partnership formed on January 19, 2007, in which Colwood GP is the general partner. The principal activity of Colwood is the development of a multi-phase, mixed-use project in the City of Colwood, British Columbia, located in the Greater Victoria area. None of Colwood's securities have been listed for trading on a public exchange.

During 2007, Colwood acquired the Project, consisting of several adjacent properties in the City of Colwood, British Columbia, for development. From 2008 to the present time, Colwood proceeded with pre-development activities including project design, budgeting and successfully securing zoning changes. The development activities have significantly decreased the gross leasable area ("**GLA**") of the Project and, consequently, the rental revenues available to Colwood. Refer to *Part III – Results of Operations* for a discussion of the development costs to date.

Project Overview

Over the next 15-20 years, it is expected that the Project will progress in multiple phases on nearly 14 acres of land. The Project currently has zoning approval for up to 3.8 million square feet of mixed-use space upon completed build and the business plan includes the following intended phases of development:

Phase	Proposed Scope of Work	Estimated sq. ft. (000's)
1	Retail space suitable for a grocery or drugstore, integrated with 7-story office building and 76-unit mid-rise condo (Phase 1A); single-story retail, 27-story condo tower with 208 units (Phase 1B)	511

Phase	Proposed Scope of Work	Estimated sq. ft. (000's)
2	Grocery store, 8-story independent senior living facility and 27-story condo tower; single-story retail	491
3	35-story tower with retail, hospitality, hotel and condo units; student housing; townhomes	472
4	27-story multi-use tower; townhomes	281
5	Student housing; townhomes; 27-story condo tower	404
6	Two 35-story condo towers	727
7	27-story condo tower	284
8	Reconstruction of single-story retail into 12-story office with retail podium	340
9	Reconstruction of single-story retail into 27-story condo tower with retail podium; low-rise entertainment facility	310
		3,810

The preliminary cost estimate of Phase 1A of the Project is $68.0 million and is expected to be completed during the second half of 2014.

The ability to recover the investment in the Project is dependent on management's ability to execute its business plan, which includes the successful financing, development and profitable sale of each phase.

The ability to continue with active development is dependent on management's ability, in the short term, to:

- raise sufficient equity;
- obtain construction financing at reasonable rates to further fund the first phase of the Project through to completion; and
- generate profitable sales of Phase I building components and timely receipt of funds to permit the repayment of existing debt and the continuation of development activities.

There is significant development and financing risk because the Project is required to obtain further financing, including senior construction financing, in order to complete construction of the first phase of its development project, and accordingly there is significant uncertainty about the ability of the Project to continue with its property development activities. The financial statements included in this Circular do not include any adjustments to the carrying value of the assets and liabilities that would be necessary if the active development assumption were not appropriate.

Financial Highlights

The following is a summary of key financial information for the periods indicated:

As at	March 31, 2013	December 31, 2012	December 31, 2011	December 30, 2010
Total assets	$129,650,497	$121,383,613	$93,081,586	$76,281,489
Total liabilities	125,560,348	116,706,338	94,002,719	76,976,851
Net assets (deficiency of assets)	4,090,149	4,677,275	(921,133)	(695,362)

	3-Months Ended March 31, 2013	December 31, 2012	Years Ended December 31, 2011	December 30, 2010
Total incidental revenues	$ 276,131	$ 979,762	$1,515,664	$ 1,585,600
Total operating expenses related to incidental	175,796	629,994	969,902	941,770
Total general and administrative expenses	364,103	1,897,278	317,762	276,913
Net income (loss) from incidental operations	(284,882)	(1,601,348)	228,000	366,917
Comprehensive net income (loss)	(284,882)	(1,601,348)	228,000	(7,417,692)

Part II – Performance Measurement

Key Performance Indicators

Colwood does not expect to generate significant revenues until completion of the first phase of the Project, which is anticipated to be at the end of the third quarter of 2014. Management has determined that the performance of the Project will be evaluated against the following key measures:

- ability to raise required capital;
- ability to secure construction financing;
- pre-sale of residential units relative to budgeted sales targets;
- leasing of office and retail space;
- construction costs relative to budget; and
- timing of construction completion relative to budget.

Part III – Financial Position

Financial Position Analysis

Statement of Financial Position – Total Assets

As at	March 31, 2013	December 31, 2012	December 31, 2011	December 30, 2010
Property under development	$126,642,376	$118,065,943	$91,280,409	$74,810,408
Sales and presentation centre	1,217,630	1,238,745	—	—
Trade and other receivables	929,297	1,109,654	874,559	887,177
Prepaid expenses and deposits	703,846	649,954	384,519	177,211
Cash and cash equivalents	73,608	249,077	542,099	406,693
Restricted Cash	83,740	70,240	—	—
Total assets	129,650,497	121,383,613	93,081,586	76,281,489

Property Under Development

Property under development is Colwood's Capital City Centre development project, which is located in the City of Colwood, British Columbia.

Property under development includes land acquisition costs, all direct development and construction costs, interest on debt, and project-related expenses of the Project. Incidental revenues and expenses during the development and construction phases are recognized as incidental revenues and expenses through profit or loss. Property under development includes:

As at	March 31, 2013	December 31, 2012	December 31, 2011	December 30, 2010
Land	$ 34,754,408	$ 34,754,408	$34,754,408	$34,754,408
Direct costs	47,537,585	41,972,081	25,648,741	19,434,144
Interest	41,490,979	38,570,967	28,429,202	18,454,601
Property taxes	2,859,404	2,768,487	2,448,058	2,167,255
Total assets	126,642,376	118,065,943	91,280,409	74,810,408

Direct costs include expenses related to the physical construction of the project, as well as architectural, planning, management and legal fees. Increases in direct costs of $8.3 million from December 31, 2010 to December 31, 2011 and $17.6 million from December 31, 2011 to December 31, 2012 are due to the development of the Project, including site clearing, shoring, excavation, formwork and concrete are consistent with management's expectations. Additions to direct costs for the first quarter of 2013 of $5.5 million also correspond with management's plans.

Increases in capitalized interest expense are directly related to the financing of the direct costs described above and are consistent with management's expectations.

Trade and Other Receivables

Trade and other receivables include:

As at	March 31, 2013	December 31, 2012	December 31, 2011	December 30, 2010
Tenant receivables	—	$ 2,882	$ 849,710	$ 301,756
Accrued CAM and property tax recoveries	145,882	64,304	56,603	152,307
GST/HST refunds	763,415	987,999	191,375	135,800
Investment proceeds receivable	20,000	54,469	157,393	—
Insurance Receivable	—	—	—	565,114
	929,297	1,109,654	1,255,081	1,154,977
Allowance for doubtful accounts	—	—	(380,522)	(267,800)
	929,297	1,109,654	874,559	887,177

Tenant receivables and accrued Common Area Maintenance "CAM" and property tax recoveries increased by $452,251 from December 31, 2010 to December 31, 2011 due to additional prior year CAM recoveries and chargebacks and decreased by $839,000 from December 31, 2011 to December 31, 2012, primarily due to the decline in leased space and the collections of incidental revenues (including Common Area Maintenance, or "**CAM**") and recoveries accrued in prior periods as well as a write-off of amounts due from a prior tenant for the 2010 – 2011 fiscal periods. The accrued CAM and property tax recoveries increase of $81,579 for the three months ended March 31, 2013 relates to a periodic reconciliation of estimates to actual amounts, which resulted in an increase in receivables.

HST refunds receivable was relatively flat from December 31, 2010 to December 31, 2011 and increased by $796,000 from December 31, 2011 to December 31, 2012 due to increased HST amounts paid due the higher level of direct costs being expended towards the end of the 2012 fiscal year as the construction activity increased.

The increase was also partially due to the timing of receipt of HST refunds. HST refunds receivable decreased by $224,584 for the three months ended March 31, 2013 as a result of refunds received from CRA in the quarter.

The allowance for doubtful accounts decreased by $381,000 from December 31, 2011 to December 31, 2012 due to the write-off of tenant receivables related to a prior tenant as noted above. This bad debt had been accrued in the 2010 and 2011 fiscal years.

Prepaid Expenses and Deposits

Prepaid expenses and deposits increased by $265,000 from December 31, 2011 to December 31, 2012. The increase is primarily due to an increase in prepaid insurance related to the start of higher construction activity, new permit, excavation and realty deposits and offset by a reduction in mortgage interest reserve funds. The increase of $54,000 in the first three months of 2013 relates to the continuation of similar activities as during the 2012 year.

Statement of Financial Position – Capital and Liquidity

The Project manages its capital structure in order to support the ongoing development of its property, to ensure that there are sufficient funds available to finance operations and to meet capital commitments. The Project defines capital as the aggregate of Colwood's Class A units and debt.

The Project's principal sources of financing have been from the issuance by Colwood of Colwood's Class A units, the loans from related parties, loans payable, and mortgages payable. The ability to obtain mortgages payable is dependent on the value of the property, the success of the property development and the cash flow the property generates.

On January 30, 2013, Oriana Resource Corporation and Colwood City Centre GP Inc. entered in a letter of intent to pursue a transaction to combine the businesses into a new publicly listed company on the TSX Venture exchange. As part of this transaction, it is expected that the loans payable from Colwood City Centre Limited Partnership to IGW REIT LP and to the holders of the Loans payable (2010, Class I, Class II, Class B and Class M notes) will be exchanged into a fixed number of common and preferred securities in the combined entity. The number of shares to be issued on the exchange of debt totalling ● will be ● preferred shares and ● common shares.

Colwood is currently in negotiations to secure construction financing sufficient to complete Phase 1A within the anticipated project time line. In addition, Colwood anticipates refinancing current mortgages into longer term instruments.

The following table shows the Project's capital as at each period end:

As at	March 31, 2013	December 31, 2012	December 31, 2011	December 30, 2010
Loans payable	$ 32,080,539	$ 31,171,749	$16,860,024	$ 6,683,416
Loans payable to related parties	74,589,577	69,298,749	60,913,246	46,477,999
Mortgages payable	10,878,274	10,875,609	14,532,624	21,839,824
Net assets	4,090,149	4,667,275	(921,133)	(695,362)
Total capital	121,638,539	116,023,382	91,384,761	74,305,877

Loans Payable

During the year ended December 31, 2010, Colwood issued 2010 Notes totalling $6.7 million.

Further 2010 Notes, as well as Class B notes, Class I notes and Class II notes were issued during the year ended December 31, 2011, bringing outstanding loans payable to $16.9 million, comprising $12.7 million in 2010 Notes, $3.7 million in Class B notes, $75,000 in Class I notes and $383,000 in Class II notes.

During year ended December 31, 2012, $2.0 million of notes matured and were repaid to investors, and a further $14.5 million of notes were issued. This resulted in outstanding loans payable as of December 31, 2012 of $31.3 million, comprising $3.4 million in Term Notes, $11.8 million in Class B notes, $1.6 million in Class I notes, $11.1 million in Class II notes and $3.5 million in Class M Notes.

During the first three months of 2013 $0.3 million of 2010 Notes were repaid to investors, and a further $1.0 million of notes were issued (Class B, $275,397, Class I, $600,000, Class II, $681,000). This resulted in outstanding loans payable as of March 31, 2013 of $32.0 million, comprising $3.0 in 2010 Notes, $12.0 in Class B notes, $1.8 million in Class I notes, $12.0 million in Class II notes and $3.5 million in Class M Notes.

The cost of issuing the notes during fiscal 2012 and the first quarter of 2013 was $327,000, which has been netted against the loans payable on the statement of financial position and amortized over the term of the debentures.

The 2010 Notes bear interest at a rate of 12% per annum, payable monthly, and have reached the end of their term, but remain outstanding. The remainder of the notes are issued on the following terms, with interest payable monthly:

Class	Interest Rate (per annum)	Term
Class I	11.5%	18 months
Class II	12.0%	24 months
Class B	11.0%	36 months
Class M	11.0%	30 months

The Class M notes rank subordinate in priority to the mortgages and other collateral securing the mortgages. The Class B notes rank subordinate in priority to the Class M notes and to the mortgages and other collateral securing the mortgages. The 2010 Notes, Class I and Class II notes rank *pari passu* with each other but rank subordinate in priority to the Class M notes, Class B notes and to the mortgages and other collateral securing the mortgages

Colwood maintains the right to repay all of the above notes without premium or penalty on any date after the first anniversary date of the issue date of the related note.

Loans payable to Related Parties

As of December 31, 2009, IGW REIT LP, an entity related to Colwood by common management, had provided loans to the Project totalling $16.9 million at a rate of 14.0% per annum and held $10.6 million of Class B units in Colwood.

During the year ended December 31, 2010, those Class B units were converted into a loan and additional amounts were advanced on the loan. A loss of $7.8 million associated with the conversion was recognized in the financial statements. The total loans from IGW REIT LP at that date totalled $46.5 million, including $26.2 million at a rate of 14.0% per annum and $20.3 million at a rate of 10.0% per annum.

By December 31, 2011, the loans payable by the Project to IGW REIT LP had increased by $13.8 million to $60.3 million, comprising $39.0 million at a rate of 14.0% per annum and $21.3 million at a rate of 10.0% per annum.

On January 1, 2012, IGW REIT LP reduced the interest rate on the balances previously at 14.0% interest per annum to 11.0% per annum. During the year ended December 31, 2012, the Project increased its loans payable to IGW REIT LP by $8.4 million with $6.6 million added to the loans at 11.0% and $1.8 million added to the loans at 10.0%.

By March 31, 2013 the loans payable by the Project to IGW REIT LP had increased by $5.5 million to $74.2 million with $5.1 million added to the loans at 11.0% and $0.4 million added to the loans at 10.0%.

The weighted average interest rate of the loans payable to related parties as at March 31, 2013 was 10.62% (December 31, 2012: 10.66% and December 31, 2011: 12.55%).

The use of funds received by the Project from the increase in loans payable to related parties include, construction costs for the Project, servicing of debentures already issued and the payment of fees under Colwood's management agreement (see Related Party Transactions).

Mortgages Payable

As of December 31, 2009, the Project had borrowed $19.0 million in fixed rate mortgages at interest rates ranging from 5.7% to 15.0% per annum and $5.7 million in a variable rate mortgage at prime plus 2.75% per annum. During the year ended December 31, 2010, $2.9 million of principal payments were made on certain fixed rate mortgages, reducing the balance of fixed rate mortgages to $16.1 million and the total mortgages to $21.8 million. By December 31, 2011, $7.3 million of additional principal payments were made on the fixed rate mortgages, reducing the balance of fixed rate mortgages to $8.8 million and the total mortgages to $14.5 million.

As at December 31, 2012, the Project's mortgages payable totalled $10.9 million of which $10.6 million are due on demand and $360,000 is due April 2017. During the year ended December 31, 2012, two mortgages were fully repaid in the amounts of $489,000 and $354,000, which were at interest rates of 5.7% and 14.0% respectively. A new mortgage at a rate of 3.29% with a December 31, 2012 balance of $360,000 was obtained during the year. The weighted average effective interest rate of the mortgages payable as at December 31, 2012 was 7.16%.

As at March 31, 2013, the Project's mortgages payable totalled $10.9 million of which $7.3 million are due on demand and $3.3 million are due September 2013, and $360,000 is due April 2017. The weighted average effective interest rate of the mortgages payable as at March 31, 2013 was 7.16%.

The Project's objective in securing mortgages for its property under development and managing its long-term debt is to stagger any renewal maturities in order to mitigate the risk of short-term volatilities in the debt markets.

The Project is currently in arrears on its property tax obligations in certain land parcels within the Project lands and, as such, is in default of the covenants on related mortgages payable, making them payable on demand. The Project plans to utilize construction or other sources of financing to pay the property tax arrears and repay these mortgages in full. If the mortgages were to be called and the Project could not obtain sufficient financing to cover the amounts payable, the Project may be required to liquidate certain assets.

Financing costs represent commitment fees, capital raising fees paid to Colwood's manager and other fees paid in connection with securing mortgages and loans receivable. The unamortized balance of financing costs related to mortgages, securities and debentures at March 31, 2013 was $193,000, which is $19,000 lower than the $212,000 at December 31, 2012 and $157,000 higher than the December 31, 2011 year-end balance of $36,000. The decrease is due to recognition of deferred financing costs through incidental rental expenses, in accordance with the effective interest method. The unamortized portion of the financing costs is netted against the Project's mortgages payable and loans payable on the statements of financial position.

Related Party Transactions

League Assets Corp.

Colwood has retained League, a company under common control with Colwood GP to provide advisory, asset management, and administration services. The balance payable to League representing the fees payable is unsecured, without stated repayment terms and bears no interest. Under the terms of Colwood's partnership agreement, League is entitled to receive an annual administrative services fee equal to 1.0% of the aggregate amount of the capital contributions for the Class A units and proceeds from issued debentures, an organization and set-up fee (unit issue costs) equal to 6.5% of the aggregate amount of capital contributions during the period for the Class A units, and a loan fee equal to 6.5% of the aggregate amount of debentures raised during the period for Colwood.

In addition, after the limited partners have received a return of original contributed capital plus a 10.0% per annum return thereon, League is entitled to incentive management fees of 20% to 50% of additional returns from the Project.

Under the terms of Colwood's partnership agreement, Colwood paid or accrued the following fees to League for the quarter ended March 31, 2013: $ 252,000 in administrative services fees, $36,000 in loan fees, nil in incentive management fees, and nil in mortgage assumption fees. For the year ended December 31, 2012: $874,000 in administrative services fees (2011: $302,000), $888,000 in loan fees (2011: $739,000), nil in incentive management fees, and nil in mortgage assumption fees.

Colwood has also entered into a Development Management Agreement with League to manage the development of the Project, in exchange for 3.5% of the average monthly budgeted development costs, excluding land acquisition costs, financing costs, interest, taxes, and fees payable under the Development Management and partnership agreements. In addition, League is entitled to leasing fees consistent with current third-party rates and selling commissions on the execution of all purchase agreements for residential units of the Project equal to $5,000 plus 2.5% of the amount exceeding $100,000, per residential unit. Under the terms of the Development Management Agreement, Colwood paid or accrued the following fees to League for the quarter ended March 31, 2013: $0.4 million in development management fees, nil in leasing fees, and nil in selling commissions. In the year ended December 31, 2012: $1.6 million in development management fees (2011: nil), nil in leasing fees, and nil in selling commissions.

IGW REIT Limited Partnership

The amounts advanced from IGW REIT LP are unsecured, bear interest at 10.0% per annum and 11.0% per annum and have no specified terms of repayment. The parties are related due to common management.

Interest on loans from related parties of $1.98 million was accrued during the first quarter of 2013, $6.6 million was accrued during the year ended December 31, 2012 (2011: $6.2 million) and is included in the balance of loans payable to related parties.

Part IV – Risks & Uncertainties

Properties under development are inherently subject to certain risks and uncertainties due to their relative illiquidity and long term nature of the investment. Some of the external factors that the Project is exposed to include fluctuations in interest and inflation rates, access to debt, fulfilling legal and regulatory requirements, and expansion or contraction in the economy as a whole.

The following is an examination of the key factors that influence the Project's progress.

Project Risk

The economic performance and value of the Project's property under development will be subject to all of the risks associated with investing in real estate, including, but not limited to: access to adequate financing; changes in the national, regional and local economic climate; local conditions, including an oversupply of real estate properties, or a reduction in demand for properties; the attractiveness of all or parts of the Project; competition from other available properties; maintenance of actual construction and other development costs to budget; delays in project completion; and changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes.

The Project believes it will be successful in raising the funds required for the project through additional equity and debt offerings, construction financing, proceeds from the sale of constructed residential units, or by securing other sources of funding in sufficient amounts at reasonable rates to complete its planned development activities.

In the meantime, a significant portion of the current financing requirements for this project is currently being provided by IGW REIT LP.

The long-term nature of the project means that it will be exposed to more than one business cycle and this market risk will need to be managed accordingly.

Financing and Interest Rate Risk

There is a financing risk associated with the Project's need to obtain further financing including senior construction financing in order to complete construction of the first phase of its development project and accordingly, there is significant uncertainty about the ability of the Project to continue with its property development activities.

In addition, there is a financing risk associated with the Project's on-going need to access debt markets to refinance maturing debt as it becomes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions that are acceptable to management, which may lead to the Project being unable to meet its obligations and could result in the Project being required to liquidate its assets. The Project's strategy of staggering the maturities of its debt portfolio attempts to limit the exposure to excessive amounts of debt maturing in any one period.

The Project is exposed to interest rate risk on its loans payable, loans payable to related parties, and mortgages payable – one of which bears interest at a variable rate. At the reporting date the interest rate profile of the Project`s interest-bearing financial instruments was:

As at	March 31, 2013	December 31, 2012	December 31, 2011	December 30, 2010
Fixed rate debt	$114,284,399	$113,563,408	$84,823,613	$69,605,560
Variable rate debt	3,263,991	3,264,083	5,726,274	5,726,274
	117,548,391	116,827,491	90,549,887	75,331,834

If interest rates at March 31, 2013 had been 100 basis points higher or lower, the impact on the Project's interest calculated on all variable debts and fixed rate debts maturing over the next 24 months (excluding trade and other accrued liabilities) with all other variables held constant, would have been an increase/decrease of $1.2 million.

The Project attempts to stagger the maturities of its debt portfolio evenly over an adequate time horizon in order to effectively manage financing and interest rate risks.

The Project is currently involved in a recapitalization process, the completion of which is considered by management to be critical to obtaining the financing required to complete the development of the project. More information on the proposed transaction that would complete the recapitalization process can be found in this Circular. If the proposed transaction or another transaction with terms acceptable to management cannot be completed, the Project may be required to liquidate its assets

Liquidity Risk

Liquidity risk is the risk that the Project will not be able to meet its financial obligations as they come due, will not have sufficient debt and equity capital available to fund the planned development, and/or refinance debts as they mature. Liquidity risk also arises when the Project is not able to obtain financing or refinancing on favourable terms.

The Project's approach to managing its obligations is to maintain sufficient resources to meet its obligations when due without undue risk or recourse to the Project.

The Project's liquidity needs arise from working capital requirements, debt servicing and repayment obligations and planned funding of the property under development.

These liquidity needs are funded from incidental cash flows from operations and new equity and/or debt proceeds. Debt repayment obligations are generally funded from refinancing the related debt; and property under development is generally funded from debenture raises, as well as obtaining debt financing from IGW REIT LP.

The Project is currently in arrears on its property tax obligations in certain land parcels within the Project lands and, as such, is in default of the covenants on related mortgages payable, making them payable on demand. The Project plans to utilize construction or other sources of financing to pay the property tax arrears and repay these mortgages in full. If the mortgages were to be called and the Project could not obtain sufficient financing to cover the amounts payable, the Project may be required to liquidate certain assets.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to the demand for and the perceived desirability of such investments. Property under development is particularly illiquid due its inability to generate cash flows without significant additional investment. If the Project was required to liquidate any of its property under development, the proceeds to the Project might be significantly less than the aggregate carrying value of such property.

Environmental Risks

The Project is subject to various federal, provincial and municipal laws and regulations relating to environmental matters, which deal primarily with the costs of removal and remediation of hazardous substances. Management is not aware of any material non-compliance with environmental laws or regulations at the Project's property, or of any pending or threatened actions, investigations or claims against the Project relating to environmental matters.

Management will continue to make capital and operating expenditures that are necessary to ensure that the Project is compliant with environmental laws and regulations. At this time, management does not believe these costs will have a material adverse impact on the Project's business or financial results. Management understands that environmental laws and regulations are subject to change and the Project's financial liabilities can be adversely impacted if the laws and regulations become more rigorous.

Taxation

Under the provisions of the Income Tax Act, the partners are responsible for income taxes on their share of Colwood's net earnings. Consequently, no provision for income taxes has been made in the financial statements.

Part V – Critical Accounting Policies, Estimates and Internal Controls

Critical Accounting Policies

The Project's critical accounting policies are those that management has determined to be the most important in portraying the Project's financial condition and results, and which require the most substantive estimates and judgment.

The preparation of financial statements requires certain estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Project's significant accounting policies are described in Note 2 to the special purpose carve-out financial statements for the year ended December 31, 2012. Management believes that the following policies are those most subject to estimation and judgment.

Property under development

Property under development is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the necessary costs required in completing the sale. Any write-down to net realizable value is recognized in profit or loss when it occurs.

Property under development includes the property, or components thereof, that will undergo activities that will take a substantial period of time to complete in order to prepare the property for their use as either an income producing property or inventory property.

In determining the net realizable value of the property under development, management must make estimates and assumptions regarding estimated selling price, cost of completion and selling costs.

Financial Instruments

We classify our financial instruments into categories based on the purpose for which the instrument was acquired or issued, its underlying characteristics, and our designation of the instrument. The category into which we classify the financial instruments determines its measurement basis subsequent to initial recognition.

The following summarizes the Project's classification and measurement of its financial assets:

Financial Asset	Classification	Measurement
Trade and other receivables	Loans and receivables	Amortized cost
Cash and cash equivalents	Available for sale	Fair value

The following summarizes the Project's classification and measurement of its financial liabilities:

Financial liability	Classification	Measurement
Mortgages payable	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Loans payable to related parties	Other financial liabilities	Amortized cost
Trade payables and accrued liabilities	Other financial liabilities	Amortized cost

In determining the fair value of financial instruments, management must make estimates and assumptions with respect to current market interest rates, credit spreads and terms to maturity.

Use of Estimates

The Project makes estimates and assumptions that affect carried amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Our estimates are based on previous experience, results, and various other assumptions that are believed to be reasonable under the circumstances. The result of our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of the Project's assets and liabilities, and the reported amounts of revenues and expenses that are not readily apparent from other sources. Consequently, actual results could differ from these estimates.

Disclosure Controls and Internal Controls

Management maintains appropriate information systems, procedures and controls to ensure the information that is publicly disclosed is complete, reliable and timely. This includes establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF LEAGUE OPPORTUNITY FUND AS AT MARCH 31, 2013.

Overview & Financial Highlights

Basis of Presentation

Financial data included in this Management's Discussion and Analysis ("**MD&A**") covers:

(i) the period from formation on September 18, 2012 to December 31, 2012

(ii) three months ended March 31, 2013

(iii) material information up to June 30, 2013.

Financial data provided has been prepared using accounting policies in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") for fiscal periods ending in 2012 and 2013. This MD&A has been prepared solely for the purposes of inclusion in an information circular document as part of a listing process. Readers are cautioned that the MD&A may not be appropriate for their purposes.

The MD&A is intended to provide readers with an assessment of the performance of the League Opportunity Fund over the period referenced, as well as our financial position and future prospects. The MD&A should be read in conjunction with the financial statements and appended notes for the period from formation on September 18, 2012 to December 31, 2012 and, three months ended March 31, 2013, which begin after page F-317 of this Prospectus.

Current Business Environment and Outlook

League Opportunity Fund continues to execute on its business plan and is operating as anticipated. A total of $13.5 million of secured convertible promissory notes (the "LOF Convertible Notes"), were issued to accredited investors by February 10, 2013 concluded the offering. Interest of 8% per annum is calculated monthly and paid quarterly.

Overview of the Business

League Opportunity Fund Ltd. (LOF) was incorporated under the laws of Ontario on September 18, 2012 and is a wholly owned subsidiary of League Assets Limited Partnership. League Assets Limited Partnership also owns 100% of LEAGUE Assets Corp, LEAGUE Investment Services, LEAGUE Capital Markets, IGW REIT LP and the general partner corporations of the limited partnerships that LEAGUE manages (these entities, collectively, called "LEAGUE").

LOF was created to raise funds for purposes of providing bridge capital to fund the acquisition of and investment into strategic corporate and real estate assets intended to accelerate the growth of LEAGUE. The LOF Convertible notes mature on March 14, 2014 at which time the conversion option will allow note holders to exchange/convert notes for shares (the "Exchange Option") in League Financial Partners (LFP), the intended public entity, on the day its shares are listed on the Toronto Stock Exchange or the TSX Venture Exchange (the "Listing Transaction"), at a 25% discount to the listing price of the shares of LFP.

Financial Highlights

Following is a summary of key financial information for the periods indicated:

	31-Mar-2013	31-Dec-2012
Total Assets	$12,227,049	$9,497,780
Total Liabilities	12,984,029	9,934,627
Total Deficiency	(720,980)	(436,847)

	Three Months Ended March 31, 2013	105 day period Ended December 31, 2012
Total Revenues	$ 268,315	$ 79,217
Total Expenses	552,448	516,164
Net Loss	(284,133)	(436,947)

Revenue

Revenues are derived from interest provided through two loan agreements. One is between League Opportunity Fund and League Assets Corp., the borrower and administrator of borrowed funds for strategic investment. The Loan bears interest, including interest on overdue interest, on any unpaid principal balance at a rate of interest of 10.0% per annum calculated monthly. The second is between League Opportunity Fund and Green Tree Acquisition Corp. and Green Tree Capital Management Inc., which bears interest at 7% cash and 3% in kind per annum calculated monthly.

Expenses

The majority of expenses relate to interest calculated on the LOF Convertible notes and the amortization of debt issuance costs over the 18.4 month term of the investment maturing on March 14, 2014.

The following is selected financial information from LOF's Statement of Comprehensive Income (Loss) for the period from formation on September 18, 2012 to December 31, 2012 and, three months ended March 31, 2013.

	Three month period ended March 31, 2013	105 day period ended December 31, 2012	Change
Expenses			
Interest on Loans Payable	265,289	62,102	327%
Amortization of debt issuance costs	196,921	130,254	51%
Professional fees	—	319,607	—

Interest expense was relatively higher in the first quarter of 2013 over the fourth quarter of the 2012 due to an increase in the balance of loans payable and an increased time period of the loans outstanding during the respective quarters.

Professional fees incurred in 2012 related to evaluations of investment into strategic corporate and real estate assets consistent with management's plan for the growth of LEAGUE.

Related Party Transactions

League Opportunity Fund's shares are wholly owned by League Assets Limited Partnership. League Assets Limited Partnership also owns 100% of LEAGUE Assets Corp (LAC) and League Capital Markets (LCM). The due from related party balance is chiefly due from LAC and LCM.

The following are the amounts due from League Capital Markets and League Assets Corp. as at December 31, 2012 and March 31, 2013.

	As At March 31, 2013	As At December 31, 2012	Change
Assets			
League Capital Markets	692,424	667,357	4%
League Assets Corp	10,075,434	6,955,831	45%

Risks & Uncertainties

In the normal course of business, League Opportunity Fund is exposed to a number of risks that can materially affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Credit Risk

League Opportunity Fund is exposed to credit risk as a lender of financing in the event that a borrower is unable to make the contracted payments. League Opportunity Fund does not believe that there is significant credit risk associated with these receivables as a result of Management's evaluation and ongoing monitoring of the related entities' financial condition.

Liquidity Risk

This risk to League Opportunity Fund is generally low. League Opportunity Fund's approach to managing liquidity is to ensure that it has sufficient cash and or credit facilities available to meet its obligations when due.

Market Risk

League Opportunity Fund does not have any significant foreign currency or interest rate risk.

Critical Accounting Policies and Estimates

League Opportunity Fund.'s critical accounting policies are those that management has determined to be the most important in portraying League Opportunity Fund's financial condition and results, and which require the most substantive estimates and judgment.

The preparation of financial statements requires certain estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. League Opportunity Fund's significant accounting policies are described in Note 2 to the annual audited financial statements for the year ended December 31, 2012.

League Opportunity Fund makes estimates and assumptions that affect carried amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Our estimates are based on previous experience, results, and various other assumptions that are believed to be reasonable under the circumstances. The result of our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of League Investment Services Inc.'s assets and liabilities, and the reported amounts of revenues and expenses that are not readily apparent from other sources. Consequently, actual results could differ from these estimates.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF LEAGUE INVESTMENT FUND LTD. AS AT MARCH 31, 2013.

Overview & Financial Highlights

Basis of Presentation

Financial data included in this Management's Discussion and Analysis ("**MD&A**") covers:

(i) the period from formation on February 1, 2013 to March 31, 2013

(ii) material information up to June 30, 2013.

Financial data provided has been prepared using accounting policies in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") for fiscal periods ending 2013. This MD&A has been prepared solely for the purposes of inclusion in an information circular document as part of a listing process. Readers are cautioned that the MD&A may not be appropriate for their purposes.

The MD&A is intended to provide readers with material information up to June 30, 2013 of the League Investment Fund Ltd. over the period referenced. The MD&A should be read in conjunction with the financial statements and appended notes for the period from incorporation on February 1, 2013 to March 31, 2013 on page F-334 of this Prospectus.

Overview of the Business

League Investment Fund Ltd. (LIF) was incorporated under the laws of the Province of Ontario on February 1, 2013. It is a wholly owned subsidiary of League Assets Limited Partnership. The company plans to issue up to $15 million of units (the "Units") by way of private placement. The Units, each with a subscription price of $1,000, will consist of a $1,000 principal amount convertible unsecured promissory note (the "**LIF Convertible Notes**") and 50 Common Share purchase warrants (the "**Warrants**").

On incorporation, League Assets Limited Partnership acquired the sole share of the Company. LIF experienced no financial activity during the period of incorporation on February 1, 2013 to March 31, 2013.

On April 30, 2013 (the Closing Date) LIF issued $1,579,000 of units to accredited investors. The units mature 30 months from the Closing Date on October 31, 2015, at which time units will be converted to common shares in League Financial Partners (LFP), the intended public entity, on the day its shares are listed on the Toronto Stock Exchange or the TSX Venture Exchange (the "**Listing Transaction**"), at a rate determined by the listing price and application of a prescribed formula set out in the subscription agreement.

Interest of 8% per annum is calculated monthly and paid quarterly. On June 30, 2013 LIF paid interest of $21,111 to investors.

Critical Accounting Policies and Estimates

The preparation of financial statements requires certain estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. LIF significant accounting policies are described in Note 2 to the financial statements for the period from incorporation on February 1, 2013 to March 31, 2013.

LIF makes estimates and assumptions that affect carried amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Our estimates are based on previous experience, results, and various other assumptions that are believed to be reasonable under the circumstances. The result of our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of LIF's assets and liabilities, and the reported amounts of revenues and expenses that are not readily apparent from other sources. Consequently, actual results could differ from these estimates.

/s/ Adam Gant Director

/s/ Emanuel Arruda Director

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information regarding the directors of the Company as of the date of this Prospectus. The Company's Board is currently comprised of six directors, three of whom are Independent. Following completion of the Transactions, LEAGUE will consider the appointment of an additional Independent director. As a group, the directors and executive officers of the Company, immediately following completion of the Transactions, will beneficially own or exercise control or direction, directly or indirectly, over ● Common Shares (representing ●% of the Common Shares at such time) and ● Preferred Shares (representing ●% of the Preferred Shares at such time).

The following table sets forth the names, municipalities of residence, positions held with the Company, principal occupations, and other information for each of the directors and executive officers of the Company as of the date of this Prospectus.

Name and Municipality of Residence	Position with the Company	Principal Occupation if Different from Position Held
Adam Gant Victoria, British Columbia	Director, Co-Chair and Chief Executive Officer	—
Emanuel Arruda Victoria, British Columbia	Director, Co-Chair and Chief Branding Officer	—
Patrick Miniutti Victoria, British Columbia	Director and President	—
Peter Nixon(1)(2)(3) Hong Kong	Director	Founder and managing director of Potential Dialogue
Jacqueline Boddaert(1)(2)(3)(4)(5)(6) Toronto, Ontario	Director	Chief Executive Officer of NorRock Asset Management Ltd.
Carlos Miranda(1)(2)(3) Sao Paulo, Brazil	Director	Chief Executive Officer of BR Opportunities Entrepreneur Partners
John Parkinson Victoria, British Columbia	Chief Financial Officer	—
Jeffrey Simpson Victoria, British Columbia	Head of Urban Development	—
Peter Morris Victoria, British Columbia	Chief Operating Officer	—

Notes:

(1) Member of the Audit Committee.
(2) Member of the Compensation, Nominating and Corporate Governance Committee.
(3) Independent member of the Board.
(4) Chair of the Compensation, Nominating and Corporate Governance Committee.
(5) Chair of the Audit Committee.
(6) Lead Director

The principal occupations of each of the directors and executive officers of the Company for the five years preceding the date of this Prospectus are set out below.

Adam Gant, Victoria, British Columbia. Mr. Gant is an accomplished entrepreneur and valuation specialist with a specific expertise in the financial aspects of real estate investment. He has over 11 years experience in the fields of private real estate investment, property management, financing and residential construction. Mr. Gant co-founded LEAGUE's business (through a predecessor entity) in 2005 and currently acts as Chief Executive Officer and Co-Chair of LEAGUE. In addition, he is also the Chief Executive Officer and a trustee of Partners REIT. In his positions at LEAGUE and Partners REIT, Mr. Gant oversees all aspects of the acquisition and asset management processes, including, without limitation, due diligence, financial and risk analysis, management reporting and corporate and regulatory compliance.

Emanuel Arruda, Victoria, British Columbia. Mr. Arruda is an accomplished entrepreneur, author, and investor relations specialist. Mr. Arruda, with Mr. Gant, co-founded LEAGUE's business (through a predecessor entity) in 2005 and he currently acts as Chief Branding Officer and Co-Chair of LEAGUE. Prior to founding LEAGUE, Mr. Arruda owned and was President of a marketing and design firm. He also has experience in the area of business consulting. Mr. Arruda developed LEAGUE's communications platform on the pillars of unparalleled fiscal transparency, accountability, and alignment of interests, which he then codified into a 21-point declaration of LEAGUE's core values and operating principles. In his position as co-chair at LEAGUE, Mr. Arruda is responsible for leading the development, implementation and improvement of the firm's operating systems. He also oversees the investor relations platform, ensuring accurate and timely delivery of information to all stakeholders.

Patrick Miniutti, Victoria, British Columbia. Mr. Miniutti is LEAGUE's President as well as the President and a trustee of Partners REIT. Before joining LEAGUE, Patrick served as Managing Director with Sunset Realty Services, a financial and management advisory services firm, which assisted in the acquisition and asset management of community and outlet centres and the development and management of low income and multi-family housing. Prior to this, he served concurrently as Executive Vice President, Chief Financial Officer and Chief Operating Officer and also on the Board of Directors for Konover Property Trust, a public company that owned, developed and managed grocery-anchored centres and outlet centres. Mr. Miniutti has also served as: Executive Vice President and Chief Financial Officer and on the Board of Directors for Crown American Realty Trust, a public company operating regional malls; Chief Financial Officer at New Market Companies, one of the first developers of retail power centres; Executive Vice President, Chief Operating and Chief Financial Officer of Western Development Corporation (predecessor to The Mills Corporation, owner and developer of Mills Malls) and, Vice President-Financial Services and Chief Accounting Officer for Cadillac Fairview Corporation's Urban Business Unit, a public company and a developer and owner of office and mixed-used properties. He began his career in accounting with KPMG and then moved to Kenneth Leventhal & Company, where he continued to specialize in commercial and residential real estate. Mr. Miniutti has a Bachelor of Science degree in Accounting from the University of Bridgeport and substantially completed his MBA studies at Michigan State University. He is a Certified Public Accountant and has served as a member of the AICPA's Real Estate Accounting Committee.

Peter Nixon, Hong Kong. Mr. Nixon, author of Dialogue Gap ("one of the best business books published this century" – South China Morning Post) and Negotiation, Mastering Business in Asia advises senior private and public sector leaders around the world in relation to their high level negotiations and strategic dialogues. Peter is managing director of Potential Limited (his service business) and Potential Network Limited (licensor of consultants using his materials). Prior to launching his consulting career Peter was an external auditor for PwC legacy firm Coopers & Lybrand in Montreal, Geneva and Hong Kong. Peter speaks to audiences around the world including the World Presidents' Organization and Young Presidents' Organization (WPO-YPO), Entrepreneurs' Organization (EO), leading business schools, schools of government, schools of medicine, institutes of management and various chambers of commerce and professional institutes. Advisory clients include the shareholders, directors and senior leadership teams of leading multinational corporations, governments, charities and family businesses. Peter has worked in over 50 countries and is the former Chairman of Discovery

Bay International School, a member of the Corporate Governance Committee of the Hong Kong Committee for UNICEF and a Trustee for Outward Bound Hong Kong. Peter has degrees from Bishop's University (BBA), McGill University (GDPA) and The University of Leicester (MSc.). Peter has also completed studies at The University of Alberta, Harvard University, INSEAD and Fielding Graduate University.

Jacqueline Boddaert, Toronto, Ontario, Canada. Ms. Boddaert has over 20 years of diversified business experience as a senior executive in the financial services, packaged goods and pharmaceutical industries. She is a Director and CEO for NorRock Realty Finance Corporation a publicly listed company that invests in a portfolio of secured loans and investments in the Canadian commercial real estate sector and for NorRock Asset Management Ltd. an Investment Fund Manager, Portfolio Manager and Exempt Market Dealer. Ms. Boddaert is formerly a director and Chief Executive Officer of Monarch Wealth Corporation, a Mutual Fund Dealer based in Toronto, as well as President of Monarch Wealth Assurance Agencies Inc. and Monarch Wealth Deposit Group Inc. These businesses collectively managed over $800 million of client assets. She is also presently a Director and board member of the Federation of Mutual Fund Dealers. Ms. Boddaert is a graduate of the University of Western Ontario.

Carlos Alberto Miranda, Sao Paulo, Brazil. Mr. Miranda is the Founder and CEO of BR Opportunities, a Brazilian Private Equity Firm focused on High Growth Entrepreneurial Organizations. Before founding BR Opportunities Carlos worked at Ernst & Young for 21 years, in the areas of Corporate Finance, Management and Strategy Consulting. Carlos was a Partner of the firm in the Transaction Advisory Services department from 1998 to 2010, having served in this department as Managing Partner for Brazil for four years, and as a Member of the Advisory Board for South America from 2007 to 2010. From 2006 to 2010, he was also responsible for the Strategic Growth Markets department in South America, geared to assisting fast-growing organizations in their transformation into market leaders. In addition to leading the teams responsible for Management Advisory Services, M&A, IPOs and Private Equity funds, Mr. Miranda implemented Entrepreneurship programs in Brazil, Chile, Colombia, Peru and Argentina, which he coordinated from 2006 to 2010. During these years, he assisted companies from different segments (both public and private) with their growth strategies, taking part in a variety of business feasibility, mergers and acquisitions, strategic consulting, IPO, company assessment and business integration processes. Mr. Miranda has authored many papers and articles, and lectures on strategy, corporate finance and entrepreneurship. He co-authored "Brazilian Family Owned Businesses" organized by Professor Ives Gandra Martins. Mr. Miranda holds an M.A. in Business Administration from IBMEC –RJ, and a B.A. in Architecture and Urban Planning. He also received an MBA in Finance from IBMEC-RJ (where he wrote his dissertation on "Competencies of the Entrepreneur at an Organization under Development"). Mr. Miranda participated in the Management and Strategy for Executives Program at the Kellogg Business School of Management at Northwestern University, Chicago. In addition to his functions at BR Opportunities, Mr. Miranda also serves as Board Member of the following committees: (i) Executive and Counselor Committee of the Portuguese Chamber of Commerce and Industry in Brazil, and President of the Audit and Finances Committee of the same; (ii) Brazilian Private Equity and Venture Capital Association (ABVCAP) Entrepreneurial Development and Seed Funding Committee; and (iii) President of Flores Online Board.

John Parkinson, Victoria, British Columbia. Mr. Parkinson is a senior executive with cross-industry experience in the management of high growth, dynamic companies. He has experience in the management of public companies and in corporate finance. He joined the predecessor to LEAGUE in September 2012 as the Chief Financial Officer responsible for real estate operations, including Capital City Centre. Prior to joining LEAGUE, Mr. Parkinson was the Chief Financial Officer of Protox Therapeutics Inc., a TSX listed bio-technology company and previously held the position of Vice President, Finance at Aspreva Pharmaceuticals Corporation,a public company formed in 2003 and sold to a diversified European healthcare group for over $1 billion. Prior to working at Aspreva Pharmaceuticals, Mr. Parkinson was a senior manager at KPMG LLP and focused on financial, high-tech and public company clients. Mr. Parkinson is a chartered accountant and is a member of Financial Executives International. Mr. Parkinson is a graduate of the University of Saskatchewan where he received both Bachelor of Commerce and Bachelor of Arts (Economics) degrees.

Jeffrey Simpson, Victoria, British Columbia. Mr. Simpson is LEAGUE's Head of Urban Development. Mr. Simpson's role is to manage large-scale, mixed-use projects that are master-planned to meet the needs of growing urban communities. Before joining LEAGUE, Mr. Simpson was Senior Vice-President, Investments for a $10B REIT based in Phoenix Arizona. In addition to structuring a number of build-to-suit projects, he originated and closed a $100M joint venture to re-capitalize a portfolio of self-storage facilities. Over the course of Mr. Simpson's career of 27 years, he has master-planned a number of exceptional ground-up development projects. As Vice President—Urban Group, he assumed responsibility for master-planning two million square feet and delivering the first phase of Metropolis, a major mixed-use project located in Burnaby, BC. He also managed the design, development, construction and leasing functions of City Square, another major mixed-use project in the Lower Mainland of Vancouver. Mr. Simpson graduated from York University with a major in Economics and also completed the Urban Land Economics program at UBC. He is a Fellow of the Real Estate Institute of Canada and a Professional Member of the Real Estate Institute of British Columbia. He has served as a Director of numerous real estate organizations, has lectured several courses pertaining to the real estate profession and authored several published articles.

Peter D. Morris, Victoria, British Columbia. Mr. Morris is LEAGUE's Chief Operating Officer as well as the Chief Operating Officer of Partners REIT. Mr. Morris's role is to provide strategic direction and oversee a talented staff providing asset management services for LEAGUE's real estate portfolio; personally drawing on more than three decades experience in the shopping centre and commercial real estate industry. Before joining LEAGUE, Mr. Morris was the Chief Executive Officer of Greenstead Group LLC in Los Angeles, California, an international consulting firm specializing in providing global best practices in all aspects of commercial real estate to owners and developers. He has worked in eight countries and lived in three. Mr. Morris was previously with such well regarded firms as Cadillac Fairview, Marathon Realty, Brookfield Properties and Colliers International; and is accomplished in all aspects of the commercial real estate industry. During his career, Mr. Morris has been actively involved in the International Council of Shopping Centers (ICSC), the Building Owners and Managers Association (BOMA) and the Urban Land Institute (ULI). In addition, Mr. Morris has lectured several college level courses pertaining to the real estate profession, authored over 50 published articles, contributed to three industry related books and is on the faculty of the Commercial Real Estate Training Institute. He has given back to various communities with senior leadership roles in the BC & Yukon Cancer Society, CrimeStoppers and various Chambers of Commerce to name but a few.

Directorships

Except as described above, none of the directors are currently directors of other issuers that are also reporting issuers (or the equivalent) in a territory of Canada or in a foreign territory.

Indebtedness of Directors and Officers

Other than as disclosed in this Prospectus or in "Management's Discussion and Analysis of Financial Condition and Results of Operations", no individual who is, or who at any time since the incorporation of the Company has been, a director or executive officer of the Company (or an associate of any such individual): (i) is, at the date of this Prospectus, indebted to the Company or a subsidiary of the Company (other than in respect of routine indebtedness); or (ii) at the date of this Prospectus, has indebtedness to another entity that is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or a subsidiary of the Company.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as set forth below, none of the directors or executive officers or proposed directors of the Company is, as at the date of this Prospectus, or has been within the ten years before the date of this Prospectus, a director, chief executive officer or chief financial officer of any person or company (including the Company) that was subject to one of the following orders, that was in effect for a period of more than 30 consecutive days:

(a) a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was issued while the director or executive officer was acting in the capacity as director or executive officer; or

(b) a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer of chief financial officer.

Mr. Gant and Mr. Arruda are, and were at the time of the orders described below, directors and officers of Colwood GP; League REIT Investco Inc., the trustee of IGW REIT; and IGW Properties GP I Inc., the general partner of IGW Properties Limited Partnership I. On December 21, 2007, the British Columbia Securities Commission (the "**BCSC**") issued cease trade orders against the securities of Colwood, IGW REIT and IGW Properties Limited Partnership I. The cease trade orders were issued on the basis that an offering memorandum of each entity was not prepared in the form required under British Columbia's securities legislation. These orders were revoked by the BCSC after each entity filed an updated offering memorandum and made a rescission offer to investors. An additional cease trade order was subsequently issued against the securities of IGW REIT on the basis that its amended offering memorandum was not prepared in the form required under British Columbia's securities legislation. The BCSC revoked this order after IGW REIT filed an updated offering memorandum.

None of the directors or executive officers or proposed directors of the Company, or shareholders holding a sufficient number of securities of the Company to affect materially its control:

(a) is, as at the date of this Prospectus, or has been within the ten years before the date of this Prospectus, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the ten years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer of the shareholder; or

(c) has had imposed any penalties or sanctions by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has had imposed any penalties or sanctions by a court or a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests which they may have in any project or opportunity of the Company. However, the Company's directors and officers may serve on the boards and/or as officers of other companies which may compete in the same industry as the Company, giving rise to potential conflicts of interest. To the extent that such other companies may participate in ventures in which the Company may participate, they may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that a conflict of interest arises at a meeting of the directors of the Company, such conflict of interest must be declared and the declaring parties must excuse themselves from the meeting and abstain from participating and voting for or against the approval of any project or opportunity in which they may have an interest. Provided such steps are followed and subject to any limitations in the Company's constating documents, a transaction would not be void or voidable because it was made between the Company and one or more of its directors or by reason of such director being present at the meeting at which such agreement or transaction was approved. The remaining directors will determine whether or not the Company will participate in any such project or opportunity.

Except as set forth elsewhere in this prospectus, including the biographical information under the heading "Directors and Executive Officers", to the best of the Company's knowledge, there are no known existing or potential conflicts of interest among the Company, its directors, proposed directors, officers or other members of management of the Company as a result of their outside business interests. See "Interest of Management and Others in Material Transactions".

The directors, proposed directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest, and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers.

CORPORATE GOVERNANCE

The Board believes that good corporate governance improves corporate performance and benefits all shareholders. Additionally, National Instrument 58-101 — *Disclosure of Corporate Governance Practices* prescribes certain disclosure by the Company of its corporate governance practices. This disclosure is presented below.

Board of Directors

As of the date of this Prospectus, the Company's Board is comprised of six directors, three of whom are Independent. The Board will facilitate its exercise of independent supervision over the Company's management through frequent meetings of the Board. Peter Nixon, Jacquie Boddaert and Carlos Miranda are Independent directors. Adam Gant, Emmanuel Arruda and Patrick Miniutti are not Independent director as they are executive officer of the Company. Jacquie Boddaert will serve as lead director of the Board. The lead director will be an Independent director who serves, among other things, as a liaison between the directors and management, promoting open and constructive discussions. The size of the Board may be increased from time to time in accordance with applicable law.

Mandate of the Board of Directors

The Board is responsible for supervising the management of the Company's business and affairs. The Board of Directors' key responsibilities relate to the stewardship of management, generally through the Chief Executive Officer, to pursue the best interests of the Company, and will include the following: review and approval of the strategic plan and in relation thereto approval of annual business and capital plans and policies and processes generated by management relating to the authorization of major investments and significant allocations of capital, supervision of senior management and succession planning including the appointment of the Chief Executive Officer, the chair of the Board and the lead director of the Board and ensuring that other executives are in place to ensure sound management of the Company, ensuring that the Company has a communications policy in accordance with the guidance set out in National Policy 51-201 — *Disclosure Standards* in place, assessment by the Board of its own effectiveness and that of its committees, ensuring that the Company has risk management systems in place and also ensuring that it has appropriate internal controls and corporate governance policies in place, and ensuring a business ethics, compliance and corporate governance mindset and creation of a culture of integrity throughout the organization. Under the mandate, the Board is entitled to engage outside advisers, at the Company's expense, where, in the view of the Board, additional expertise or advice is required.

Position Descriptions

The Chair of the Board of Directors, the Lead Director and Committee Chairs

The Board of Directors will adopt a written position description for the Chair of the Board and the Lead Director which will set out the key responsibilities, including duties relating to setting Board meeting agendas, chairing Board and shareholder meetings, director development and communicating with shareholders and regulators. The Board will also adopt a written position description for each of the committee chairs which will set out each of the committee chair's key responsibilities, including duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee. These descriptions will be considered by the Board for approval annually.

The Chief Executive Officer

The primary functions of the Chief Executive Officer are to lead the management of the business and affairs and to lead the implementation of the resolutions and the policies of the Board. The Board will develop a written position description and mandate for the Chief Executive Officer which will set out the Chief Executive Officer's key responsibilities, including duties relating to strategic planning, the Company's operational direction, Board interaction, succession reporting and communication with shareholders. The Chief Executive Officer mandate will be considered by the Board for approval annually.

Orientation and Continuing Education

The Board will encourage the directors to take relevant training programs offered by different regulatory bodies and will give them the opportunity to expand their knowledge about the nature and operations of the Company.

Following the completion of the Transactions, the Company will put in place an orientation program for new directors under which a new director will meet separately with members of the executive team. A new director will be presented with a director manual that reviews Board policies and procedures, the Company's current strategic plan, financial plan and capital plan, the most recent annual and quarterly reports and materials relating to key business issues.

The chair of each committee will be responsible for co-ordinating orientation and continuing director development programs relating to the committee's mandate. Each of the committee chairs will also be responsible for instituting a learning program that focuses on topics relevant to each committee's mandate.

Ethical Business Conduct

A director, in the exercise of his or her functions and responsibilities, must act with complete honesty and good faith in the best interests of the Company. He or she must also act in accordance with the applicable laws, regulations and policies. In the event of a conflict of interest, a director is required to declare the nature and extent of any material interest he or she has in any important contract or proposed contract of the Company, as soon as he or she has knowledge of the agreement or of the Company's intention to consider or enter into the proposed contract. In such circumstances, the director in question shall abstain from voting on the subject.

The Board

Nomination of Directors

The Compensation, Nominating and Corporate Governance Committee (See "Committees of the Board of Directors", below) will designate new candidates for the position of director. The Compensation, Nominating and Corporate Governance Committee will carefully review and assess the professional skills and abilities, the personality and other qualifications of each candidate, including the time and energy that the candidate is able to devote to the task as well as the contribution that he or she can make to the Board.

Compensation

The Compensation, Nominating and Corporate Governance Committee will determine the compensation of the Company's directors and officers. In order to establish the compensation of the Company's directors and officers, it is intended the committee will review, as appropriate, industry data published by recruitment agencies for comparable executive positions. The committee will review performance annually.

Other Board Committees

Other than the Audit Committee and the Compensation, Nominating and Corporate Governance Committee, the Board will not have (and does not currently intend to have) any other standing committees.

Assessments

There is no current formal method used to assess the Board. Once the Company becomes a reporting issuer, it will, as soon as reasonably practicable, adopt measures to assess the performance of the Board.

Committees of the Board of Directors

The Board has established an Audit Committee and a Compensation, Nominating and Corporate Governance Committee. Each of these committees will be guided by a charter to be established by the Board.

Audit Committee

The Audit Committee has been structured to comply with National Instrument 52-110 — *Audit Committees* ("**NI 52-110**") and will not avail itself of any exemption available to the Audit Committee. Each member of the Audit Committee is financially literate within the meaning of NI 52-110.

Audit Committee Charter

The proposed text of the Audit Committee's charter is attached as Schedule "A".

Composition of Audit Committee

The members of the Company's Audit Committee are:

Jacquie Boddaert (Chair)	Independent(1)	Financially literate(2)
Peter Nixon	Independent(1)	Financially literate(2)
Carlos Miranda	Independent(1)	Financially literate(2)

Notes:

(1) Pursuant to NI 52-110, a member of an audit committee is Independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

(2) Pursuant to NI-52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

Each member of the Audit Committee has adequate education and experience that will be relevant to his or her performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with:

(a) an understanding of the accounting principles used by the Company to prepare its financial statements;

(b) the ability to assess the general application of the above-noted principles in connection with estimates, accruals and reserves;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements or experience actively supervising individuals engaged in such activities; and

(d) an understanding of internal controls and procedures for financial reporting.

The following is a brief summary of the education or experience of each member of the audit committee that is relevant to the performance of his or her responsibilities as a member of the audit committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the Company to prepare its annual and interim financial statements:

The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the Company to prepare its financial statements.

Jacqueline Boddaert (Chair), is a Director and Chief Executive Officer for NorRock Realty Finance Corporation a publicly listed company that invests in a portfolio of secured loans and investments in the Canadian commercial real estate sector and for NorRock Asset Management Ltd. an Investment Fund Manager, Portfolio Manager and Exempt Market Dealer. Ms. Boddaert is formerly a director and Chief Executive Officer of Monarch Wealth Corporation, a Mutual Fund Dealer based in Toronto, as well as President of Monarch Wealth Assurance Agencies Inc. and Monarch Wealth Deposit Group Inc.

Peter Nixon is a member in good standing (CPA-CA) with the Ordre des Comptables Professionnels Agrees du Quebec (CICA) and a fellow of the Hong Kong Institute of Certified Public Accountants (FCPA) where he has also been a member of the Corporate Governance Committee and contributor to HKICPA publications including: Corporate Governance for Public Bodies A Basic Framework; Corporate Governance Disclosure in Annual Reports; A Guide for Directors' Business Review in the Annual Report.

Carlos Alberto Miranda, is the Founder and Chief Executive Officer of BR Opportunities, a Brazilian private equity firm focused on high growth entrepreneurial organizations. Before founding BR Opportunities Mr. Miranda worked at Ernst & Young LLP for 21 years, (12 years as a partner) in the areas of Corporate Finance, Management and Strategy Consulting. Mr. Miranda was a partner at Ernst & Young LLP in the Transaction Advisory Services department from 1998 to 2010, having served in this department as Managing Partner for Brazil for four years, and as a Member of the Advisory Board for South America from 2007 to 2010. Mr. Miranda was also involved as an advisor in the Privatization of RFFSA (Rede Ferroviária Federal, Sociedade Anônima), Brazilian National Railway Company and Vale (Vale.com) as well as the IPO process for BR Distribuidora, a distributor and marketer of petroleum derivatives and biofuels.

Pre-Approval Policies and Procedures

The Audit Committee will be authorized by the Board to review the performance of the Company's external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services bought by the Company. The Audit Committee will be authorized to approve in writing any non-audit services or additional work which the Chairman of the Audit Committee deems is necessary, and the Chairman will notify the other members of the Audit Committee of such non-audit or additional work and the reasons for such non-audit work for the committee's consideration, and if thought fit, approval in writing.

External Auditor Service Fees

The following table presents, by category, the fees accrued by KPMG LLP as external auditor of, and for other services provided to, LEAGUE in connection with the Company's formation and organization, for the period indicated:

Category of Fees	•
Audit Fees[1]	1,080,000
Audit Related Fees	nil
Tax Fees[2]	130,239
All Other Fees	nil

Notes:

(1) "Audit fees" relate to procedures performed in connection with this Prospectus including procedures related to the financial statements of League Assets Corp. for the periods ended from December 31, 2009 to March 31, 2013; IGW REIT for the periods from January 1, 2012 to March 31, 2013 League Investment Services Inc. for the periods from January 1, 2012 to March 31, 2013; League Opportunity Fund Ltd. for the period from incorporation on September 18, 2012 to March 31, 2013; League Investment Fund Ltd. for the period from incorporation on February 1, 2013 to March 31, 2013 and League Financial Partners Inc. for the period from incorporation on February 22, 2013 to March 31, 2013.

(2) "Tax fees" relates to certain tax advisory fees provided to management.

Compensation, Nominating and Corporate Governance Committee

The Company's Compensation, Nominating and Corporate Governance Committee consists of three directors, initially being Jacquie Boddaert, as Chairperson, Peter Nixon and Carlos Miranda. All members of the Compensation, Nominating and Corporate Governance Committee are Independent directors of the Company. Among other things, the Compensation, Nominating and Corporate Governance Committee will:

- review and make recommendations to the Board of the Company concerning the appointment of officers of the Company;
- annually review the Chief Executive Officer's goals and objectives for the upcoming year, provide an appraisal of the Chief Executive Officer's performance and review his compensation;
- make recommendations concerning the remuneration of directors and nomination of new directors; and
- administer and make recommendations regarding the operation of employee incentive plans.

The Compensation, Nominating and Corporate Governance Committee will also be responsible for developing the Company's approach to governance issues, monitoring and overseeing the quality and effectiveness of the corporate governance practices and policies of the Company and making recommendations to the Board with respect to new members of the Board and periodically reviewing the effectiveness of the directors and the contribution of individual directors. This committee will also be responsible for developing and periodically reviewing and updating the Company's written disclosure policy. It is expected this policy will, among other things:

- articulate the legal obligations of the Company, its affiliates and their respective directors, officers and employees with respect to confidential information;
- identify spokespersons of the Company, who will be the only persons authorized to communicate with third parties such as analysts, media and investors;
- provide guidelines on the disclosure of forward looking information;
- adopt and implement corporate communication policies and ensure the effectiveness and integrity of communication and reporting to the Company's shareholders and public generally;
- adopt and implement policies to prevent the selective disclosure of material information and to ensure that, if selective disclosure does occur, a news release is issued immediately; and
- establish "black-out" periods prior to and following the disclosure of quarterly and annual financial results and with respect to the disclosure of certain material changes, during which periods prescribed individuals and entities may not purchase or sell Common Shares.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Company's compensation for the Chief Executive Officer and Co-Chair, the Co-Chair, the President, the Chief Financial Officer, the Chief Operating Officer and the Head of Urban Development (collectively, the "**Named Executive Officers**") is expected to consist primarily of three elements: base salary, short-term incentives and long-term incentives. The compensation plan is intended to drive executive performance and business strategy, engender accretive growth and create shareholder value. As such, total compensation is designed to be aligned with the Company's performance and the individual performance of Named Executive Officers, attractive to the Named Executive Officers, affordable to the Company, proportional to each Named Executive Officer's contribution and fair to shareholders.

Principal Elements of Compensation

The compensation of the Named Executive Officers will include three principal elements: (a) base salary, (b) a short-term incentive plan in the form of an annual cash bonus, and (c) a long-term incentive plan in the form of Deferred Share Units issued under the Deferred Share Unit Incentive Plan and/or Escrowed Shares issued under the Escrowed Stock Plan, as described below.

Base Salary

Base salary remunerates the Named Executive Officers for discharging job requirements. It will be reviewed annually by the Compensation, Nominating and Governance Committee to ensure that it continues to reflect individual performance and market conditions with the goal of ensuring that each Named Executive Officer is paid fairly, taking into consideration the requirements of the position, the Named Executive Officer's performance, skills, knowledge and experience, and equity with other executives within the Company and compared to executives in similar roles in comparable entities. The Company's comparator group includes Brookfield Canada Office Properties, Cadillac Fairview Corporation Ltd., Colliers International Inc., Dundee Realty Management Corporation, EPIC Realty Partners, Inc., and RioCan REIT. Data for the Company's comparator group is primarily taken from the 2012 Real Property Association of Canada (REALpac) Compensation Survey.

On occasion, independent professional compensation consultants may assist the Compensation, Nominating and Governance Committee with the assessment of base salary and total compensation for the Company's executives.

Short-Term Incentive Plan

In addition to base salary, the Company's Named Executive Officers will be eligible for additional annual compensation based on a combination of individual pre-set goals and milestones consistent with the strategy of the Company as determined by the Compensation, Nominating and Governance Committee. Awards under the short-term incentive plan ("**STIP**") will be granted annually and payable in cash each year.

The Compensation, Nominating and Governance Committee will establish such goals and targets and will set targeted awards for each participant based on a percentage of his or her base salary. STIP awards will be determined by the Compensation, Nominating and Governance Committee, in consultation with the Chief Executive Officer.

The goal of the STIP is to incentivize management to achieve certain corporate and individual goals. A Named Executive Officer is entitled to payments under the STIP once he or she achieves certain pre-set goals and targets.

Long-Term Incentive Plan

The Company intends to establish a long-term incentive plan (an "**LTIP**"), comprised of the Deferred Share Unit Incentive Plan and the Escrowed Stock Plan, which are designed to motivate and reward the members of the Company's senior management team towards creating sustainable, long-term profitable growth at acceptable risk. The key objectives of the LTIP will be to: (i) recognize performance leading to long-term profitable growth; (ii) recognize behaviour that demonstrates leadership in living the Company's values; (iii) attract and retain skilled senior management talent; and (iv) facilitate long-term stock ownership of the Company by senior management. The LTIP will be administered by the Compensation, Nominating and Governance Committee. Employees and executive officers of the Company, or an affiliate of the Company, who are part of the senior management team, will be eligible to participate in the LTIP. The Compensation, Nominating and Governance Committee will have the power to determine those individuals who will participate in the LTIP and to determine the level of participation by each eligible participant.

Deferred Share Unit Incentive Plan

The Company intends to adopt the Deferred Share Unit Incentive Plan. Because Deferred Share Units are tied to the Company's financial and Common Share trading performance and vest or accrue over a number of years, grants of Deferred Share Units under the Deferred Share Unit Incentive Plan align the interests of those individuals eligible to participate in the Deferred Share Unit Incentive Plan more closely with the interests of shareholders. The Board, acting on the recommendation of the Compensation, Nominating and Governance Committee, may designate individuals eligible to receive grants of Deferred Share Units. In determining grants of Deferred Share Units, an individual's performance and contributions to the Company's success, relative position, tenure and past grants will be taken into consideration.

Individuals eligible to participate in the Deferred Share Unit Incentive Plan ("**DSU Participants**") consist of: (a) employees, Directors, officers and service providers of the Company, as well as employees of certain service providers who spend a significant amount of time and attention on the affairs and business of the Company. The Deferred Share Unit Incentive Plan provides for the grant to DSU Participants of Deferred Share Units and Income Deferred Share Units.

Income Deferred Share Units are credited to holders of Deferred Share Units and Income Deferred Share Units based on distributions paid on Common Shares. The maximum aggregate number of Deferred Share Units and Income Deferred Share Units available for issuance under the Deferred Share Unit Incentive Plan will be 5% of the issued and outstanding Common Shares, from time to time, subject to adjustment for any subdivision, consolidation or distribution of Common Shares, as contemplated by the Deferred Share Unit Incentive Plan. The Deferred Share Unit Incentive Plan is considered an "evergreen" plan, since the Common Shares covered by Deferred Share Units and Income Deferred Share Units which have vested shall be available for subsequent grants under the Deferred Share Unit Incentive Plan and the number of Deferred Share Units and Income Deferred Share Units available to grant increases as the number of issued and outstanding Common Shares increases. The maximum aggregate of the Deferred Share Units and Income Deferred Share Units: (a) issued to insiders of the Company, within any one year period; and (b) issuable to insiders of the Company, at any time, under the Deferred Share Unit Incentive Plan, when combined with all other security-based compensation arrangements of the Company (including the Escrowed Stock Plan), shall not exceed 10% of the Company's total issued and outstanding Common Shares.

Under the Deferred Share Unit Incentive Plan, Deferred Share Units may be granted from time to time to DSU Participants at the discretion of the Board. The number of Income Deferred Share Units credited to a holder of Deferred Share Units and/or Income Deferred Share Units will be calculated by multiplying the aggregate number of Deferred Share Units and Income Deferred Share Units held on the relevant distribution record date by the amount of distributions paid by the Company on each Common Share, and dividing the result by the market value of the Common Shares on the Distribution Date. Market value for this purpose is the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the relevant Distribution Date.

Deferred Share Units will vest on a three year vesting schedule, pursuant to which one third of the Deferred Share Units granted to such individual will vest on each anniversary of the grant date for a period of three years. Income Deferred Share Units credited to DSU Participants vest on the same schedule as their corresponding Deferred Share Units and are considered issued on the same date as the Deferred Share Units or Income Deferred Share Units in respect of which they were credited.

Upon the vesting of Deferred Share Units and Income Deferred Share Units, the Company will issue Common Shares to DSU Participants on the basis of one Common Share for each Deferred Share Unit and Income Deferred Share Unit that has vested. Common Shares are issued by the Company at no cost to DSU Participants. DSU Participants who have been granted Deferred Share Units or Income Deferred Share Units have the ability to elect to defer the issuance of Common Shares to them on the vesting of their Deferred Share Units and Income Deferred Share Units in respect of any vesting date. The issuance of Common Shares to such DSU Participants may be deferred indefinitely, unless such DSU Participant's employment or term of office is terminated, in which case Common Shares will be issued on the relevant date of termination.

Any unvested Deferred Share Units or Income Deferred Share Units held by a DSU Participant will be forfeited upon termination of the DSU Participant's service with the Company for any reason, whether voluntarily or involuntarily. However, pursuant to the Deferred Share Unit Incentive Plan, the Board may, in its discretion if the circumstances warrant, accelerate the vesting of such Deferred Share Units and Income Deferred Share Units held by an individual whose employment or term of office is terminated. In these circumstances, any unvested Deferred Share Units or Income Deferred Share Units will vest effective upon the termination date of the individual.

Deferred Share Units and Income Deferred Share Units are non-transferable, except to a DSU Participant's estate, and the rights of DSU Participants under the Deferred Share Unit Incentive Plan are not assignable, except as required by law. The Compensation, Nominating and Governance Committee may review and confirm the terms of the Deferred Share Unit Incentive Plan from time to time and may, subject to applicable stock exchange rules, amend or suspend the Deferred Share Unit Incentive Plan in whole or in part as well as terminate the Deferred Share Unit Incentive Plan without prior notice as it deems appropriate; provided, however, that any amendment to the Deferred Share Unit Incentive Plan that would, among other things, result in any increase in the number of Deferred Share Units and Income Deferred Share Units issuable under the Deferred Share Unit Incentive Plan or permit Deferred Share Units or Income Deferred Share Units granted under the plan to be transferable or assignable other than for normal estate settlement purposes will be subject to the approval of shareholders. Without limitation, the Compensation, Nominating and Governance Committee may, without obtaining the approval of shareholders, make changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the Deferred Share Unit Incentive Plan; (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements); and (c) to the vesting provisions applicable to Deferred Share Units and Income Deferred Share Units issued under the Deferred Share Unit Incentive Plan. However, subject to the terms of the Deferred Share Unit Incentive Plan, no amendment may adversely affect the Deferred Share Units or Income Deferred Share Units previously granted under the Deferred Share Unit Incentive Plan without the consent of the affected DSU Participant.

Escrowed Stock Plan

The Company intends to adopt the Escrowed Stock Plan. The Escrowed Stock Plan is intended to incent and retain designated executives or other persons designated by the Board, acting on the recommendation of the Compensation, Nominating and Governance Committee, for an extended period and to further align their interests with those of other shareholders in a manner that is less dilutive than alternative long term ownership plans such as option plans. Accordingly, awards under the Escrowed Stock Plan will not vest until five years after the grant and will ultimately be received in the form of Common Shares. Furthermore, the number of Common Shares issued under the Escrowed Share Plan will be more than offset by the Common Shares purchased in the open market at the time of the initial grant as described below.

Participants in the Escrowed Stock Plan will receive common shares ("**Escrowed Shares**") of a private company (a "**Holdco**") that is initially capitalized with common and preferred shares issued to the Company for cash consideration and which will purchase Common Shares in the open market. On a date determined by the holder of the Escrowed Shares that is between 5 years and 10 years after the initial grant, the Escrowed Shares held by a participant in the Escrowed Stock Plan will be acquired by the Company in exchange for the issuance of Common Shares from treasury, where the value of the Common Shares being issued is equal to the value of the Escrowed Shares being acquired. The value of the Escrowed Shares will be equal to the value of the Common Shares held by the Holdco less the net liabilities and preferred share obligations of the Holdco. Once all Escrowed Shares have been exchanged or 10 years after the date of grant, whichever is earlier, the Holdco will then be immediately wound up or merged into the Company and the Common Shares held by the Holdco will be cancelled, resulting in a net reduction in the total number of Common Shares issued and outstanding. The market value of the Common Shares being issued by the Company and those held by the Holdco will be based on the volume weighted average price of a Common Shares on the TSX on the date of the exchange. The Escrowed Stock Plan may result in temporary dilution to the Company's shareholders during the time between the first exchange of Escrowed Shares (which could be as early as five years after the granting of the Escrowed Shares) and the last exchange of Escrowed Shares (which could be as late as 10 years after the granting of Escrowed Shares). This dilution will be temporary because the Holdco will be wound up or merged once all of its Escrowed Shares have been exchanged or 10 years after the date of grant, whichever is earlier, and all underlying Common Shares held by it will then be cancelled.

A maximum of ● Common Shares may be issued under the Escrowed Stock Plan, representing 10% of the Company's issued and outstanding Common Shares immediately following completion of the Transactions. When Common Shares are issued in exchange for Escrowed Shares, the number of Common Shares remaining for future issuance under the Escrowed Stock Plan will be reduced. However, when the Holdco is wound up or merged into the Company and the Common Shares held by it are cancelled, the number of Common Shares remaining for future issuance under the Escrowed Stock Plan will not be reduced.

The maximum number of Common Shares that are issuable to any one person at any time pursuant to the Escrowed Stock Plan and all other Security-Based Compensation Arrangements of the Company shall not exceed 5% of the Company's issued and outstanding Common Shares. The maximum number of Common Shares that are issuable to insiders at any time pursuant to the Escrowed Stock Plan and all other Security-Based Compensation Arrangements of the Company shall not exceed 10% of the Company's issued and outstanding Common Shares. The maximum number of Common Shares that are issued to insiders within a one-year period pursuant to the Escrowed Stock Plan and all other Security-Based Compensation Arrangements of the Company shall not exceed 10% of the Company's issued and outstanding Common Shares.

Eligibility for participation in the Escrowed Stock Plan is restricted to designated executives of the Company and its affiliates or any other persons designated by the Board, acting on the recommendation of the Compensation, Nominating and Governance Committee, and is subject to continued employment with the Company. The number of Escrowed Shares to be granted to each participant will be determined at the discretion of the Board, acting on the recommendation of the Compensation, Nominating and Governance Committee.

Escrowed Shares are non-transferable, except to the Company (in the case of termination of employment), a participant's estate, or for personal tax planning purposes, and the rights of participants under the Escrowed Stock Plan are not assignable, except as required by law. The Compensation, Nominating and Governance Committee may review and confirm the terms of the Escrowed Stock Plan from time to time and may, subject to applicable stock exchange rules, amend or suspend the Escrowed Stock Plan in whole or in part as well as terminate the Escrowed Stock Plan without prior notice as it deems appropriate; provided, however, that any amendment to the Escrowed Stock Plan that would, among other things, result in any increase in the number of Common Shares issuable under the Escrowed Stock Plan or permit Escrowed Shares granted under the plan to be transferable or assignable other than for normal estate settlement purposes will be subject to the approval of shareholders. Without limitation, the Compensation, Nominating and Governance Committee may, without obtaining the approval of shareholders, make changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the Escrowed Stock Plan; (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements); (c) amendments necessary for awards to qualify for favourable treatment under Canadian tax laws; and (d) to the vesting provisions of the Escrowed Stock Plan. However, subject to the terms of the Escrowed Stock Plan, no amendment may adversely affect the Escrowed Shares previously granted under the Escrowed Stock Plan without the consent of the affected participant.

The Escrowed Stock Plan does not permit the Company to provide any financial assistance to facilitate the acquisition of securities to the participants under the Escrowed Stock Plan. In the event of termination of employment of a participant in the Escrowed Stock Plan for cause, all of the Escrowed Shares held by such participant will be forfeited. In the event of termination of employment of a participant for any other reason, the unvested Escrowed Shares held by such participant will be forfeited.

Compensation Risk

The Compensation, Nominating and Governance Committee will consider the implications of the risks associated with the Company's compensation policies and practices as part of its responsibility to ensure that the compensation for the directors, the Chief Executive Officer and the senior management of the Company align the interests of the directors, the Chief Executive Officer and the senior management with shareholders of the Company and the Company as a whole.

The Company's insider trading policy will prohibit all officers and directors of the Company from selling "short" or selling "call options" on any of the Company's securities and from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted to such executive officers and directors as compensation or held directly or indirectly by such person.

Summary Compensation Table

The following table sets out the information concerning the expected 2013 compensation to be paid by the Company to the Named Executive Officers.

Name and Principal Position	Year	Salary	Share-based awards(1)	Non-equity incentive compensation(1)	All other compensation	Total compensation
Adam Gant, *Chief Executive Officer and Co-Chair*	2013	$ 1.00	—	—	$270,000(2)	$270,001
Emanuel Arruda, *Chief Branding Officer and Co-Chair*	2013	$ 1.00	—	—	$270,000(2)	$270,001
Patrick Miniutti, *President*	2013	$285,000	—	—	N/A	$285,000
John Parkinson, *Chief Financial Officer*	2013	$225,000	—	—	N/A	$225,000
Jeffrey Simpson, *Head of Urban Development*	2013	$200,000	—	—	N/A	$200,000
Peter Morris, *Chief Operating Officer*	2013	$195,000	—	—	N/A	$195,000

Notes:

(1) As this component of compensation is discretionary, it has not been determined as of the date of this Prospectus.

(2) Represents fees paid to LEAGUE Assets GP Inc.

Employment Agreements

The Company will enter into the following employment agreements prior to completion of the Transactions. Each of these agreements will provide that if terminated by the Company without cause or by the employee for good reason, the employee will be entitled to (i) continue to receive his or her base salary to the date of termination, and (ii) severance or termination fees (including a voluntary termination fee after a change of control), as applicable, in the amount of his or her average base salary and cash incentive bonus over the previous three years, for a period of 12 months. If employment is terminated due to his or her resignation, death or disability, the employee will be entitled to unpaid base salary through to the date of termination. If employment is terminated for cause, the employee will be entitled to unpaid base salary through to the date of termination.

Each of these agreements will also provide for non-competition and non-solicitation covenants on behalf of the employee in favour of the Company. The term of the non-competition covenants will be for a period of six months following termination of the respective employment arrangements, and the term of the non-solicitation covenants will be for a period of one year following termination of the respective employment arrangements; provided, however, that in the event an employee is terminated by the Company for cause or the employee resigns without good reason, the Company, in its sole discretion, may elect to extend the term of the non-competition covenant for up to an additional six months, provided it agrees to pay the severance as determined above during such extended period. Notwithstanding the foregoing, any non-competition covenants on behalf of employees will terminate upon a change of control of the Company unless reaffirmed by such employee and the Company in writing immediately following such change of control.

Chief Executive Officer and Co-Chair

Adam Gant, Co-Chair and Chief Executive Officer of the Company will enter into an employment agreement with the Company effective on the date on which the Transactions are completed, with an indefinite term. For his services, Mr. Gant will be paid a salary of $1.00, to be reviewed annually by the Board. As set out above under the heading "Summary Compensation Table", Mr. Gant will also indirectly receive fees paid to LEAGUE Assets GP Inc.

Chief Branding Officer and Co-Chair

Emanuel Arruda, Co-Chair and Chief Branding Officer of the Company will enter into an employment agreement with the Company effective on the date on which the Transactions are completed, with an indefinite term. For his services, Mr. Arruda will be paid a salary of $1.00, to be reviewed annually by the Board. As set out above under the heading "Summary Compensation Table", Mr. Arruda will also indirectly receive fees paid to LEAGUE Assets GP Inc.

President

Patrick Miniutti, President of the Company will enter into an employment agreement with the Company effective on the date on which the Transactions are completed, with an indefinite term. For his services, Mr. Miniutti will be paid a base salary of $285,000 per annum, to be reviewed annually by the Board.

Chief Financial Officer

John Parkinson, Chief Financial Officer of the Company will enter into an employment agreement with the Company effective on the date on which the Transactions are completed, with an indefinite term. For his services, Mr. Parkinson will be paid a base salary of $225,000 per annum, to be reviewed annually by the Board.

Head of Urban Development

Jeffrey Simpson, Head of Urban Development of the Company will enter into an employment agreement with the Company effective on the date on which the Transactions are completed, with an indefinite term. For his services, Mr. Simpson will be paid a base salary of $200,000 per annum, to be reviewed annually by the Board.

Chief Operating Officer

Peter Morris, Chief Operating Officer of the Company will enter into an employment agreement with the Company effective on the date on which the Transactions are completed, with an indefinite term. For his services, Mr. Morris will be paid a base salary of $195,000 per annum, to be reviewed annually by the Board.

Termination Benefits

The following table sets out the maximum amounts that could be payable to each Named Executive Officer if his/her employment was terminated without cause. None of the executive officer employment agreements contain "change of control" provisions that would trigger a payment upon a change of control of the Company.

Name and Principal Position	Voluntary Termination after Change of Control	Termination – Not for Cause	Termination For Cause
Adam Gant, *Chief Executive Officer and Co-Chair*	$ 1.00	$ 1.00	Nil
Emanuel Arruda, *Chief Branding Officer and Co-Chair*	$ 1.00	$ 1.00	Nil
Patrick Miniutti, *President*	$285,000	$285,000	Nil
John Parkinson, *Chief Financial Officer*	$225,000	$225,000	Nil
Jeffrey Simpson, *Head of Urban Development*	$200,000	$200,000	Nil
Peter Morris, *Chief Operating Officer*	$195,000	$195,000	Nil

Insurance Coverage for Directors and Officers and Indemnification

The Company has obtained directors' and officers' liability insurance policies, which cover corporate indemnification of directors and officers and individual directors and officers of the Company in certain circumstances, including coverage for the Company and its directors and officers in relation to the Prospectus. In addition, the Company has entered into indemnification agreements with its directors and officers for liabilities and costs in respect of any action or suit against them in connection with the execution of their duties, subject to customary limitations prescribed by applicable law.

Compensation of Directors of the Company

Each director who is not also a member of management of the Company will receive from the Company an annual retainer initially in the amount of $30,000 per year, plus a fee of $1,000 for each day on which the director attends a Board meeting either in person or by telephone. The lead director will receive an additional annual retainer of $25,000 as compensation for her duties as lead director. The chair of each committee of the Board will each receive an additional annual retainer of $15,000. Each director will also be reimbursed for reasonable travel and other expenses properly incurred by him or her in attending meetings of the Board or any committee meeting.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Company will, at the completion of the Transactions, consist of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series, including Preferred Shares. Immediately following the completion of the Transactions, there will be ● Common Shares, ● Series A Preferred Shares and zero Series B Preferred Shares issued and outstanding. See “Description of Share Capital – Consolidated Capitalization of the Company”.

Common Shares

Holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of shareholders of the Company, except meetings of holders of another class of shares. Each Common Share entitles the holder thereof to one vote.

Subject to the preferences accorded to holders of any other shares of the Company ranking senior to the Common Shares from time to time with respect to the payment of dividends, holders of Common Shares are entitled to receive, if, as and when declared by the Board, such dividends as may be declared thereon by the Board from time to time in equal amounts per share on the Common Shares at the time outstanding, without preference or priority.

In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Company, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs (a “**Distribution**”), holders of Common Shares are entitled, after payment of debts and other liabilities, in each case subject to the preferences accorded to the holders of any other shares of the Company ranking senior to the Common Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of the Company.

Series A Preferred Shares

The following is a summary of certain provisions attaching to the Series A Preferred Shares as a series.

Definition of Terms

The following definitions are relevant to the Series A Preferred Shares.

“**Annual Fixed Dividend Rate**” means, for any Subsequent Fixed Rate Period, the annual rate (expressed as a percentage rate rounded to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 3.2%.

“**Bloomberg Screen GCAN5YR Page**” means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada bond yields.

“**Fixed Rate Calculation Date**” means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

“**Government of Canada Yield**” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Vancouver time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers selected by the Company, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

“**Initial Fixed Rate Period**” means the period commencing on the date of issuance of the Series A Preferred Shares and ending on and including September 30, 2018.

“**Subsequent Fixed Rate Period**” means for the initial Subsequent Fixed Rate Period, the period commencing on October 1, 2018 and ending on and including September 30, 2023 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period and ending on and including September 30 in the fifth year thereafter.

Issue Price

The Series A Preferred Shares will have an issue price of $25.00 per share.

Dividends

During the Initial Fixed Rate Period, the holders of the Series A Preferred Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of March, June, September and December in each year during the Initial Fixed Rate Period, in an annual amount equal to $1.4125 per Series A Preferred Share. Should any such day not be a business day, such dividends will be payable on the immediately following business day. The initial dividend, as and when declared by the Board of Directors, will be payable on ● and will be $● per Series A Preferred Share, based on the anticipated closing date of ●, 2013.

During each Subsequent Fixed Rate Period, the holders of Series A Preferred Shares will be entitled to receive fixed, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of March, June, September and December in each year during the Subsequent Fixed Rate Period, in an annual amount per share determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by $25.00. Should any such day not be a business day, such dividends will be payable on the immediately following business day.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Company on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Company and upon all holders of Series A Preferred Shares. The Company will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series A Preferred Shares.

Payments of dividends and other amounts in respect of the Series A Preferred Shares will be made by the Company to CDS, or its nominee, as the case may be, as registered holder of the Series A Preferred Shares. As long as CDS, or its nominee, is the registered holder of the Series A Preferred Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series A Preferred Shares for the purposes of receiving payment on the Series A Preferred Shares.

Redemption

The Series A Preferred Shares will not be redeemable by the Company at any time within five years after the date of its issue. On September 30, 2018 and every five years thereafter (or, if such date is not a business day, the immediately following business day), and subject to certain other restrictions set out in “Description of Share Capital – Series A Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares”, the Company may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or from time to time any number of the then outstanding Series A Preferred Shares by payment in cash of a per share amount equal to $25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted or withheld).

If less than all of the outstanding Series A Preferred Shares are to be redeemed, the shares to be redeemed shall be selected on a pro rata basis disregarding fractions or, if such shares are at such time listed on such exchange, with the consent of the TSX, in such manner as the Board of Directors in its sole discretion may, by resolution, determine.

The Series A Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series A Preferred Shares. See “Risk Factors”.

Conversion of Series A Preferred Shares into Series B Preferred Shares

The Series A Preferred Shares will not be convertible into Series B Preferred Shares of the Company at any time within five years after the date of its issue. Holders of Series A Preferred Shares will have the right, at their option, on September 30, 2018 and every five years thereafter (each, a “**Series A Conversion Date**”), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Company of evidence of payment of the tax (if any) payable, all or any of their Series A Preferred Shares registered in their name into Series B Preferred Shares on the basis of one Series B Preferred Share for each Series A Preferred Share. If a Series A Conversion Date would otherwise fall on a day that is not a business day, such Series A Conversion Date shall be the immediately following business day. The conversion of Series A Preferred Shares may be effected upon written notice given by the registered holders of the Series A Preferred Shares to the Company not earlier than the 30th day prior to, but not later than 5:00 p.m. (Vancouver time) on the 15th day preceding, the applicable Series A Conversion Date. Once received by the Company, an election notice is irrevocable.

The Company will, at least 30 days and not more than 60 days prior to the applicable Series A Conversion Date, give notice in writing to the then registered holders of the Series A Preferred Shares of the above mentioned conversion right. On the 30th day prior to each Series A Conversion Date, the Company will give notice in writing to the then registered holders of the Series A Preferred Shares of the Annual Fixed Dividend Rate applicable to the Series A Preferred Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate (as defined herein) applicable to the Series B Preferred Shares for the next succeeding Quarterly Floating Rate Period.

If the Company gives notice to the registered holders of the Series A Preferred Shares of the redemption on a Series A Conversion Date of all the Series A Preferred Shares, the Company will not be required to give notice as provided hereunder to the registered holders of the Series A Preferred Shares of the Floating Quarterly Dividend Rate, the Annual Fixed Dividend Rate or the conversion right of holders of Series A Preferred Shares and the right of any holder of Series A Preferred Shares to convert such Series A Preferred Shares will cease and terminate in that event. All Series A Preferred Shares converted into Series B Preferred Shares on a Series A Conversion Date will be restored to the status of authorized but unissued shares of the Company as at the close of business on the Series A Conversion Date and available for issuance on the conversion of the Series B Preferred Shares.

Holders of Series A Preferred Shares will not be entitled to convert their shares into Series B Preferred Shares if the Company determines that there would remain outstanding on a Series A Conversion Date less than 1,000,000 Series B Preferred Shares, after having taken into account all Series A Preferred Shares tendered for conversion into Series B Preferred Shares and all Series B Preferred Shares tendered for conversion into Series A Preferred Shares. The Company will give notice in writing to all affected holders of Series A Preferred Shares of their inability to convert their Series A Preferred Shares at least seven days prior to the applicable Series A Conversion Date. Furthermore, if the Company determines that there would remain outstanding on a Series A Conversion Date less than 1,000,000 Series A Preferred Shares, after having taken into account all Series A Preferred Shares tendered for conversion into Series B Preferred Shares and all Series B Preferred Shares tendered for conversion into Series A Preferred Shares, then, all, but not part, of the remaining outstanding Series A Preferred Shares will automatically be converted into Series B Preferred Shares on the basis of one Series B Preferred Share for each Series A Preferred Share, on the applicable Series A Conversion Date and the Company will give notice in writing to this effect to the then registered holders of such remaining Series A Preferred Shares at least seven days prior to the Series A Conversion Date.

Upon exercise by a registered holder of its right to convert Series A Preferred Shares into Series B Preferred Shares (and upon an automatic conversion), the Company reserves the right not to deliver Series B Preferred Shares to any person whose address is in, or whom the Company or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Company to take any action to comply with the securities or analogous laws of such jurisdiction.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "Description of Share Capital – Series A Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares" below, the Company may at any time purchase for cancellation the whole or any number of the Series A Preferred Shares at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Series A Preferred Shares will be entitled to receive $25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for payment or distribution (less any tax required to be deducted or withheld), before any amount is paid or any assets of the Company are distributed to the holders of any shares ranking junior as to capital to the Series A Preferred Shares. Upon payment of such amounts, the holders of the Series A Preferred Shares will not be entitled to share in any further distribution of the assets of the Company.

Priority

The Series A Preferred Shares are entitled to preference over the Common Shares and any other shares of the Company ranking junior to the Preferred Shares with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs. The Series A Preferred Shares rank equally with the Preferred Shares of every other series with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Series A Preferred Shares are outstanding, the Company will not, without the approval of the holders of the Series A Preferred Shares:

a. declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Company ranking as to capital and dividends junior to the Series A Preferred Shares) on shares of the Company ranking as to dividends junior to the Series A Preferred Shares;

b. except out of the net cash proceeds of a substantially concurrent issue of shares of the Company ranking as to return of capital and dividends junior to the Series A Preferred Shares, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Company ranking as to capital junior to the Series A Preferred Shares;

c. redeem or call for redemption, purchase, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series A Preferred Shares then outstanding; or

d. except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any preferred shares, ranking as to the payment of dividends or return of capital on parity with the Series A Preferred Shares, unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series A Preferred Shares and on all other shares of the Company ranking prior to or on parity with the Series A Preferred Shares with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series A Preferred Shares as a series and any other approval to be given by the holders of the Series A Preferred Shares may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Series A Preferred Shares are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series A Preferred Shares then present would form the necessary quorum. At any meeting of holders of Series A Preferred Shares as a series, each such holder shall be entitled to one vote in respect of each Series A Preferred Share held.

Voting Rights

The holders of the Series A Preferred Shares will not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of all holders of Series A Preferred Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Company unless and until the Company shall have failed to pay eight quarterly dividends on the Series A Preferred Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Company properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series A Preferred Shares will be entitled to receive notice of and to attend each meeting of the Company's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Series A Preferred Share held. Upon payment of the entire amount of all Series A Preferred Share dividends in arrears, the voting rights of the holders of the Series A Preferred Shares shall forthwith cease.

Series B Preferred Shares

The following is a summary of certain provisions attaching to the Series B Preferred Shares as a series.

Definition of Terms

The following definitions are relevant to the Series B Preferred Shares.

"**Floating Quarterly Dividend Rate**" means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rate rounded to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 3.2% (calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365).

"**Floating Rate Calculation Date**" means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

"**Quarterly Commencement Date**" means the 1st day of each of April, July, October and January in each year.

"**Quarterly Floating Rate Period**" means, for the initial Quarterly Floating Rate Period, the period commencing on October 1, 2018 and ending on and including December 31, 2018 and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding Quarterly Commencement Date.

"**T-Bill Rate**" means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three-month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

Issue Price

The Series B Preferred Shares will have an issue price of $25.00 per share.

Dividends

The holders of the Series B Preferred Shares will be entitled to receive floating rate, cumulative, preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of each Quarterly Floating Rate Period, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by $25.00. Should any such day not be a business day, such dividends will be payable on the immediately following business day.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by the Company on the Floating Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Company and upon all holders of Series B Preferred Shares. The Company will, on the Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series B Preferred Shares.

Payments of dividends and other amounts in respect of the Series B Preferred Shares will be made by the Company to CDS, or its nominee, as the case may be, as registered holder of the Series B Preferred Shares. As long as CDS, or its nominee, is the registered holder of the Series B Preferred Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series B Preferred Shares for the purposes of receiving payment on the Series B Preferred Shares.

Redemption

The Series B Preferred Shares will not be redeemable by the Company at any time within five years after the date of its issue. Subject to the restrictions set out in "Description of Share Capital – Series B Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares" below, the Company may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or from time to time any number of the then outstanding Series B Preferred Shares by payment in cash of a per share amount equal to (i) $25.00 in the case of redemptions on September 30, 2023 and every five years thereafter (each, a "**Series B Conversion Date**"), or (ii) $25.50 in the case of redemptions on any date which is not a Series B Conversion Date following September 30, 2018, in each case together with all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted or withheld). If a Series B Conversion Date or such date fixed for redemption would otherwise fall on a day that is not a business day, such Series B Conversion Date or such date fixed for redemption shall be the immediately following business day.

If less than all of the outstanding Series B Preferred Shares are to be redeemed, the shares to be redeemed shall be selected on a pro rata basis disregarding fractions or, if such shares are at such time listed on such exchange, with the consent of the TSX, in such manner as the Board of Directors in its sole discretion may, by resolution, determine.

The Series B Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series B Preferred Shares. See "Risk Factors".

Conversion of Series B Preferred Shares into Series A Preferred Shares

The Series B Preferred Shares will not be convertible into Series A Preferred Shares of the Company at any time within five years after the date of its issue. Holders of Series B Preferred Shares will have the right, at their option, on each Series B Conversion Date, to convert, subject to the restrictions on conversion described below and the payment or delivery to the Company of evidence of payment of the tax (if any) payable, all or any of the Series B Preferred Shares registered in their name into Series A Preferred Shares on the basis of one Series A Preferred Share for each Series B Preferred Share. The conversion of Series B Preferred Shares may be effected upon written notice given by the registered holders of the Series B Preferred Shares not earlier than the 30th day prior to, but not later than 5:00 p.m. (Vancouver time) on the 15th day preceding, the applicable Series B Conversion Date. Once received by the Company, an election notice is irrevocable.

The Company will, at least 30 days and not more than 60 days prior to the applicable Series B Conversion Date, give notice in writing to the then registered holders of the Series B Preferred Shares of the above mentioned conversion right. On the 30th day prior to each Series B Conversion Date, the Company will give notice in writing to the then registered holders of Series B Preferred Shares of the Floating Quarterly Dividend Rate applicable to the Series B Preferred Shares for the next succeeding Quarterly Floating Rate Period and the Annual Fixed Dividend Rate applicable to the Series A Preferred Shares for the next succeeding Subsequent Fixed Rate Period.

If the Company gives notice to the registered holders of the Series B Preferred Shares of the redemption on a Series B Conversion Date of all the Series B Preferred Shares, the Company will not be required to give notice as provided hereunder to the registered holders of the Series B Preferred Shares of the Annual Fixed Dividend Rate, the Floating Quarterly Dividend Rate or the conversion right of holders of Series B Preferred Shares and the right of any holder of Series B Preferred Shares to convert such Series B Preferred Shares will cease and terminate in that event. All Series B Preferred Shares converted into Series A Preferred Shares on a Series B Conversion Date will be restored to the status of authorized but unissued shares of the Company as at the close of business on the Series B Conversion Date and available for issuance on the conversion of the Series A Preferred Shares into Series B Preferred Shares.

Holders of Series B Preferred Shares will not be entitled to convert their shares into Series A Preferred Shares if the Company determines that there would remain outstanding on a Series B Conversion Date less than 1,000,000 Series A Preferred Shares, after having taken into account all Series B Preferred Shares tendered for conversion into Series A Preferred Shares and all Series A Preferred Shares tendered for conversion into Series B Preferred Shares. The Company will give notice in writing to all affected holders of Series B Preferred Shares of their inability to convert their Series B Preferred Shares at least seven days prior to the applicable Series B Conversion Date. Furthermore, if the Company determines that there would remain outstanding on a Series B Conversion Date less than 1,000,000 Series B Preferred Shares, after having taken into account all Series B Preferred Shares tendered for conversion into Series A Preferred Shares and all Series A Preferred Shares tendered for conversion into Series B Preferred Shares, then, all, but not part, of the remaining outstanding Series B Preferred Shares will automatically be converted into Series A Preferred Shares on the basis of one Series A Preferred Share for each Series B Preferred Share, on the applicable Series B Conversion Date and the Company will give notice in writing to this effect to the then registered holders of such remaining Series B Preferred Shares at least seven days prior to the Series B Conversion Date.

Upon exercise by a registered holder of its right to convert Series B Preferred Shares into Series A Preferred Shares (and upon an automatic conversion), the Company reserves the right not to deliver Series A Preferred Shares to any person whose address is in, or whom the Company or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Company to take any action to comply with the securities or analogous laws of such jurisdiction.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "Description of Share Capital – Series B Preferred Shares — Restrictions on Dividends and Retirement and Issue of Shares" below, the Company may at any time purchase for cancellation the whole or any number of the Series B Preferred Shares at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Series B Preferred Shares will be entitled to receive $25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for payment or distribution (less any tax required to be deducted or withheld), before any amount is paid or any assets of the Company are distributed to the holders of any shares ranking junior as to capital to the Series B Preferred Shares. Upon payment of such amounts, the holders of the Series B Preferred Shares will not be entitled to share in any further distribution of the assets of the Company.

Priority

The Series B Preferred Shares will be entitled to preference over the Common Shares and any other shares of the Company ranking junior to the Preferred Shares with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs. The Series B Preferred Shares rank equally with the Preferred Shares of every other series with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Series B Preferred Shares are outstanding, the Company will not, without the approval of the holders of the Series B Preferred Shares:

a. declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Company ranking as to capital and dividends junior to the Series B Preferred Shares) on shares of the Company ranking as to dividends junior to the Series B Preferred Shares;

b. except out of the net cash proceeds of a substantially concurrent issue of shares of the Company ranking as to return of capital and dividends junior to the Series B Preferred Shares, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Company ranking as to capital junior to the Series B Preferred Shares;

c. redeem or call for redemption, purchase, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series B Preferred Shares then outstanding; or

d. except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any preferred shares, ranking as to the payment of dividends or return of capital on parity with the Series B Preferred Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series B Preferred Shares and on all other shares of the Company ranking prior to or on parity with the Series B Preferred Shares with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series B Preferred Shares as a series and any other approval to be given by the holders of the Series B Preferred Shares may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Series B Preferred Shares are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series B Preferred Shares then present would form the necessary quorum. At any meeting of holders of Series B Preferred Shares as a series, each such holder shall be entitled to one vote in respect of each Series B Preferred Share held.

Voting Rights

The holders of the Series B Preferred Shares will not (except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class and meetings of all holders of Series B Preferred Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Company unless and until the Company shall have failed to pay eight quarterly dividends on the Series B Preferred Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Company properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series B Preferred Shares will be entitled to receive notice of and to attend each meeting of the Company's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Series B Preferred Share held. Upon payment of the entire amount of all Series B Preferred Share dividends in arrears, the voting rights of the holders of the Series B Preferred Shares shall forthwith cease.

Convertible Notes of League Opportunity Fund Ltd.

Between November 18, 2012 and February 10, 2013, League Opportunity Fund Ltd. issued approximately $13.5 million principal amount of secured convertible promissory notes. The LOF Convertible Notes are guaranteed by League Assets Corp. and REIT LP and bear interest at a rate of 8% per annum, calculated monthly and payable quarterly. The LOF Convertible Notes will be convertible at the option of the holder into Common Shares if the Common Shares become listed on the TSX or the TSX Venture Exchange at a 25% discount to the Specified Value of the Common Shares. The LOF Convertible Notes will mature on the earlier of (i) March 14, 2014 or (ii) the date on which the Common Shares are listed on the TSX or TSX Venture Exchange (at which point the holder will have the option to accept repayment of the principal amount of the LOF Convertible Note together with interest accrued thereon, or exercise the holders option to exchange the LOF Convertible Notes for Common Shares at a 25% discount to the Specified Value of the Common Shares. Upon conversion, such holder will receive accrued and unpaid interest on the LOF Convertible Notes up to the date of the conversion.

Units of League Investment Fund Ltd.

On April 30, 2013, League Investment Fund Ltd. issued approximately $1.6 million of Units by way of private placement. The Units, each with a subscription price of $1,000, consist of a $1,000 principal amount convertible unsecured promissory note and 50 Common Share purchase warrants. The following is a summary of certain material terms of the LIF Convertible Notes and the Warrants.

The LIF Convertible Notes are guaranteed by League Assets Corp. and REIT LP and bear interest at a rate of 8% per annum, calculated monthly and payable quarterly. LEAGUE and League Investment Fund Ltd. have agreed to complete a short form amalgamation pursuant to the *Canada Business Corporations Act* on or about the date on which LEAGUE completes a Listing Transaction. Pursuant to and following such amalgamation, the LIF Convertible Notes will then become convertible for Common Shares of LEAGUE at a price equalling a 20% premium, subject to standard anti-dilution adjustments in certain events. Holders converting their LIF

Convertible Notes will receive accrued and unpaid interest thereon to the date of conversion. The LIF Convertible Notes will mature 30 months from the date of closing of the private placement. In the event a Listing Transaction and the amalgamation of League Investment Fund Ltd. and LEAGUE have not occurred within 2 years of closing of the private placement, then League Investment Fund Ltd. will be required to make an offer to purchase, on the maturity date, all of the LIF Convertible Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest. League Investment Fund Ltd. has the right at any time to purchase the LIF Convertible Notes, by tender, or by private contract. Subject to certain conditions, the LIF Convertible Notes may be repaid by League Investment Fund Ltd. at any time following the Listing Transaction and amalgamation without notice or bonus.

Pursuant to and following the amalgamation of League Investment Fund Ltd. and LEAGUE, each Warrant will become exercisable for such number of Common Shares of LEAGUE, equal to the number determined by dividing (A) 10 by (B) the Specified Value of each Common Share, at a price equalling a 15% premium to the Specified Value of the Common Shares, subject to standard anti-dilution adjustments in certain events, exercisable before the date that is 30 months from the date of closing of the private placement.

Consolidated Capitalization of the Company

The following table sets forth the consolidated capitalization of Company as at March 31, 2013, both before and after giving effect to the Transactions. This table should be read in conjunction with the financial statements and the notes thereto included elsewhere in this Prospectus.

	As at March 31, 2013 (1)	As at March 31, 2013 after giving effect to the Transactions
Cash	$ 0	$ 10,587,000
Total Debt	$ 0	$110,455,000
Total Current Liabilities	$ 528,000	$107,178,000
Shareholders' Equity		
Share Capital	**$ 10**	**$159,374,000**
Retained Earnings (deficit)	$(494,000)	$ (5,946,000)
Total Shareholders' Equity (deficiency)	**$(493,990)**	**$153,428,000**
Total liabilities and shareholders' equity	$ 34,010	$381,648,000

Notes:

(1) LEAGUE was incorporated on February 22, 2013 and one Common Share was issued to REIT LP for $10 in cash.

Dividend Policy

The Company has not paid dividends on the Common Shares and the current intention is not to declare dividends on the Common Shares for the foreseeable future. Any future determination to pay cash dividends on the Common Shares is at the discretion of the Board and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board deems relevant. Pursuant to the CBCA, the Company may not declare or pay a dividend if there are reasonable grounds for believing that: (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

Dividends on the Preferred Shares will be paid in accordance with the terms of the Preferred Shares as described above under "Description of Share Capital – Series A Preferred Shares" and "Description of Share Capital – Series B Preferred Shares".

DISTRIBUTION REINVESTMENT PLAN

Upon completion of the Transactions, the Company intends to implement, subject to regulatory approval, a dividend reinvestment plan ("**DRIP**") pursuant to which holders of Preferred Shares may elect to have all cash distributions of the Company automatically reinvested in additional Common Shares at a price per Common Share calculated by reference to the weighted average of the closing price of the Common Shares on the TSX for the five trading days immediately preceding the relevant distribution date.

No brokerage commission will be payable in connection with the purchase of Common Shares under the DRIP and all administrative costs will be borne by the Company. Cash undistributed by the Company upon the issuance of additional Common Shares under the DRIP will be invested in the Company to be used for acquisitions, capital improvements and working capital.

Shareholders resident outside of Canada will not be entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a shareholder must terminate the shareholder's participation in the DRIP.

Further administrative details, including the date of the first distribution of income for which shareholders will be entitled to elect to have distributions reinvested under the DRIP, and enrolment documents regarding the DRIP will be forwarded to beneficial owners of Series A Preferred Shares following completion of the Transactions.

PLAN OF DISTRIBUTION

In connection with the Transactions, the Company intends to issue ● Common Shares and ● Preferred Shares. There is currently no market through which the Common Shares or Preferred Shares may be sold and holders may not be able to sell Common Shares or Preferred Shares qualified under this prospectus. See "Risk Factors".

LEAGUE has applied to list the Common Shares and the Preferred Shares to be issued pursuant to the Transactions on the TSX. Such listing will be subject to LEAGUE fulfilling all the listing requirements of the TSX.

PRIOR SALES

Other than as set out below, the Company has not issued any shares of the Company, or any securities convertible into or exchangeable for shares of the Company, in the twelve months preceding the date of this Prospectus.

Between November 18, 2012 and January 11, 2013, League Opportunity Fund Ltd. issued approximately $13.5 million principal amount of LOF Convertible Notes. See "Description of Share Capital – Units of League Opportunity Fund Ltd.".

On 30 April, 2013 League Investment Fund Ltd. issued approximately $1.6 million principal amount of LIF Convertible Notes and common share purchase warrants. See "Description of Share Capital – Units of League Investment Fund Ltd.".

RISK FACTORS

An investment in the Common Shares involves a number of risks. In addition to the other information contained in this Prospectus, you should carefully consider the risks described below before making an investment decision. The Company's business, financial condition, revenues and profitability could be materially adversely affected by any of these risks. The trading price of the Common Shares could decline due to any of these risks, and you may lose all or part of your investment. The risks described below are not the only ones facing the Company and holders of Common Shares. Additional risks not currently known to the Company or that the Company currently deems immaterial may also impair its business operations.

This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Company described below and elsewhere in this Prospectus. See "Special Note Regarding Forward-Looking Statements".

Risks Related to the Company's Business

Difficult market conditions can materially adversely affect the Company's business in many ways, including by reducing the value or performance of the investments made by the Project LPs and by reducing capital, each of which could materially reduce the Company's revenue and cash flow and materially adversely affect the Company's financial condition and profitability.

The success of the Company's business is highly dependent upon conditions in the Canadian and United States real estate markets and economic conditions throughout North America that are outside the control of the Company and are difficult to predict. Factors such as interest rates, housing prices, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, currency exchange rates and controls, and national and international political circumstances (including wars, terrorist acts or security operations) could have a material negative impact on the value of the Project LPs' portfolio investments, which in turn would reduce the Company's revenues and profitability.

Unpredictable or unstable market conditions and adverse economic conditions may result in reduced opportunities to find suitable risk-adjusted investments to deploy capital and make it more difficult for the Company to exit and realize value from its existing real estate investments, which could materially adversely affect the Company's ability to raise new funds and sustain its profitability and growth.

Poor investment performance or other factors could lead to the loss of existing clients, an inability to attract new clients, lower Assets Under Management and Assets Under Administration and a decline in revenues.

The Company believes that its investment performance is one of the most important factors for the growth of the Assets Under Management and Assets Under Administration. Poor investment performance relative to the Company's competitors or otherwise could impair revenues and growth because existing clients might opt not to invest in any of the Company's subsequent Project LPs and the Company might not be able to raise capital from existing and new clients, which could result in lower Assets Under Management and Assets Under Administration and could impact the ability to earn certain Contractual Fees. Changes in the investment mandates of an existing client or other factors internal to that client could also result in a client electing to not invest in the Company's subsequent Project LPs. In addition, the ability to earn Performance Fees is directly related to the Company's investment performance and therefore poor investment performance may cause the Company to earn less or no Performance Fees. The Company cannot guarantee that it will be able to achieve positive returns, retain existing clients or attract new clients in the future.

Changes in the real estate markets could lead to a decline in revenues.

The Company's revenues are dependent upon Contractual Fees, certain of which are based on Assets Under Management and Assets Under Administration, and Performance Fees, which are based on pre-specified target investment returns. See "The Business – LEAGUE's Revenues".

Assets Under Management and Assets Under Administration and the Company's ability to achieve returns above the target investment returns are impacted by factors beyond the Company's control, including economic and political conditions as well as the policies and performance of businesses, government, the real estate industry and the financial community. A decline in value of the real estate development projects the Company invests in could result in lower Performance Fees as a result of one or more of the following:

- the returns realized on the Assets Under Management and Assets Under Administration may decrease; and
- the Company's clients may opt not to invest in any of its subsequent Project LPs for any number of reasons, including to favour investments in markets that they perceive to offer greater opportunity that are not served by the Company.

Furthermore, the Performance Fees the Company earns from the Project LPs are calculated once limited partners have received their capital back plus a preferred return on that capital investment. Performance Fees could be significantly impacted by events or factors beyond the Company's control that affect the value of one or more of the Company's investments.

Poor performance of Project LPs would make it more difficult for the Company to raise new capital. Investors in the Project LPs may decline to invest in future Project LPs managed by the Company. Investors and potential investors in the Project LPs continually assess the Project LPs performance and the Company's ability to raise capital for existing and future Project LPs will depend on the Project LPs continued satisfactory performance.

Failure to maintain required regulatory capital by League Investment Services Inc. may subject the registrant to fines, suspension or revocation of registration or could prohibit the Company from expanding

League Investment Services Inc. operates in regulated environments and is subject to minimum regulatory capital requirements. Accordingly, it may be required to keep sufficient cash and other liquid assets on hand to maintain capital requirements. Although this regulated entity currently has sufficient capital, growth of the business may necessitate additional capital requirements and the failure to maintain required regulatory capital may subject the registrant to fines, suspension or revocation of registration or could prohibit the Company from expanding. In certain instances, regulatory capital requirements may increase due to a change in the market value of securities held, some of which are beyond the Company's control. The Company monitors the level of regulatory capital required in each of its business units on an ongoing basis to ensure minimum requirements are met.

Investments in real estate development have relatively long investment periods and are subject to significant risk throughout.

The real estate development industry is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as consumer confidence, employment levels, availability of financing and interest rates, availability and terms of senior financing, levels of new and existing properties for sale, demographic trends and demand.

The development projects in which the Company invests also have lengthy project completion timelines. Typically, the Company invests in development projects in which capital is generally returned in three to four years after completion. These extended timelines present the possibility that markets will deteriorate between the time of the initial investment and the return of capital or project completion which could have an adverse effect on the Company's business, financial condition or results of operation.

Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their homes to potential buyers who need financing. As a result, rising mortgage rates could adversely affect the ability of those projects the Company invests to sell when completed and the price at which they can sell them, which could materially adversely impact the Company's results of operations and Performance Fee revenue.

New regulatory requirements may involve changes to the way the Company currently conducts business or may increase the cost and associated profitability of its business.

The regulatory operating environment for asset management and financial services operations in Canada continues to expand, becoming more extensive, onerous and complex. The Company supports regulatory changes that enhance the integrity and reputation of the industry and that protect the interests of its client base. Compliance personnel participate in the development of new legislation and regulations. New regulatory requirements, however, may involve changes to the way the Company currently conducts business or may increase the cost and associated profitability of its business. Laws and regulations applied at the national and provincial levels generally grant governmental agencies and self regulatory bodies broad administrative discretion over the activities of the Company's subsidiaries, including the power to limit or restrict such business activities. Possible sanctions include the revocation or imposition of conditions on licenses or registrations to operate certain businesses, the suspension or expulsion from a particular market of any of the Company's business segments or their key personnel or financial advisors, and the imposition of fines. There is also the potential that the laws or regulations governing the Company's operations or particular investment products or services could be amended or interpreted in a manner that is adverse to business activities. The Company believes that its ability to comply with all applicable laws and regulations, including emerging changes, is dependent upon the establishment, implementation and maintenance of extensive compliance policies and procedures.

Regardless of its effectiveness in monitoring and administering established compliance policies and procedures, the Company, and any of its directors, officers, employees and agents, may be subject to liability or fines that may limit the Company's ability to conduct business. The Company will maintain various types of insurance to cover certain potential risks and continuously evaluates the adequacy of this coverage. In recent years, the cost of obtaining insurance has increased while the number of insurance providers has decreased. As a result of the introduction of the secondary market civil liability regime, the ability to obtain insurance on reasonable economic terms may be even more difficult in the future.

The Company is exposed to the risk that third parties owing cash, securities or other assets, may not fulfill their obligations, due to lack of liquidity, bankruptcy, operational failure or other causes.

The Company is exposed to the risk that third parties owing cash, securities or other assets, may not fulfill their obligations, due to lack of liquidity, bankruptcy, operational failure or other causes. These parties include trading counterparties, customers, clearing agents, exchanges, clearing houses, other financial intermediaries and issuers whose securities are held by the Company or its subsidiary. Credit risks associated with customers include amounts loaned in margin accounts. While the Company reviews its credit exposure to specific clients, counterparties and other debtors, default risk may arise from events or circumstances that are otherwise difficult to detect. The Company also reviews the type and value of securities held as collateral for margin loans. An unexpected decline in the value of any such securities held as collateral may expose the Company to additional credit losses.

The Company is dependent upon the economic climates of its primary markets.

Substantially all of the Company's revenues are derived from Assets Under Management located in its primary geographic markets in Canada. A prolonged downturn in the economies of these markets, or the impact that a downturn in the overall national economies of Canada may have upon these markets, could result in reduced properties.

The development projects in which the Company invests may not be completed on advantageous terms, or at all.

On a strategic and selective basis, the Company provides financing to develop properties. The real estate development business involves significant risks that could adversely affect the Company's business, financial condition and results of operations, including: the developer may not be able to complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in selling the properties in which the Project LPs invest; the developer may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations for properties in which the Company invests; the developer may not be able to sell properties in which the Company invests on favourable terms or at all; construction costs, total investment amounts and the Project LPs' share of remaining funding may exceed the Company's estimates and projects may not be completed and delivered as planned.

The development properties in which the Company invests are subject to possible environmental liabilities and other possible liabilities.

The development properties and developers in which the Company invests are subject to various Canadian and United States federal, provincial, state and municipal laws relating to environmental matters. These laws could hold the developers or property owners liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in the Company's development properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect LEAGUE's ability to sell the development properties or to borrow using real estate as collateral, and could potentially result in claims or other proceedings against the developer. The Company is not aware of any material non-compliance with environmental laws by any of the developers in which the Company invests, nor is the Company aware of any material non-compliance with environmental laws on any of the real estate developments that the Company invests in. The Company is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the real estate developments or any material pending or threatened claims relating to environmental conditions at its development properties. The Company has made and will continue to make the necessary capital expenditures to support developer's efforts to comply with environmental laws and regulations. Environmental laws and regulations can change rapidly and the developers may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on a developer or a particular development project, which, in turn, could have an adverse effect on the Company's business, financial condition or results of operations.

Loss of key employees could lead to a loss of clients and a decline in revenues.

The Company's business is dependent on the highly skilled and often highly specialized individuals it employs. The contribution of these individuals to the management team is important in attracting and retaining investors. The Company devotes considerable resources to recruiting, training and compensating these individuals.

However, the growth in total Assets Under Management and Assets Under Administration in the investment management industry, the number of new firms entering the industry and the reliance on performance results to sell financial products have increased the demand for high-quality investment and client service professionals. Compensation packages for these professionals have a tendency to increase at a rate well in excess of inflation and above the rates observed in other industries. The Company expects that these costs will continue to represent a significant portion of its expenses.

The Company has taken, and will continue to take, steps to encourage its key employees to remain in its employ, including the Deferred Share Unit Incentive Plan, the Escrowed Stock Plan and the Company entering into employment agreements with key employees. See "Statement of Executive Compensation". There can be no assurance that the steps the Company has taken to retain these individuals will be sufficient in light of the increasing competition for experienced professionals in the industry or that it will be able to recruit a sufficient number of new employees with the desired qualifications in a timely manner, if required. Furthermore, there can be no assurances that the Company's key employees will not leave to pursue other opportunities, including those with its competitors (notwithstanding any non-competition provisions in the employment agreements). The failure to retain key employees and to recruit new employees could lead to a loss of clients and a decline in revenues.

The Company does not have sole control over the properties that it invests in, or over the revenues, and certain decisions associated with those properties, which may limit its flexibility with respect to these investments.

Investments in partnerships, joint ventures or other entities may involve risks not present were a third party not involved, including the possibility that the Project LPs' partners or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, the Company's partners or co-venturers might at any time have economic or other business interests or goals which are inconsistent with the Company's business interests or goals. In addition, the Company does not have sole control of certain important decisions relating to these development properties, including decisions relating to: the sale of the development properties; refinancing; timing and amount of distributions of cash from such development properties to the Company; and capital improvements.

Competitive pressures could reduce revenues.

The asset management industry is competitive. Some of the Company's competitors have, and potential future competitors could have, substantially greater technical, financial, marketing, distribution and other resources than it does. Competition is based on a wide range of factors including brand recognition, investment performance, the types of products offered by the competitor, business reputation, financial strength, continuity of institutional, management and sales relationships and quality of service. There can be no assurance that the Company will be able to achieve or maintain any particular level of Assets Under Management and Assets Under Administration or revenues in this competitive environment. Competition could have a material adverse effect on the Company's profitability and there can be no assurance that it will be able to compete effectively. In addition, the Company's ability to maintain its current Contractual Fee and Performance Fee structure is dependent on its ability to provide clients with products and services that are competitive. There can be no assurance that the Company will not come under competitive pressures to lower the fees it charges or that it will be able to retain its fee structure or, with such fee structure, retain its clients in the future. A significant reduction in the Company's Contractual Fees or Performance Fees could have an adverse effect on its revenues. There can be no assurance that the Company will maintain its current standing in the market or its current market share, and the business, financial condition and operating results of the Company may be adversely affected should circumstances change.

The Company's inability to obtain additional capital in the future as required could have a material adverse effect on our financial condition.

The Company's future capital requirements depend on many factors. If estimates of revenue, expenses, or capital or liquidity requirements change or are inaccurate, or if cash generated from operations is insufficient to satisfy liquidity requirements, the Company may arrange additional financings. In the future, it may also arrange financings to give financial flexibility to pursue attractive acquisition or investment opportunities that may arise. The Company may pursue future financings through various means, including equity investments, issuance of debt, joint venture projects or other means. The Company cannot be certain that it will be able to obtain additional financing on commercially reasonable terms or at all. The Company's ability to obtain additional financing may be impaired by such factors as the capital markets. If the amount of capital able to be raised from financing activities, together with revenues from operations (if any), is not sufficient to satisfy the Company's capital needs, it may not be able to execute its business and growth plans, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements. If any of these events occur, it could adversely affect the Company's business, financial condition and results of operations. Any future equity financings undertaken are likely to be dilutive to existing shareholders. Also, the terms of securities issued in future capital transactions may include preferences which are more favourable for new investors. If the Company cannot obtain adequate capital or if it fails to refinance existing debt as it comes due, its business, operating results and financial condition could be adversely affected.

Rapid growth in the Company's Assets Under Management and Assets Under Administration could adversely affect its investment performance or its ability to continue to grow.

An important component of real estate development investment performance is the availability of appropriate investment opportunities. If the Company is not able to find sufficient real estate development investments in a timely manner, its investment performance could be adversely affected. Alternatively, if the Company does not have sufficient real estate development investment opportunities, it may elect to limit its growth and reduce the rate at which it receives new client assets. If the Company's Assets Under Management and Assets Under Administration increase rapidly, it may not be able to exploit the real estate development investment opportunities that have historically been available to it or find sufficient investment opportunities for producing the absolute returns it targets. If the Company is not able to identify sufficient appropriate investment opportunities, its investment performance and its ability to continue to grow may be adversely affected.

Rapid growth may also be difficult to sustain and may place significant demands on the Company's administrative, operational and financial resources.

The Company's Assets Under Management have grown from approximately $10 million in 2004 to approximately $1.28 billion as of the date of this Prospectus. The Company's rapid growth has caused, and if it continues will continue to cause, significant demands on its legal, accounting and operational infrastructure, and increased expenses. In addition, the Company is required to continuously develop its systems and infrastructure in response to the increasing sophistication of the real estate development investment management market and legal, accounting and regulatory developments.

The Company's future growth will depend on, among other things, its ability to maintain an operating platform and management systems sufficient to address its growth and will require it to incur additional expenses and to commit additional senior management and operational resources. As a result, the Company faces significant challenges in: (i) maintaining adequate financial and business controls; (ii) implementing new or updated information and financial systems and procedures; and (iii) training, managing and appropriately sizing its work force and other components of its business on a timely and cost-effective basis.

There can be no assurance that the Company will be able to manage its expanding operations effectively or that it will be able to continue to grow, and any failure to do so could adversely affect its ability to generate revenue and control its expenses.

Fulfilling the Company's public company financial reporting and other regulatory obligations will be expensive and time consuming.

As a public entity, the Company will be subject to the reporting requirements and related rules and regulations of the Canadian Securities Administrators, as well as the rules of the TSX. These requirements may place a strain on the Company's systems and resources. The *Securities Act* (British Columbia) and other applicable securities legislation requires that the Company file annual, quarterly and current reports with respect to its business and financial condition and operations and requires that it maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve the effectiveness of the Company's disclosure controls and procedures, significant resources and management oversight will be required. The Company will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. In addition, sustaining the Company's growth will also require it to commit additional management, operational and financial resources to identify new professionals to join the Company and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. The Company expects to incur significant additional annual expenses related to these steps and, among other things, additional directors' and officers' liability insurance, director fees, reporting requirements of the British Columbia Securities Commission and other regulators, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses.

The historical financial information included in this Prospectus is not necessarily indicative of the Company's future performance.

The historical consolidated financial information included in this Prospectus is not necessarily indicative of the Company's future financial results. In addition, the historical consolidated financial information included in this Prospectus does not reflect the added costs that the Company will incur as a public company or the impact of the Company's change in structure. The historical growth rates in revenue, Net Income and Assets Under Management is not necessarily indicative of future growth rates. The historical returns of the investments should not be considered indicative of the future results that should be expected from such investment or from any other future investments the Company may manage. The returns have benefited from investment opportunities and general market conditions that may not repeat themselves, and there can be no assurance that LEAGUE's investments or any future investments the Company may manage will be able to avail themselves of profitable investment opportunities. The rates of return reflect the Company's historical cost structure, which may vary in the future due to factors beyond its control, including changes in law. In addition, future returns will be affected by the applicable risks described elsewhere in this Prospectus, including risks of the real estate industry and specific real estate development projects in which a particular Project LP invests.

The Company may not be able to obtain sufficient insurance coverage on favourable economic terms.

The Company has various types of insurance, including errors and omissions insurance and general commercial liability insurance. The adequacy of insurance coverage is evaluated on an ongoing basis, including the cost relative to the benefits. However, there can be no assurance that potential claims will not exceed the limits of available insurance coverage or that any claim or claims will be ultimately satisfied by an insurer. A judgment against the Company in excess of available insurance or in respect of which insurance is not available could have a material adverse effect on the Company's business, financial condition or profitability. There can be no assurance that the Company will be able to obtain insurance coverage on favourable economic terms in the future.

Failure to execute the Company's succession plan could lead to a loss of clients and employees and a decline in revenues.

Adam Gant and Emanuel Arruda are the founders of the Company and remain actively involved in the business. Some of the Company's clients have invested with the Company because of the personal reputations and the hard work of Mr. Gant and Mr. Arruda. Mr. Gant and Mr. Arruda are committed to playing active executive roles in the Company's future. At the same time, they have been mindful of developing a succession plan and have created a strong team in all areas of the business. However, if Mr. Gant and/or Mr. Arruda retire, suffer from a long-term disability or die, the Company may not be able to retain some of its existing clients or employees, which could lead to a decline in revenues.

The due diligence process that the Company undertakes in connection with investments may not reveal all facts that may be relevant in connection with an investment.

Before making real estate development investments, including the selection of developers, the Company conducts extensive due diligence reviews that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The Company's due diligence process includes in-depth reference checks of developers, environmental audits, market analysis, site analysis, financial and construction cost analysis and legal review. When conducting due diligence, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Company relies on the resources available to it, including information provided by the target of the development and, in some circumstances, third-party investigations. The due diligence investigation that the Company will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Employee errors or misconduct could result in regulatory sanctions or reputational harm, which could materially adversely affect the Company's business, financial condition or profitability.

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the investment industry in recent years and, notwithstanding the extensive measures the Company takes to deter and prevent such activity, it runs the risk that employee misconduct could occur. Misconduct by employees could include binding the Company to transactions that exceed authorized limits or present unacceptable risks, or concealing from the Company unauthorized or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. The Company is also susceptible to loss as a result of employee error. It is not always possible to deter employee misconduct or prevent employee error and the precautions the Company takes to prevent and detect this activity may not be effective in all cases, which could materially adversely affect the Company's business, financial condition or profitability.

The impact of operational risk could result in significant financial loss, reputational harm, and regulatory censure and penalties.

Operational risk is generally regarded as the risk of loss resulting from insufficient or failed internal processes, people and systems or external events. Operational risk is inherent in the activities of financial institutions, and includes incorrect or unauthorized trade execution, failed settlement and transaction processing, documentational errors, fiduciary breaches, improper disclosures involving securities and investment management activities, theft and fraud. The impact of any of these can result in significant financial loss, reputational harm, and regulatory censure and penalties. While operational risks cannot be eliminated, they can be managed with proper internal control processes and procedures and the deployment of qualified personnel. The Company has established a framework for operational risk management that includes procedures and control measures, the deployment of qualified and competent compliance and audit personnel, a process for regular review of controls by senior management and the use of external insurance coverage where appropriate.

A failure of any key component of the Company's infrastructure could result in significant disruptions to the business and could have a materially adverse effect on results of operations.

The Company and its business units rely on third-party service providers for key components of their respective business infrastructure, including the brokerage accounting system in its investment dealer operations, the unit holder and Project LP accounting systems in its investment management business, as well as critical data connections for trade execution and business communications. A failure of any key component of its infrastructure could result in significant disruptions to the business and could have a materially adverse effect on results of operations. While the Company has addressed this risk by instituting various procedures and plans for business continuity and redundancy, there can be no assurance that material disruptions can be averted in the event of a failure of a key component.

If the global market and economic crisis continues for a long period, disruptions in the capital and credit markets may adversely affect the Company's business, financial condition and results of operations.

Continued concerns about the systemic impact of inflation, the availability and cost of credit, the real estate market, energy costs and geopolitical issues have contributed to increased market volatility and diminished expectations for the global economy. These conditions, combined with declining business activity levels and consumer confidence, increased unemployment and volatile oil prices, have contributed to unprecedented levels of volatility in the capital markets. If the global market and economic crisis intensifies or continues for a long period, disruptions in the capital and credit markets may adversely affect the Company's business, financial condition and results of operations.

The Company faces potential adverse effects from developer defaults, bankruptcies or insolvencies.

A developer that the Company engages may experience a downturn in its business, which could cause the loss of that developer or weaken its financial condition and result in the developer's inability to make payments when due. If a developer defaults, the Company may experience delays and incur costs in enforcing its rights as lender and protecting its investments.

Because real estate investments are illiquid, the developments the Company invests with may not be able to sell properties when appropriate.

Certain residential properties can be difficult to sell, particularly if local market conditions continue to be poor. Additionally, financial difficulties of other property owners resulting in distressed sales could depress real estate values in the markets in which the Company operates in times of illiquidity, such as in the current economy. These restrictions reduce the Company's ability to respond to changes in the performance of the investments and could adversely affect the Company's financial condition and results of operations.

In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and, during an economic recession, the Company may be faced with ongoing expenditures with a declining prospect of incoming receipts. If the Company is unable to refinance its mortgages on acceptable terms, or at all, it may need to dispose of one or more of its real estate assets. In such circumstances, it may be necessary for the Company to dispose of properties at lower prices in order to generate sufficient cash for operations on a timely basis. Additionally, financial or operating difficulties of other owners resulting in distress sales could depress asset values in the markets in which the Company operates in times of illiquidity. These conditions could reduce the Company's ability to respond to changes in the performance of its real estate investments and accordingly, could adversely affect the financial condition and results of operations of its real estate subsidiaries.

Potential adverse publicity, whether true or not, will or may cause a decline in earnings, liquidity, share price or client base due to its impact on the Company's corporate image.

Reputational risk is the potential that adverse publicity, whether true or not, will or may cause a decline in earnings, liquidity, share price or client base due to its impact on the Company's corporate image. Reputational risk is inherent in virtually all of the Company's business transactions, even when the transaction is fully compliant with legal and regulatory requirements. Reputational risk cannot be managed in isolation, as it often arises as a result of operational, regulatory and other risks inherent to the Company's business. For these reasons, the Company's framework for reputational risk management is integrated into all other areas of risk management and is a key component of the codes of business conduct and ethics of which the Company's employees are expected to observe. The Company places a high emphasis on safeguarding its reputation, as once compromised, it can be difficult to restore.

The Company may be subject to interest rate risk.

The Company has an on-going obligation to access debt markets to refinance maturing debt as it becomes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions that are acceptable to the Company or on any terms at all. The Company's strategy of staggering the maturities of its debt portfolio attempts to limit the exposure to excessive amounts of debt maturing in any one year.

The Company may be subject to real estate sectoral risk.

The Company generates a significant part of its income through rent payments made by tenants of its properties. If a lease expires, the Company has no assurances that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Company than the existing lease. To mitigate this risk, the Company does not have any one or small group of significant tenants. The Company is dependent on leasing markets to ensure vacant rental space is leased, expiring leases are renewed and new tenants are found to fill vacancies. While the Company does not expect that markets will significantly change in the near future, a disruption in the general or local economy could have a significant impact on how much space tenants will lease and the rental rates paid by tenants. This would affect the income produced by the Company's properties as a result of downward pressure on rents.

Litigation risk is inherent in each of the business lines of the Company as well as in operations that may be acquired by the Company.

Litigation risk is inherent in each of the business lines of the Company as well as in operations that may be acquired by the Company. Litigation risk cannot be eliminated, even if there is no legal cause of action. The legal risks facing the Company, its directors, trustees, officers or employees in this respect include the potential liability for violations of securities laws, breach of fiduciary duty and misuse of investors' funds. In addition, the existence of the secondary market and the civil liability regime in certain jurisdictions may facilitate dissatisfied shareholders to make claims against the Company.

Risks Related to the Common Shares and the Preferred Shares

An active market for the Common Shares and Preferred Shares may not develop.

Prior to the completion of the Transactions there has been no trading market for the Common Shares and Preferred Shares. The Company cannot assure you that a regular trading market of the Common Shares or the Preferred Shares will develop on a stock exchange or elsewhere or, if developed, that any market will be sustained. Accordingly, the Company cannot assure you of the likelihood that an active trading market for the Common Shares or Preferred Shares will develop or be maintained, the liquidity of any trading market, investors' ability to sell their Common Shares or Preferred Shares when desired, or at all, or the prices that investors may obtain for their Common Shares or Preferred Shares.

The market price of the Common Shares or Preferred Shares may fluctuate widely and rapidly.

If an active public market for the Common Shares or Preferred Shares does not develop, the liquidity of your investment in the Common Shares or Preferred Shares may be limited, the market price could be subject to significant fluctuations and the price per share may decline. Even if an active trading market does develop, the market price of the Common Shares or Preferred Shares may be highly volatile and could be subject to wide fluctuations.

The market price of the Common Shares or Preferred Shares could fluctuate significantly as a result of many factors, including the following:

- economic and stock market conditions generally and specifically as they may impact participants in the real estate industry;
- the Company's earnings and results of operations and other developments affecting its business;
- changes in financial estimates and recommendations by securities analysts following the Common Shares or Preferred Shares;
- earnings and other announcements by, and changes in market evaluations of, participants in the real estate industry;
- changes in business or regulatory conditions affecting participants in the real estate industry; and
- trading volume of the Common Shares or Preferred Shares.

In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price of the Common Shares or Preferred Shares may decline even if the Company's operating results or prospects have not changed.

The market value of the Series A Preferred Shares and the Series B Preferred Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the rating assigned to such shares. Real or anticipated changes in ratings on the Series A Preferred Shares and Series B Preferred Shares may also affect the cost at which the Company can transact or obtain funding, and thereby affect its liquidity, business, financial condition or results of operations.

Prevailing yields on similar securities will affect the market value of the Series A Preferred Shares and the Series B Preferred Shares. Assuming all other factors remain unchanged, the market value of the Series A Preferred Shares and the Series B Preferred Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities may affect the market value of the Series A Preferred Shares and the Series B Preferred Shares in an analogous manner.

The market value of Series A Preferred Shares and Series B Preferred Shares may also depend on the market price of the Common Shares. The prices at which the Common Shares will trade cannot be predicted. Trading prices of the Common Shares will be influenced by the Company's financial results and by complex and interrelated political, economic, financial and other factors that can affect the capital markets generally, the stock exchanges on which the Common Shares are traded and the market segment of which the Company is a part.

The Series A Preferred Shares and Series B Preferred Shares do not have a fixed maturity or redemption date, may not be redeemed at the holder's option and may be liquidated by the holder only in limited circumstances.

Neither Series A Preferred Shares nor the Series B Preferred Shares have a fixed maturity or redemption date and they are not redeemable at the option of the holders thereof. The ability of a holder to liquidate his, her or its holdings of Series A Preferred Shares or Series B Preferred Shares, as applicable, may be limited.

Limitations on the Payment of Dividends

Although the Series A Preferred Shares and Series B Preferred Shares carry cumulative dividends, the Company may not be in a position pursuant to law to declare and pay such dividends as contemplated in this Prospectus. The Company may not declare or pay a dividend if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the payment of the dividend would render the Company unable to pay its debts as they become due in the ordinary course of its business.

The Company may redeem Series A Preferred Shares and Series B Preferred Shares.

The Company may choose to redeem the Series A Preferred Shares and the Series B Preferred Shares from time to time, in accordance with its rights described under "Description of Share Capital – Series A Preferred Shares" and "Description of Share Capital – Series B Preferred Shares", including when prevailing interest rates are lower than yields borne by the Series A Preferred Shares and the Series B Preferred Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yields on the Series A Preferred Shares or the Series B Preferred Shares being redeemed. The Company's redemption right also may adversely impact a purchaser's ability to sell Series A Preferred Shares and Series B Preferred Shares as the optional redemption date or period approaches.

The Company may not make a payment or provide any consideration to redeem any of its shares if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the making of the payment or providing the consideration would render the Company unable to pay its debts as they become due in the ordinary course of its business.

Creditors of the Company rank ahead of holders of Series A Preferred Shares and Series B Preferred Shares in the event of an insolvency or winding-up of the Company.

The Series A Preferred Shares and Series B Preferred Shares rank equally with other preferred shares of the Company that may be outstanding in the event of an insolvency or winding-up of the Company. If the Company becomes insolvent or is wound-up, the Company's assets must be used to pay debt, including subordinated and inter-company debt, before payments may be made on Series A Preferred Shares, Series B Preferred Shares and other Preferred Shares.

The dividend rates on the Series A Preferred Shares and Series B Preferred Shares will reset.

The dividend rate in respect of the Series A Preferred Shares will reset on October 1, 2018 and on October 1 every five years thereafter. The dividend rate in respect of the Series B Preferred Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

Investments in Series B Preferred Shares, given their quarterly dividend rate reset, expose holders thereof to interest rate fluctuations that are different than those that would apply to the Series A Preferred Shares.

The resetting of the applicable rate on a Series B Preferred Share may result in a lower yield compared to fixed rate Series A Preferred Shares. The applicable rate on a Series B Preferred Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Company has no control.

The Series A Preferred Shares and Series B Preferred Shares may be converted or redeemed without the holders' consent in certain circumstances.

The Series A Preferred Shares and Series B Preferred Shares may be redeemed by the Company in certain circumstances without the holder's consent. The Company may not make a payment or provide any consideration to redeem any of its shares if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the making of the payment or providing the consideration would render the Company unable to pay its debts as they become due in the ordinary course of its business.

In addition, an investment in the Series A Preferred Shares, or in the Series B Preferred Shares, as the case may be, may become an investment in Series B Preferred Shares, or in Series A Preferred Shares, respectively, without the consent of the holder in the event of an automatic conversion in the circumstances described under "Description of Share Capital – Series A Preferred Shares" and "Description of Share Capital – Series B Preferred Shares". Upon the automatic conversion of the Series A Preferred Shares into Series B Preferred Shares, the dividend rate on the Series B Preferred Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while, upon the automatic conversion of the Series B Preferred Shares into Series A Preferred Shares, the dividend rate on the Series A Preferred Shares will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30th day prior to the first day of each such five-year period. In addition, holders may be prevented from converting their Series A Preferred Shares into Series B Preferred Shares, and vice versa, in certain circumstances.

The declaration of dividends on the Series A Preferred Shares and Series B Preferred Shares is in the discretion of the Board of Directors.

Holders of Series A Preferred Shares and Series B Preferred Shares do not have a right to dividends on such shares unless declared by the Board of Directors of the Company. The declaration of dividends is in the discretion of the Board of Directors even if the Company has sufficient funds, net of its liabilities, to pay such dividends.

The Company may not declare or pay a dividend if there are reasonable grounds for believing that (i) the Company is unable to pay its debts as they become due in the ordinary course of its business, or (ii) the payment of the dividend would render the Company unable to pay its debts as they become due in the ordinary course of its business. Debts of the Company will include those arising in the course of its business, indebtedness, including inter-company debt, and amounts, if any, that are owing by the Company under guarantees in respect of which a demand for payment has been made.

Holders of the Series A Preferred Shares and Series B Preferred Shares do not have voting rights except under limited circumstances.

Holders of Series A Preferred Shares and Series B Preferred Shares will generally not have voting rights at meetings of the shareholders of the Company except under limited circumstances. Holders of Series A Preferred Shares and Series B Preferred Shares will have no right to elect the Board of Directors of the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, no director, executive officer or shareholder who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Common Shares, or any known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transaction within the last three years or in any proposed transaction, that has materially affected or will materially affect the Company or a subsidiary of the Company.

Upon completion of the Transactions, it is anticipated that League Assets Limited Partnership will own ● Common Shares and ● Series A Preferred Shares, representing ●% and ●% of the issued and outstanding shares of such class. League Assets Limited Partnership will also hold the LALP Note. The general partner of League Assets Limited Partnership is League Assets GP Inc., the shares of which are owned by Adam Gant and Emanuel Arruda personally, and by trusts for the families of Adam Gant and Emanuel Arruda.

League Assets Corp. is party to a lease agreement (the "**Lease Agreement**") with League Holdings Corp. (the "**Landlord**") dated May 1, 2010 for the Redbrick Building (the "**Property**"), municipally known as 710 Redbrick Street, Victoria, BC, V8T 5J3, which is LEAGUE's head and registered office. The Landlord is a wholly owned subsidiary of League Assets Limited Partnership. The rentable area of the Property is 16,476 square feet. The Lease Agreement is for a term of five years commencing on October 1, 2010, with basic rent payable in the amount of $28.50 per square foot per annum (the "**Basic Rent**"). In addition to the Basic Rent, pursuant to the Lease Agreement, League Assets Corp. is responsible for operating costs relating the Property, realty taxes for the Property, strata fees where applicable and utility costs. In addition, pursuant to a lease amending agreement dated September 11, 2012, the Landlord agreed to lease to League Assets Corp. an additional premises comprised of approximately 7,872 square feet (the "**Additional Premises**"). League Assets Corp., commencing on June 11, 2012, shall hold the Additional Premises for three years and three months and 20 days. The rent for the Additional Premises shall be $28.50 per square foot per annum. League Assets Corp. has an two consecutive options to renew the Lease Agreement each for a period of five years.

EXPERTS

Certain legal matters relating to this Prospectus will be passed upon on behalf of the Company by Goodmans LLP. As of the date hereof, the respective partners and associates of Goodmans LLP own beneficially, directly or indirectly, less than 1% of any outstanding class of securities of the Company and less than 1% of the outstanding securities of any class of the Company's associates or affiliates

PROMOTER

League Assets Limited Partnership may be considered a promoter of LEAGUE. As part of the Transactions, League Assets Limited Partnership will transfer the Transfer Entities to LEAGUE in consideration for ● Common Shares and ● Series A Preferred Shares and for the assumption of certain liabilities by LEAGUE.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The Company's auditors are KPMG LLP, Chartered Accountants, who have prepared an independent auditors' report dated July ●, 2013 in respect of the Company's audited financial statements as at February 22, 2013, has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia. The transfer agent and registrar for the Common Shares will be Computershare Trust Company of Canada at its principal offices located in Vancouver, British Columbia and Toronto, Ontario.

MATERIAL CONTRACTS

The following are the material contracts other than contracts in the ordinary course of business, and material contracts in the ordinary course of business required to be listed, that the Company or a subsidiary of the Company has entered into or anticipates entering into in connection with the Transactions:

a. Credit Facility;

b. Loan Agreement;

c. Monarch Purchase Agreement described under "The Business – General Development of the Business – Monarch Purchase Agreement"; and

d. Harris Fraser Purchase Agreement described under "The Business – General Development of the Business – Harris Fraser Purchase Agreement";

The following are summaries of the material terms of the agreements noted above, which are qualified in their entirety by reference to all of the provisions of such agreements. The agreements will be available following completion of the Transactions on SEDAR at www.sedar.com.

Credit Facility

REIT LP and IGW Public Limited Partnership (collectively, the "**Borrowers**"), are party to a credit facility (the "**Credit Facility**") dated June 11, 2012, with Adam Gant and Emanuel Arruda, as guarantors (the "**Guarantors**") and Timbercreek Mortgage Investment Corporation, as administrative agent and lender. The Credit Facility will have an initial maturity of two years, and has a principal amount of up to a maximum of $40 million. The Borrowers will pay interest on each loan advanced under the Credit Facility at a rate of 10.50% per annum for the first 25 months following such advance and 14.00% per annum for each month thereafter, calculated and compounded monthly not in advance. The aggregate principal amount of loans outstanding cannot be greater than the value of the applicable pool of secured properties under the Credit Facility.

A loan was advanced under the Credit Facility in the amount of $27,000,000 on June 15, 2012. The proceeds of such advance were utilized as follows: (i) to pay fees and expenses in connection with the Credit Facility, and (ii) to pay certain creditors in respect of mortgages on properties held by REIT LP.

The Credit Facility is secured by, among other things:

- a fixed and floating charge debentures in the principal amount of $80,000,000;
- a general security agreement from each of the Borrowers creating a security interest over all of the present and future undertaking and property, both real and personal, of the Borrowers;
- a general assignment of leases and the rents thereunder in respect of each of the secured properties.

The Credit Facility includes conditions precedent, financial and non-financial covenants and events of default customary for a credit facility of this nature**.** In addition, the Credit Facility includes, without limitation, covenants (i) restricting the use the loans; (ii) requiring the Borrowers to maintain insurance in respect of the secured property; and (iii) requiring the Borrowers to not encumber the secured property. In connection with the Transactions, a substantial portion of the amounts advanced under the Credit Facility will be assumed by League Urban Ventures Inc. although the Company will continue to be an obligor in respect of such amounts.

Loan Agreement

In connection with the completion of the Transactions, REIT LP and Colwood will enter into a loan agreement (the "**Loan Agreement**"), pursuant to which REIT LP will agree to advance and re-advance funds to Colwood, the aggregate amount of which will not exceed $50 million (the "**Loan**"). Colwood will have the right at any time to prepay the amount then outstanding under the Loan or any part thereof without notice or penalty. In addition, the Loan, together with interest accrued thereon, shall be payable on demand. Interest will accrue on the balance of the Loan outstanding at a rate of 8% per annum, compounded monthly not in advance. The Loan will be available for general capital and working capital purposes, as well as to acquire certain lands (the "**Loan Lands**"), develop or re-develop the buildings on the Loan Lands and purchase equipment in connection therewith. Pursuant to the Loan Agreement, Colwood will agree that it will not, without consent of REIT LP, encumber the Loan Lands or alter the title to the Loan Lands by way of filing a subdivision plan, airspace parcel plan or strata plan in respect of the Loan Lands.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no outstanding legal proceedings material to the Company to which the Company is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated. In addition, there have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority, no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and no settlement agreements entered into by the Company with a court relating to securities legislation or with a securities regulatory authority.

GLOSSARY

In this Prospectus, the following terms will have the meanings set forth below, unless otherwise indicated. Words importing the singular include the plural and vice versa and words importing any gender include all genders:

"**Additional Premises**" has the meaning given to it under "Interest of Management and Others in Material Transactions".

"affiliate" has the meaning given to it in Section 1.2 of National Instrument 45-106 — Prospectus and Registration Exemptions promulgated under the *Securities Act* (British Columbia);

"**Annual Fixed Dividend Rate**" means, for any Subsequent Fixed Rate Period, the annual rate (expressed as a percentage rate rounded to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 3.2%.

"**Assets Under Administration**" has the meaning given to it under the heading "Non-IFRS Financial Information".

"**Assets Under Management**" has the meaning given to it under the heading "Non-IFRS Financial Information".

"**associate**" has the meaning ascribed thereto in the *Securities Act* (British Columbia).

"**Audit Committee**" means the audit committee of the Board of Directors.

"**Basic Rent**" has the meaning given to it under "Interest of Management and Others in Material Transactions".

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder.

"**BCSC**" means the British Columbia Securities Commission.

"**Bloomberg Screen GCAN5YR Page**" means the display designated as page "GCAN5YR<INDEX>" on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada bond yields.

"**Board of Directors**" or "**Board**" means the board of directors of the Company.

"**Borrowers**" mean REIT LP and IGW Public Limited Partnership, as borrowers under the Credit Facility.

"**Business Day**" means any day other than a Saturday or a Sunday, or any statutory or civic holidays, in Vancouver, British Columbia**.**

"**CBCA**" means the *Canada Business Corporations Act*, as amended, including the regulations promulgated thereunder.

"**Colwood**" means Colwood City Centre Limited Partnership, a partnership organized under the laws of British Columbia.

"**Colwood Assets**" has the meaning given to it under the heading "The Business – General Development of the Business – Colwood Transaction".

“**Colwood Transaction**” has the meaning given to it under the heading “The Business – General Development of the Business – Colwood Transaction”.

“**Common Shares**” means the common shares of the Company.

“**Company**” or “**LEAGUE**” means League Financial Partners Inc., a corporation incorporated pursuant to the laws of Canada.

“**Compensation, Nominating and Corporate Governance Committee**” means the compensation, nominating and corporate governance committee of the Board.

“**Contractual Fees**” has the meaning given to it under the heading “The Business - LEAGUE’s Revenues”.

“**Credit Facility**” means the credit agreement dated June 11, 2012 as between Timbercreek Mortgage Investment Corporation, as administrative agent and lender, REIT LP, IGW Public Limited Partnership, Adam Grant and Emanuel Arruda.

“**Deferred Share Unit Incentive Plan**” means the Company’s deferred share unit incentive plan to be effective following completion of the Transactions.

“Deferred Share Unit” means a deferred share unit issuable under the Deferred Share Unit Incentive Plan.

“**Distribution**” has the meaning given to is under the heading “Description of Share Capital – Common Shares”.

“**DRIP**” means the Dividend Reinvestment Plan of the Company.

“**DSU Participant**” means a participant under the Deferred Share Unit Incentive Plan.

“**Escrowed Shares**” means common shares of Holdco issued pursuant to the Escrowed Stock Plan.

“**Escrowed Stock Plan**” means the Company’s escrowed stock plan to be effective following completion of the Transactions.

“**FIT**” means the Ontario Power Authority’s Feed-In Tariff Program.

“**Fixed Rate Calculation Date**” means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

“**Floating Quarterly Dividend Rate**” means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rate rounded to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 3.2% (calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365).

“**Floating Rate Calculation Date**” means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

“**Forbes**” means Forbes & Manhattan Asset Management Corp.

“**Government of Canada Yield**” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Vancouver time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers selected by the Company, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

"**Group Company**" has the meaning given to it under the heading "The Business – General Development of the Business - Harris Fraser Purchase Agreement Harris Fraser Purchase Agreement".

"**Guarantors**" means Adam Gant and Emanuel Arruda.

"**Harris Fraser Acquisition**" has the meaning given to it under the heading "The Business – General Development of the Business – Harris Fraser Purchase Agreement".

"**Harris Fraser Purchase Agreement**" means the agreement of purchase and sale dated February 1, 2013 as between Yuen Yee Ng and the Company.

"**HK$**" means Hong Kong dollars.

"**Holdco**" means a private company to be created to issue Escrowed Shares under the Escrowed Stock Plan.

"**IFRS**" means International Financial Reporting Standards, as issued by the International Accounting Standards Board.

"**IGW REIT**" means LEAGUE IGW Real Estate Investment Trust, an unincorporated open-ended real estate investment trust that was formed on January 31, 2007 under the laws of the Province of British Columbia.

"**ILAS**" means Investment-linked Assurance Scheme.

"**Income Deferred Share Unit**" means deferred share units credited to holders of Deferred Share Units and Income Deferred Share Units based on distributions paid on Common Shares.

"**Independent**" has the meaning given such term in National Policy 58-201 — *Corporate Governance Guidelines*.

"**Initial Fixed Rate Period**" means the period commencing on date of issuance of the Series A Preferred Shares and ending on and including September 30, 2018.

"**LALP Note**" means the 8% promissory note in the principal amount of $3.0 million issued by the Company in favour of League Assets Limited Partnership in connection with the Transactions.

"**Landlord**" means League Holdings Corp.

"**Lease Agreement**" has the meaning given to it under "Interest of Management and Others in Material Transactions".

"**LIF Convertible Notes**" has the meaning given to it under the heading "Description of Share Capital – Units of League Investment Fund Ltd. ".

"**Listing Transaction**" has the meaning given to it under the heading "Description of Share Capital – Units of League Investment Fund Ltd. ".

“**Loan**” has the meaning given to it under the heading “Material Contracts-Loan Agreement.”

“**Loan Agreement**” means the amended and restated loan agreement dated February 24, 2012 as between Colwood and REIT LP.

“**Loan Lands**” has the meaning given to it under the heading “Material Contracts-Loan Agreement.”

“**LOF Convertible Notes**” has the meaning given to it under the heading “Description of Share Capital – Convertible Notes of League Opportunity Fund Ltd.”.

“**LTIP**” means long-term incentive plan.

“**MD&A**” means management’s discussion and analysis of financial condition and results of operations.

“**Monarch Group**” has the meaning given to it under “League Subsidiaries - League Capital Markets Ltd. and Catalyst Investment Corp.”.

“**Monarch Purchase Agreement**” means the share purchase agreement dated May 15, 2012 as between Forbes & Manhattan Asset Management Corp. and League Capital Markets Ltd.

“**Monarch Shares**” has the meaning given to it under the heading “League Subsidiaries – League Capital Markets Ltd. and Catalyst Investment Corp. – Monarch Purchase Agreement”.

“**Named Executive Officers**” has the meaning given to it under the heading “Statement of Executive Compensation – Compensation Discussion and Analysis”.

“**Oriana**” means Oriana Resources Corporation.

“**NI-31-103**” means National Instrument 31-103 – *Registration Requirements and Exemptions and Ongoing Registration Obligations*.

“**NI 52-110**” means National Instrument 52-110 — *Audit Committees*.

“**Partners REIT**” means Partners Real Estate Investment Trust, an unincorporated open-end real estate investment trust formed pursuant to the laws of the Province of Ontario.

“**Performance Fees**” means has the meaning given to it under the heading “The Business – LEAGUE’s Revenues”.

“**Preferred Shares**” means the Series A preferred shares and Series B preferred shares of the Company.

“**Project LPs**” means project specific limited partnerships to be managed indirectly by LEAGUE.

“**Property**” means the Redbrick Building, municipally known as 710 Redbrick Street, Victoria BC, V8T 5J3, which is LEAGUE’s head and registered office.

“**Prospectus**” means this prospectus dated July 22, 2013.

“**Qualifying Transaction**” has the meaning given to it under the heading “The Business – General Development of the Business – Colwood Transaction”.

“**Quarterly Commencement Date**” means the 1st day of each of April, July, October and January in each year.

“**Quarter End**” has the meaning given to it under the heading “Corporate Structure – Transaction Steps”.

“**Quarterly Floating Rate Period**” means, for the initial Quarterly Floating Rate Period, the period commencing on October 1, 2018 and ending on and including December 31, 2018 and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding Quarterly Commencement Date.

“**REIT LP**” means IGW REIT Limited Partnership, a limited partnership formed under the laws of the Province of British Columbia.

“**SEDAR**” means the System for Electronic Data Analysis and Retrieval.

“**Series A Conversion Date**” has the meaning given to it under the heading “Description of Share Capital – Series A Preferred Shares - Conversion of Series A Preferred Shares into Series B Preferred Shares”.

“**Series B Conversion Date**” has the meaning given to it under the heading “Description of Share Capital – Series B Preferred Shares - Redemption”.

“**Specified Value**” has the meaning given to it under the heading “Corporate Structure – Specified Value”.

“**Step #1**” has the meaning given to it under the heading “Corporate Structure – Transaction Steps”.

“**Step #2**” has the meaning given to it under the heading “Corporate Structure – Transaction Steps”.

“**Step #3**” has the meaning given to it under the heading “Corporate Structure – Transaction Steps”.

“**Step #4**” has the meaning given to it under the heading “Corporate Structure – Transaction Steps”.

“**STIP**” means short-term incentive plan.

“**Subsequent Fixed Rate Period**” means for the initial Subsequent Fixed Rate Period, the period commencing on October 1, 2018 and ending on September 30, 2023 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period and ending on and including September 30 in the fifth year thereafter.

“**subsidiary**” has the meaning set out in the *Securities Act* (British Columbia), and includes a partnership or other entity.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three-month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

“**Transactions**” has the meaning given to it under the heading “Corporate Structure – Transaction Steps”.

“**Transfer Entities**” means, collectively, League Assets Corp., League Investment Services Inc., League Capital Markets Ltd., League Assets International Inc. and League Opportunity Fund Ltd.

“**TSX**” means the Toronto Stock Exchange.

“**Units**” has the meaning given to it under the heading “Description of Share Capital – Units of League Investment Fund Ltd. “.

“**Warrants**” has the meaning given to it under the heading “Description of Share Capital – Units of League Investment Fund Ltd. “.

LEAGUE FINANCIAL PARTNERS INC.

AUDIT COMMITTEE CHARTER

1. Purpose

The Audit Committee (the "**Committee**") is appointed by the board of directors (the "**Board**") of League Financial Partners Inc. (the "**Company**") to assist in the oversight and evaluation of:

- the quality and integrity of the financial statements of the Company;
- the internal control and financial reporting systems of the Company;
- the compliance by the Company with legal and regulatory requirements in respect of financial disclosure;
- the qualification, independence and performance of the Company's independent auditors;
- the performance of the Company's Chief Financial Officer; and
- any additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

In addition, the Committee provides an avenue for communication between the independent auditor, financial management, other employees and the Board concerning accounting and auditing matters.

The Committee is directly responsible for the appointment, compensation, retention (and termination) and oversight of the work of the independent auditor (including oversight of the resolution of any disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing audit reports or performing other audit, review or attest services for the Company.

The Committee is not responsible for:

- planning or conducting audits,
- certifying or determining the completeness or accuracy of the Company's financial statements or that those financial statements are in accordance with generally accepted accounting principles, or
- guaranteeing the report of the Company's independent auditor.

The fundamental responsibility for the Company's financial statements and disclosure rests with management and the independent auditors are responsible for auditing those financial statements. It is not the duty of the Committee to conduct investigations, to itself resolve disagreements (if any) between management and the independent auditor or to ensure compliance with applicable legal and regulatory requirements.

2. Reports

The Committee shall report to the Board on a regular basis and, in any event, before the public disclosure by the Company of its quarterly and annual financial results. The reports of the Committee shall include any issues of which the Committee is aware with respect to:

- the quality or integrity of the Company's financial statements;
- compliance by the Company with legal or regulatory requirements in respect of financial matters and disclosure;
- the performance and independence of the Company's independent auditor;
- the effectiveness of systems of control (including risk management) established by management to safeguard the assets (real and intangible) of the Company; and

- the proper maintenance of accounting and other records.

The Committee shall also prepare, as required by applicable law, any audit committee report required for inclusion in the Company's publicly filed documents.

3. Composition

The members of the Committee shall be three or more individuals who are appointed by the Board (and may be replaced) by the Board. Each of the members of the Committee shall meet the standards for independence required by applicable regulatory, stock exchange and securities law requirements and, without limitation, shall be financially literate (or acquire that familiarity within a reasonable period after appointment). This shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity that can reasonably be expected to be raised by the Company's financial statements. No member of the Committee shall accept (directly or indirectly) any consulting, advisory or other compensatory fee from the Company (other than remuneration for acting in his or her capacity as a director) or be an "affiliated person" of the Company (for this purpose, an "affiliate" of a person is a person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the first person). Without the approval of the Board, no member of the Committee shall concurrently serve on the audit committee of a competitor or client.

4. Responsibilities

It is recognized that, in fulfilling their responsibilities, members of the Committee are not full-time employees of the Company. As such, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to determine that the Company's financial statements are complete and accurate. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which it receives information, and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board).

The Committee shall have authority over, and shall be responsible for, the following specific matters:

4.1 Independent Auditors

The Committee shall:

- Recommend to the Board the independent auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Company.
- Establish the compensation of the independent auditor.
- Obtain confirmation from the independent auditor that it ultimately is accountable, and will report directly, to the Committee and the Board.
- Oversee the independent auditor and, in the context thereof, require the independent auditor to report to the Committee (among other things) any disagreement between management and the independent auditor regarding financial reporting and the resolution of each such disagreement.
- Adopt policies and procedures for the pre-approval of the retention of the Company's independent auditor for all audit and permitted non-audit services (subject to any restrictions on such services imposed by applicable legislation), including procedures for the delegation of authority to provide such approval to one or more members of the Committee.
- At least annually, review the qualifications, performance and independence of the independent auditor. In doing so, the Committee should, among other things, undertake the measures set forth in Appendix "A" to this Charter.

4.2 The Audit Process, Financial Statements and Related Disclosure

The Committee shall, as it determines to be appropriate:

- Review with management and the independent auditor:
  - the proposed audit plan and scope of review by the independent auditor;
  - before public disclosure, the Company's annual audited financial statements and quarterly unaudited financial statements, the Company's accompanying disclosure of management's discussion and analysis of financial condition and results of operations ("**MD&A**") and earnings press releases and make recommendations to the Board as to the approval and dissemination of those statements and disclosure;
  - the adequacy of the procedures for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to in the immediately preceding paragraph and periodically assess the adequacy of those procedures and consider whether they are complete and consistent with the information known to committee members;
  - financial information and any earnings guidance provided to analysts and rating agencies, recognizing that this review and discussion may be done generally (consisting of a discussion of the types of information to be disclosed and the types of presentations to be made) and need not take place in advance of the disclosure of each release or provision of guidance;
  - any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the Company's financial statements;
  - all critical accounting policies and practices used;
  - all alternative treatments of financial information within International Financial Reporting Standards ("**IFRS**") that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
  - the use of "pro forma" or "adjusted" non-IFRS information;
  - the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise), on the Company's financial statements;
  - any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Committee by the Chief Executive Officer and the Chief Financial Officer during their certification process in documents filed with applicable securities regulators;
  - the adequacy of the Company's internal accounting controls and management information systems and its financial, auditing and accounting organizations and personnel and any special steps adopted in light of any material control deficiencies; and
  - the establishment, and periodic review, of procedures for the review of financial information extracted or derived from the Company's consolidated financial statements.
- Review with management the Company's guidelines and policies with respect to risk assessment and the Company's major financial and business risk exposures and the steps management has taken to monitor and control such exposures.

- Review with the independent auditor:
  - the quality as well as the acceptability of the accounting principles that have been applied;
  - any problems or difficulties the independent auditor may have encountered during the provision of its audit-related services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to management and the Company's response to that letter or communication; and
  - any changes to the Company's significant accounting principles and practices suggested by the independent auditor and members of management.
- Review with management all related party transactions and the development of policies and procedures related to those transactions.
- Following completion of the annual audit, review with each of management and the independent auditors any significant issues, concerns or difficulties encountered during the course of the audit including:
  - restrictions on the scope of work or on access to required or requested information;
  - issues or concerns that arose during the course of the audit concerning the Company's internal accounting controls, or the fair presentation, completeness or accuracy of the financial statements; and
  - analyses prepared by management or the auditors setting forth significant financial reporting issues and judgments made in connection with preparation of the financial statements (including analysis of the effects of alternative treatments under generally accepted accounting principles).
- Periodically review reports on the Company's information technology systems that support the financial reporting process.
- Receive and review reports from other Board committees with regard to matters that could affect the audit or results of operations.
- Oversee appropriate disclosure of the Charter, and other information required to be disclosed by applicable legislation in the Company's public disclosure documents, including any management information circular distributed in connection with the solicitation of proxies from the Company's security holders.

4.3 Compliance

The Committee shall, as it determines appropriate:

- Review with the Company's Chief Financial Officer, other members of management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Company's financial statements or accounting policies.
- Review with the Company's external legal counsel legal matters that may have a material impact on the financial statements or accounting policies.
- Establish procedures for:
  - the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and
  - the confidential, anonymous submission by employees of the Company with concerns regarding any accounting or auditing matters.

- Review independent financial analyst commentary concerning the Company and its financial reporting.

4.4 Delegation

To avoid any confusion, the Committee responsibilities identified above are the sole responsibility of the Committee and may not be delegated to a different committee.

5. Meetings

The Chair of the Committee shall be selected by the Board. If the Chair of the Committee is not present, the members of the Committee may designate a Chair for the meeting by majority vote of the members of the Committee present.

The Committee shall meet in accordance with a schedule established each year by the Committee, and at other times that the Committee may determine. Quorum for all meetings shall be a majority of the Committee members. Minutes shall be maintained of all meetings of the Committee and copies of the minutes shall be made available to all members of the Board.

The Committee shall meet periodically with the Chief Financial Officer, the independent auditors and external legal counsel in separate sessions. Meeting agendas shall be developed by the Committee chair in consultation with the Company's management and the independent auditors. Committee members may propose agenda items through communication with the Chair of the Committee or the Chief Financial Officer. Agendas, together with appropriate briefing materials, shall be circulated to Committee members prior to meetings. At the discretion of the Committee, members of management and others may attend Committee meetings other than the separate sessions with the independent auditors, the Chief Financial Officer and the external legal counsel.

6. Resources and Authority

The Committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to engage and establish the compensation of, at the expense of the Company, outside advisors including experts in particular areas of accounting, legal counsel and other experts or consultants as it determines necessary to carry out its duties, without seeking approval of the Board or management. The Committee will advise the Board of any such action taken.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and has direct access to the independent auditors as well as anyone in the Company.

7. Annual Evaluation

At least annually, the Committee shall, in a manner it determines to be appropriate:

- Perform a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with this Charter.
- Review and assess the adequacy of its Charter (including with respect to the procedures regarding the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements) and recommend to the Board any improvements to this Charter that the Committee determines to be appropriate.

Appendix "A"
Qualifications, Performance and Independence of Independent Auditor

- Review the experience and qualifications of the senior members of the independent auditor's team.
- Confirm with the independent auditor that it is in compliance with applicable legal, regulatory and professional standards relating to auditor independence.
- Review and approve clear policies for the hiring by the Company of employees or partners or former employees or former partners of the current and former independent auditor.
- Review annual reports from the independent auditor regarding its independence and consider whether there are any non-audit services or relationships that may affect the objectivity and independence of the independent auditor and, if so, recommend that the Board take appropriate action to satisfy itself of the independence of the independent auditor.
- Obtain and review such report(s) from the independent auditor as may be required by applicable legal and regulatory requirements.
- Conduct an evaluation (taking into account the opinions of management) of the independent auditor's qualifications, performance and independence and present to the Board the Committee's conclusion in such regard.
- Review, as required, the independent auditor's plans with respect to the partner rotation.

INDEX TO FINANCIAL STATEMENTS

LEAGUE FINANCIAL PARTNERS INC.

PRO FORMA COMBINED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2013 AND FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND THE YEAR ENDED DECEMBER 31, 2012

(unaudited)

LEAGUE FINANCIAL PARTNERS INC.

PRO FORMA COMBINED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2013
(unaudited, in $ thousands)

	(Note 1)						Proposed Acquisitions					
	LFP	LAC	LISI	LOF	LIF	LCM	IGW REIT	Colwood Development	HF	Adjustments	Note	Total
Assets												
Current Assets												
Cash		—	4	2	—	198	3,834	157	5,780	612	4. b)	10,587
Other assets	—	798	29	—	—	99	21,889	703	481	—		23,999
Accounts receivable	34	48	—	—	—	210	528	929	1,140	8	4. b)	2,897
Due from related parties		—	581	10,773	—	—	—	—	—	(10,534)	3.	820
Taxes receivable		717	—	—	—	—	—	—	—	—		717
Properties held for sale		—	—	—	—	—	24,591	—	—	—		24,591
Loans receivable		2,647								—		2,647
												66,258
Long Term Assets												
Long term investments		—	—	—	—	—	31,251	—	—	—		31,251
Advances to managed entities		8,090								(2,616)	3.	5,474
Loans receivable from related parties		2,632	—	—	—	—	105,969	—	—	(75,113)	3., 4. b)	33,488
Income producing properties		—	—	—	—	—	121,317	—	—	—		121,317
Property under development		—	—	—	—	—	—	126,642	—	—		126,642
Other assets – non current		1,886	—	1,452	—	285	—	1,218	290	—		5,131
Investments		6,957										6,957
Intangible assets									23	2,452	4.d)	2,475
Goodwill		—	—	—	—	1,487	—	—		613	4.d)	2,100
	34	**23,775**	**614**	**12,227**	**—**	**2,279**	**309,379**	**129,649**	**7,714**	**(84,578)**		**401,093**
Liabilities												
Current liabilities												
Accounts payable and accruals	—	4,242	427	128	—	271	13,445	7,928	3,666	(2,615)	3., 4. b)	27,492
Mortgages payable	—	—	—	—	—	—	19,931	10,527	—	—		30,458
Mortgages payable on properties held for sale	—	—	—	—	—	—	11,798	—	—	—		11,798
Loans payable	—	—	—	12,656	—	742	11,145	6,940	—	(6,940)	4.b)	24,543
Loans payable to related parties	—	13,229	—	—	—	—	131	74,590	—	(85,124)	3., 4.b)	2,826
Income priority units	—	—	—	—	—	—	22,388	—	—	(22,388)	4.a)	—
Other liabilities	528	1,803	6	164	—	922	572	83	—	5,983	3., 4.d)	10,061
												107,178
Long Term Liabilities												
Other liabilities	—	—	—	—	—	—	1,370	—	—	—		1,370
Mortgages payable	—	—	—	—	—	—	67,685	351	—	—		68,036
Loans payable	—	6,417	—	—	—	436	19,415	25,140	—	(8,989)	3., 4.a),b)	42,419
Deferred taxes	—									1,572	4.a),b),d)	1,572
Income priority unit (long-term)	—	—	—	—	—	—	100,641	—	—	(100,641)	4.a)	—
Shareholders Equity												
Share capital	—	—	125	—	—	—	—	—	2	159,247	4.a),d)	159,374
Retained earnings (deficit)	(494)	(1,463)	56	(721)	—	(92)	40,821	4,090	4,030	(52,173)	3., 4.a),b),d)	(5,946)
Non-controlling interest	—	(453)	—	—	—	—	37	—	16	27,490	4.b),d)	27,090
	34	**23,775**	**614**	**12,227**	**—**	**2,279**	**309,379**	**129,649**	**7,714**	**(84,578)**		**401,093**

See Notes to Pro Forma Combined Condensed Consolidated Financial Statements

LEAGUE FINANCIAL PARTNERS INC.

PRO FORMA COMBINED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2013
(unaudited, in $ thousands)

	(Note 1)						Proposed Acquisitions					
	LFP	LAC	LISI	LOF	LIF	LCM	IGW REIT	Colwood Development	HF	Adjustments	Note	Total
Income												
Commissions and wealth management fees	—	501	951	—	—	691	—	—	3,235	(1,568)	3.	3,810
Revenue from income producing properties	—	—	—	—	—	—	4,528	—	—	—		4,528
Incentive management fees	—	86	—	—	—	—	—	—	—	(86)	3.	—
Asset management fees	—	2,741	—	—	—	—	—	—	—	(2,362)	3.	379
Overhead recoveries and other income	—	420	—	—	—	—	—	276	—	(126)	3.	570
Interest income	—	107	—	268	—	—	3,594	—	30	(1,983)	3.	2,016
	—	**3,855**	**951**	**268**	**—**	**691**	**8,122**	**276**	**3,265**	**(6,125)**		**11,303**
Expenses												
General and administrative expenses	—	3,009	255	90	—	106	782	364	48	(3,404)	3.	1,250
Salaries, benefits and commissions	—	1,742	686	—	—	526	—	—	2,961	—		5,915
Interest and financing costs	—	469	1	462	—	10	2,541	—	—	72	4.a)	3,555
Depreciation	—	67	—	—	—	3	—	21	—	153	4.d)	244
Property operating expenses	—	—	—	—	—	—	1,923	176	—	—		2,099
Equity income	—	—	—	—	—	—	(1,006)	—	—	—		(1,006)
Restructuring costs	494	469	—	—	—	—	—	—	—	—		963
(Gains) /losses on disposal of properties	—	—	—	—	—	—	39	—	—	—		39
(Gains)/losses on investments	—	(3)	—	—	—	—	(1,040)	—	—	—		(1,043)
Fair value (gains)/losses on available-for-sale financial ass	—	—	—	—	—	—	3,825	—	—	—		3,825
Fair value (gains)/losses on income producing properties	—	—	—	—	—	—	(46)	—	—	—		(46)
Impairment loss on loans to related parties	—	$ 78	—	—	—	—	800	—	—	—		800
Distributions on Income Priority Units	—	—	—	—	—	—	2,797	—	—	(2,797)	4.a)	—
Distributions on common units	—	—	—	—	—	—	4	—	—	(4)	4.a)	—
	494	**5,831**	**942**	**552**	**—**	**645**	**10,619**	**561**	**3,009**	**(5,980)**		**16,673**
Net income (loss) before tax	(494)	(1,976)	9	(284)	—	46	(2,497)	(285)	256	(145)		**(5,370)**
Current income taxes	—	(482)	2	—	—	7	—	—	21	—		(452)
Deferred income taxes	—	—	—	—	—	—	—	—	—	38	4.d)	38
Net income (loss)	**(494)**	**(1,494)**	**7**	**(284)**	**—**	**39**	**(2,497)**	**(285)**	**235**	**(183)**		**(4,956)**

See Notes to Pro Forma Combined Condensed Consolidated Financial Statements

LEAGUE FINANCIAL PARTNERS INC.

PRO FORMA COMBINED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012
(unaudited, in $ thousands)

	(Note 1)				Proposed or Completed Acquisitions					
	LAC	**LISI**	**LOF**	**Catalyst**	**IGW REIT**	**Colwood Development**	**HF**	**Adjustments**	**Note**	**Total**
Income										
Commissions and wealth management fees	3,973	3,122	—	2,641	—	—	11,481	(6,112)	3.	15,105
Revenue from income producing properties	—	—	—	—	17,289	—	—	—		17,289
Incentive management fees	2,451	—	—	—	—	—	—	(250)	3.	2,201
Asset management fees	9,508	—	—	—	—	—	—	(5,135)	3.	4,373
Overhead recoveries and other income	2,435	—	—	—	—	980	—	(885)	3.	2,530
Interest income	574	—	79	—	12,611	—	103	(6,737)	3.	6,630
	18,941	**3,122**	**79**	**2,641**	**29,900**	**980**	**11,584**	**(19,119)**		**48,128**
Expenses										
General and administrative expenses	12,210	630	324	656	4,952	1,897	58	(9,678)	3.	11,049
Salaries, benefits and commissions	5,977	2,456	—	2,009	—	—	10,320	—		20,762
Interest and financing costs	1,156	4	192	8	10,737	26	—	286	4.a)	12,409
Depreciation	225	—	—	3	—	28	—	—		256
Property operating expenses	—	—	—	—	7,564	630	—	—		8,194
Amortization expense	—	—		—	—	—	—	613	4.d)	613
Equity income	—	—	—	—	(4,349)	—	—	—		(4,349)
Restructuring costs	655	—	—	—	774	—	—	686	4.b)	2,115
(Gains) /losses on disposal of properties	—	—	—	—	584	—	—	—		584
(Gains)/losses on investments	311	—	—	—	993	—	—	—		1,304
Fair value (gains)/losses on available-for-sale financial asse	—	—	—	—	(3,889)	—	—	—		(3,889)
Fair value (gains)/losses	—	—	—	—	11,315	—	—	—		11,315
Impairment loss on loans to related parties	507	—	—	—	23,800	—	—	—		24,307
Distributions on Income Priority Units	—	—	—	—	9,283	—	—	(9,283)	4.a)	—
Distributions on common units	—	—	—	—	3,739	—	—	(3,739)	4.a)	—
	21,041	**3,090**	**516**	**2,676**	**65,503**	**2,581**	**10,378**	**(21,115)**		**84,670**
Net income (loss) before tax	(2,100)	32	(437)	(35)	(35,603)	(1,601)	1,206	1,996		**(36,542)**
Current income taxes	(231)	10	—	(23)	—	—	174	—		(70)
Deferred income taxes	11	—	—	—	—	—	—	153	4.d)	164
Net income (loss)	**(1,880)**	**22**	**(437)**	**(12)**	**(35,603)**	**(1,601)**	**1,032**	**1,843**		**(36,636)**

See Notes to Pro Forma Combined Condensed Consolidated Financial Statements

1. Basis of presentation

These pro forma combined condensed consolidated financial statements ("pro forma financial statements") have been prepared by management for inclusion in the Non-Offering Prospectus (the "Prospectus") of League Financial Partners Inc. ("LFP" or the "Company") in conjunction with the issuance of securities as part of the proposed re-organization of League Assets Corporation ("LAC"), League Investment Services Inc. ("LISI"), League Opportunity Fund ("LOF") and League Investment fund ("LIF") along with the acquisitions of a number of companies as described in greater detail below. These pro forma financial statements have been prepared to show the effect of this proposed re-organization and related acquisitions and are based upon the historical financial statements of LFP, LAC, LISI, LOF and LIF and the acquired businesses after giving effect to the proposed transactions and assumptions as described in the notes. LFP, LAC, LISI, LOF, LIF and League Capital Markets ("LCM") are all under common control of League Assets LP ("LALP").

The pro forma combined condensed consolidated statement of financial position has been prepared from the unaudited financial statements of LFP, LAC, LISI, LOF, LIF, LCM, LEAGUE IGW Real Estate Investment Trust ("IGW REIT"), and Colwood City Centre Development ("Colwood Development") as at March 31, 2013 and the audited financial statement of Harris Fraser Limited ("HF") for the year ended March 31, 2013. The pro forma combined condensed consolidated statements of operations have been prepared from the unaudited financial statements of LAC, LISI, LOF, LCM, IGW REIT, and Colwood Development, for the three months ended March 31, 2013, the unaudited financial statements of LFP and LIF for the period ending March 31, 2013, the audited financial statements of LAC, LISI, IGW REIT, Colwood Development, and Catalyst Investment Corp. ("Monarch") for the year ended December 31, 2012, the audited financial statements of LOF for the period ended December 31, 2012, the unaudited financial statements of HF for the three months ended March 31, 2013 and the audited financial statements of HF for the year ended March 31, 2013. These pro forma financial statements should be read in conjunction with the historical financial statements and accompanying notes thereto for each entity.

The pro forma combined condensed consolidated statement of financial position gives effect to the transactions in Notes 3 and 4 as if they had occurred on March 31, 2013. The pro forma combined condensed consolidated statements of operations for the three months ended March 31, 2013 and for the year ended December 31, 2012 gives effect to the transactions as if they had occurred on January 1, 2012.

These pro forma financial statements are not necessarily indicative of the results or financial position that would have been attained had the transaction actually taken place as at the March 31, 2013 or January 1, 2012.

2. Significant Accounting Policies

The pro forma financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and reflect the significant accounting policies outlined in the LFP financial statements and the following principal accounting policies expected to be used:

a) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of income and expenses during the financial reporting period. Actual results may differ from these estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the key areas of estimation uncertainty that have the most significant effect on the items recognized in these pro forma financial statements:

i. Business combinations*:*

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given and liabilities incurred or assumed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date. Goodwill is recognized as the fair value of the consideration transferred over the fair value of the net assets acquired. To support management's allocation of fair value to property and equipment, the Company may obtain third-party valuations. The allocations included within the pro forma financial statements are preliminary and based on management's best estimate.

ii. Income producing properties

The accounting policy relating to income producing properties is described in Note 2(b) below. In applying this policy, judgment is applied in determining the extent and frequency of utilizing independent, third-party appraisals to support management's estimate of the fair value of the Company's income producing properties. In addition, judgment is also applied to assess whether the acquisition of property through the purchase of a corporate vehicle or directly should be accounted for as an asset acquisition or a business combination.

b) Income producing properties:

Income producing properties fall within the definition of investment properties under IAS 40 – Investment Properties ("IAS 40") and consist of land and buildings held primarily to earn rental income, properties that are being constructed, developed, or redeveloped for future use as income producing properties, and for capital appreciation, but are not for sale in the ordinary course of business.

Management determines whether the acquisition of property through the purchase of a corporate vehicle, or directly should be accounted for as an asset purchase or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business; being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the shareholders. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided. Where there are no such items, the transaction is treated as an asset acquisition.

Income producing properties are measured initially at cost. Cost includes all amounts relating to the acquisition, including transaction costs (except transaction costs related to a business combination), and improvement of the properties. All costs associated with upgrading and extending the economic life of the existing facilities, other than ordinary repairs and maintenance, are capitalized to income producing properties. Costs that are directly attributable to income producing properties under development or redevelopment are capitalized. These costs include direct development costs, realty taxes and other costs directly attributable to the development.

Subsequent to initial recognition, income producing properties are measured at fair value, estimated by management and supported by valuations performed by third-party appraisers or available market evidence in accordance with IAS 40. Gains or losses arising from changes in fair value of income producing properties are included in profit or loss in the period in which they arise.

The carrying value of income producing properties includes straight-line rent receivable, tenant incentives and direct leasing costs, since these amounts are incorporated in the appraised values of income producing properties.

Income producing properties are reclassified to assets held for sale when criteria set out in IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations ("IFRS 5") are met.

An income producing property is derecognized upon disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising upon the derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is included in profit or loss in the period in which the property is derecognized.

c) Properties held for sale

Non-current assets and groups of assets and liabilities, which comprise disposal groups, are categorized as assets (or disposal groups) held for sale where the asset (or disposal group) is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset (or disposal group) is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be any changes to the plan. Where an asset (or disposal group) is acquired with a view to resale, it is classified as a current asset (or disposal group) held for sale if the disposal is expected to take place within one year of the acquisition and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition. Retrospective application is not required; therefore, comparative figures will not be adjusted to reflect non-current assets held for sale. The gains or losses arising on a sale of assets (or disposal groups) that does not meet the definition of discontinued operations will be recognized as part of continuing operations while the gains or losses arising on a sale of assets (or disposal groups) that meet the definition of discontinued operations will be reported as part of discontinued operations in the consolidated statements of comprehensive loss.

d) Intangible assets:

Upon acquisition, identifiable intangible assets are recorded at fair value and carried at costs less accumulated amortization. Identifiable intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposals proceeds and the carrying amount of the assets, and are recognized in the income statement when the asset is derecognized. Intangible assets are assessed for impairment when an event or change in circumstance indicates that the asset might be impaired based on the higher of fair value or value in use utilizing discounted cash flow.

e) Impairment of non-financial assets:

An asset or group of assets (also known as a cash generating unit or "CGU") is impaired when there is an indication of impairment and its carrying amount exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessments of the time value of money, and the risk specific to the asset or CGU.

Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's or CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if an impairment loss had not be recognized.

f) Financial instruments:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments, including derivatives, are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets:

Financial assets may be classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"); 'held to maturity' investments; 'available-for-sale' financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortized cost of an instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has the following financial assets classified as loans and receivables: cash, accounts receivable, other assets and receivables, loans receivable from related parties, due from related party and advances to managed entities.

Available for sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables; (b) held-to-maturity investments; or (c) financial assets at FVTPL. AFS financial assets are measured at fair value through other comprehensive income, except investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

The Company has classified its long-term investments, other than investments in associates, as AFS. These investments are measured at cost as they do not have quoted market prices in an active market and their fair values cannot be reliably measured.

The Company does not have any financial assets classified as at fair value through profit and loss or held-to-maturity investments.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Generally, the carrying amount of the financial asset is reduced by the impairment loss.

Financial liabilities and equity instruments:

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'.

Other financial liabilities

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

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has the following liabilities classified as other financial liabilities: accounts payable, loans payable to related parties, loans payable, other liabilities, trust units, income priority units, mortgages payable on properties held for sale, mortgages payable, due to managed entities and due to related parties.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

The Company derecognizes a financial liability when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

g) Revenue recognition:

Revenue is recognized when services are rendered, the amount is earned and collectability is reasonably assured.

Revenue from income producing properties

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company has retained substantially all of the risks and rewards of ownership of its income producing properties and therefore, accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased assets. Generally, this occurs on the lease inception date or, when the Company is required to make additions to the property in the form of tenant improvements which enhances the value of the property, when substantially complete. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. A straight-line rent receivable is included in the carrying amount of the income producing property and is recorded for the difference between the rental revenue recorded and the contractual amount received. Deducted from revenues are the amortization of tenant incentives and direct leasing costs.

Revenue from income producing properties also includes percentage participating rents and recoveries of operating expenses, including realty taxes. Percentage participating rents are recognized when tenants' specified sales targets have been met. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

Interest Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued as it is earned (until such time as the financial asset is classified as non-performing) by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. When a financial asset is identified as non-performing, the accrual of interest is discontinued.

Asset management, wealth management, commissions and other fees

Management fees are calculated as a percentage of the gross asset value of the group of assets being managed and are recognized on an accrual basis over the period the related services are rendered. Commission revenue consists of revenues generated primarily from acting as an agent for raising capital for various limited partnerships and other ventures and is recognized when the service is provided.

Revenues from performance based incentive fees, including real estate acquisition fees, are recorded on an accrual basis based upon the amount that would be due under the incentive fee formula at the end of the measurement period established by the contract where it is not subject to adjustment based on future events. Revenue from construction management contracts is determined based on a percentage of the budgeted development costs and is recognized on an accrual basis as services are provided.

h) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

i) Long-term investments

Under IAS 28 – Investments in Associates (“IAS 28”), an associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the associate. When the Company’s share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Company’s net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 – Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 – Impairment of Assets (“IAS 36”) as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a subsidiary of the Company transacts with its associates, profits and losses resulting from the transactions with the associate are recognized in the Company’s consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

Investments that the Company does not control or have significant influence are classified as available-for-sale investments.

j) Functional and presentation currency:

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

3. Reorganization

The pro forma adjustments to the pro forma financial statements have been prepared to account for the reorganization and acquisition transactions contemplated by the Prospectus as described below.

LFP was incorporated pursuant to the Canadian Business Corporations Act on February 22, 2013. League Assets Corporation (“LAC”), League Investment Services Inc. (“LISI”), League Capital Markets Ltd. (“LCM”), LEAGUE Opportunity Fund Ltd. (“LOF”), League Investment Fund (“LIF”), and Harris Fraser Limited (“HF”) (collectively the “Transfer Entities”) are 100% wholly owned subsidiaries of League Assets Limited Partnership (“LALP”). LCM is a holding company with no assets or operations.

LEAGUE FINANCIAL PARTNERS INC.

NOTES TO PRO FORMA COMBINED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS as at and for the three months ended March 31, 2013 and for the year ended December 31, 2012 (unaudited, in $ thousands, except share amounts)

IGW REIT Limited Partnership ("REIT LP") is a subsidiary of LEAGUE IGW Real Estate Investment Trust ("IGW REIT"), with IGW REIT owning approximately 86% of the issued and outstanding limited partnership units of REIT LP. IGW REIT is a private real estate investment trust that was formed in January 2007. IGW REIT currently has approximately 2,900 unitholders (the "REIT Unitholders").

The Company was incorporated in order to complete the following transactions (collectively, the "Transactions"):

1. IGW REIT will transfer all of its interest in REIT LP and its general partner IGW REIT GP Inc., to the Company in consideration for (i.) ● Common Shares, (ii.) ● Series A Preferred Shares, (iii) a promissory note of the Company in the principal amount of ● $ and (iv.) the assumption of certain liabilities. The promissory note will be unsecured and bear interest at a rate of 1% per annum. Pursuant to the terms of the promissory note, the principal shall be repaid, with accrued interest, in eight quarterly installments, with such payments to be made on the last business day of March, June, September and December with the first payment to be made on the first Quarter End (currently anticipated to be September 30, 2013) following the effective date of the Transactions. After completion of Step #1, the Company will own approximately 75% of the equity of REIT LP.

2. IGW REIT will declare a cash distribution that will be payable to the holders of certain classes of trust units of IGW REIT, namely income priority units and convertible units, pursuant to which distribution such holders will receive the accrued and undistributed fixed distributions that are payable on such securities in accordance with their terms.

3. IGW REIT will redeem all outstanding trust units of IGW REIT, other than a single unit held by League Assets Corp., in consideration for the Common Shares, Series A Preferred Shares and the promissory note received in Step #1.

4. All holders of limited partnership units of REIT LP (other than the Company) will transfer their limited partnership units to the Company in consideration for ● Common Shares and ● Series A Preferred Shares ("Step #3"). After completion of Step #3, the Company will hold own 100% of the equity of REIT LP.

5. League Assets Limited Partnership will transfer the Transfer Entities to the Company in consideration for (i.) ● Common Shares, (ii.) ● Series A Preferred Shares and (iii.) a promissory note of the Company in the principal amount of $3.0 million. The LALP Note will be unsecured and bear interest at a rate of 8% per annum. Pursuant to the terms of the LALP Note, the principal shall be repaid, with accrued interest, on or before ●. After completion of Step #4, the Company will own 100% of the equity of the Transfer Entities (in addition to 100% of the equity of REIT LP).

Following the Transactions, it is expected that LALP will have a controlling interest in the Company.

LEAGUE FINANCIAL PARTNERS INC.

NOTES TO PRO FORMA COMBINED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
as at and for the three months ended March 31, 2013 and for the year ended December 31, 2012
(unaudited, in $ thousands, except share amounts)

Included within the pro forma financial statements are the following adjustments to eliminate inter-entity balances and transactions included in the historical financial statements:

		As at March 31, 2013	ending March 31, 2013	Year ending December 31, 2012
Amounts due between:				
LAC and LISI	Due from related parties	(581)	—	—
	Loans payable to related parties	(581)	—	—
LAC and IGW REIT	Advances to managed entities	(979)	—	—
	Accounts payable and accruals	(979)	—	—
LISI and IGW REIT	Loans receivable from related parties	(6)	—	—
	Accounts payable and accruals	(6)	—	—
LAC and Colwood Development	Advances to managed entities	(1,637)	—	—
	Accounts payable and accruals	(1,637)	—	—
LAC and LOF	Due from related parties	(9,952)	—	—
	Loans payable to related parties	(9,952)	—	—
LAC and LFP	Loans receivable from related parties	(517)	—	—
	Other liabilities	(517)	—	—
LAC and LCM	Due from related parties	(1)	—	—
	Loans payable to related parties	(1)	—	—
IGW REIT and Colwood Development	Loans receivable from related parties	(74,590)	—	—
	Loans payable to related parties	(74,590)	—	—
Revenue and expenses between:				
LAC and LISI	Commissons and wealth mangement fees	—	(951)	(3,122)
	General and administrative expeneses	—	(951)	(3,122)
LAC and IGW REIT	Commissons and wealth management fees	—	(526)	(2,253)
	Incentive management fees	—	(86)	(145)
	Asset management fees	—	(1,715)	(3,579)
	Overhead recoveries and other income	—	(126)	(579)
	General and administrative expenses	—	(2,453)	(6,556)
LAC and Colwood Development	Commissons and wealth management fees	—	(91)	(737)
	Incentive management fees		—	(105)
	Asset management fees	—	(647)	(1,556)
	Overhead recoveries and other income	—		(306)
	Property under development	—	(738)	(2,704)
IGW REIT and Colwood Development	Interest income	—	(1,983)	(6,737)
	Property under development	—	(1,983)	(6,737)

The pro forma adjustments are summarized as follows:

	As at March 31, 2013	Three months ending March 31, 2013	Year ending December 31, 2012
Due from related parties	(10,534)	—	—
Loans receivable from related parties	(75,113)		
Advances to managed entities	(2,616)	—	—
Accounts payable and accruals	(2,622)	—	—
Loans payable to related parties	(85,124)	—	—
Other liabilities	(517)		
Commissons and wealth mangement fees	—	(1,568)	(6,112)
Incentive management fees	—	(86)	(250)
Asset management fees	—	(2,362)	(5,135)
Overhead recoveries and other income	—	(126)	(885)
Interest income	—	(1,983)	(6,737)
General and administrative expenses	—	(3,404)	(9,678)
Property under development	—	(4,053)	(9,441)

(unaudited, in $ thousands, except share amounts)

4. Proposed or Completed Acquisitions

The proposed acquisitions described below are assumed to have taken place as at March 31, 2013 in the statement of financial position, and at January 1, 2012 in the statements of operations for the three months ended March 31, 2013 and the year ended December 31, 2012.

a) Proposed Acquisition of IGW REIT

As noted above, as part of the reorganization IGW REIT will transfer all of its interest in REIT LP to the Company in consideration for common shares, preferred shares, and a promissory note with an estimated principal of $4.6 million bearing 1% interest annually. Furthermore, all remaining holders of REIT LP will transfer their limited partnership units to the Company in consideration for common shares and preferred shares. The total number of shares to be received by holders of IGW REIT and REIT LP units will be based upon the unit balance outstanding on the transaction date. The proposed acquisition of the IGW REIT is accounted for as a business combination. The Company anticipates the fair values of the assets acquired and liabilities assumed to be approximately equal to carrying value. The purchase consideration has been determined based upon the net asset value of $40,858 less the deferred tax liability recognized of $232.

Along with this, holders of income priority units issued by IGW REIT and REIT LP will exchange these units in consideration for common shares and preferred shares issued by the Company. The exchange value for these units is based upon the current and long-term amounts payable of $22,388 and $100,641, respectively, outstanding as at March 31, 2013.

The Company has recorded interest expense related to this promissory note and the promissory note issued on the LAC acquisition of $72 and $286 for the three month period ended March 31, 2013 and the year ended December 31, 2012, respectively.

b) League Urban Ventures Inc.

On January 29, 2013, Colwood City Centre Limited Partnership ("Colwood LP") and Oriana Resource Corporation ("Oriana") signed a letter of intent to pursue a transaction through a court approved Plan of Arrangement whereby Oriana would acquire the assets related to the Capital City Centre development project in exchange for securities of Oriana. Concurrently, REIT LP will exchange its notes receivable from Colwood Development for securities of Oriana. As a result of the proposed transactions, REIT LP will acquire control of the new combined entity. Following the transactions, the combined entity is expected to be renamed League Urban Ventures Inc ("LUV"). The total number of shares to be received by REIT LP will be dependent upon the actual loan receivable as at the date of the completion of the transactions. The proposed acquisition by REIT LP of LUV is accounted for as a business combination. The Company anticipates the fair value of the assets acquired and liabilities assumed to be approximately equal to carrying value. The shares to be issued to REIT LP in the transaction have been valued at the carrying amount of the loan extinguished as at March 31, 2013 of $74,590. The pro forma adjustments also reflect the following:

i) The recognition of costs of the transaction of $686 in the pro forma statement of operations for the year ended December 31, 2012 and the following assets and liabilities of Oriana from the transaction with Oriana:

Cash	$612
Accounts receivable	8
Accounts payable	6

ii) The conversion of the 12.0% 2010 notes, 11.0% Class B notes, 11.5% Class I notes and 12.0% Class II notes outstanding as at March 31, 2013 into 2,156,855 newly issued 7.0% preferred shares of Oriana, 39,558,693 newly issued common shares of Oriana, including 6,913,896 Top Up common shares and 691,390 Bonus common shares and the issuance of a $1,113,776 Top Up Note.

The newly issued preferred shares will be non-redeemable with discretionary dividend rights. As such, they have been treated as equity instruments in the pro forma combined condensed interim statement of financial position.

iii) Oriana's exchange of 3,729,479 newly issued 7.0% preferred shares and 165,588,859 newly issued common shares for all amounts outstanding to IGW REIT Limited Partnership as at March 31, 2013.

iv) The issuance of 84,845,106 newly issued common shares and the issuance of the new Promissory Note with a principal amount of $3,937,500 to Colwood LP for the net assets of the Development with a carrying amount of $4,090,149.

v) The recognition of a deferred tax liability of $727,000 based on an applicable tax rate of 25%.

c) Acquisition of Catalyst Investment Corp. and Monarch Wealth Assurance Agencies Inc.

On November 1, 2012, LCM completed the acquisition of Catalyst Investment Corp. and Monarch Wealth Assurance Agencies Inc. ("Monarch") pursuant to a share purchase agreement with Forbes & Manhattan Asset Management Corp. dated as of May 15, 2012. The discounted total purchase consideration for the business is $1,423, is payable over an 18 month period and is subject to normal customary adjustments.

d) Harris Fraser ("HF") Purchase Agreement

On July 1, 2013, LALP completed the acquisition of Harris Fraser Group Limited ("HF") pursuant to a share purchase agreement with Yuen Yee Ng dated as of February 1, 2013. The total purchase consideration for this business is $6,500, is payable in installments over a three year period and is subject to normal customary adjustments.

The following table presents the purchase consideration, the net assets acquired as at March 31, 2013 and resulting preliminary estimate of goodwill and intangible assets acquired (in C$ thousands):

Purchase consideration:	6,500
Net assets acquired (excluding goodwill)	4,048
Intangible assets acquired	2,452
Deferred tax liability	(613)
Goodwill	613
Annual intangible asset amortization expense	613
Annual deferred tax benefit	153

As the payments for the business will be made in the future, the purchase price has been included in other liabilities.

Pro forma amortization expenses related to intangible assets assumes that the principle intangible asset acquired is customer lists with a useful economic life of four years. Included in the three months ended March 31, 2013 and the year ended December 31, 2012 pro forma combined condensed consolidated statement of operations is intangible asset amortization of $153 and a deferred tax benefit of $38, and asset amortization of $613 and deferred tax benefit of $153, respectively.

The actual calculation and allocation of the purchase price for the acquisition will be based on the assets purchased and liabilities assumed at the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the pro forma amounts disclosed above and the variations may be material.

5. Pro Forma Share Capital

The following table presents the impact of the proposed transactions on the issued and outstanding share capital as at March 31, 2013. The actual number of common and preferred shares to be issued as part of these transactions is dependent upon the finalization of the terms of reorganization transaction described in Note 3 above.

	Note	Share capital	Retained Earnings / (Deficit)	Non-controlling interest	Total
Opening balance of:					
LFP		—	(494)	—	(494)
Transfer in of the following entities:	3.				
LAC		—	(1,463)	(453)	(1,916)
LISI		125	56	—	181
LOF		—	(721)	—	(721)
LIF		—	—	—	—
LCM		—	(92)	—	(92)
LALP Promissory Note			(3,000)		(3,000)
Acquisition of LUV	4.b)	—	—	27,506	27,506
Acquisition of IGW REIT	4.a)	159,249	(232)	37	159,054
Ending balance		159,374	(5,946)	27,090	180,518

Consolidated Financial Statements of

LEAGUE FINANCIAL PARTNERS INC.

For the period from incorporation on February 22, 2013 to March 31, 2013

(unaudited)

LEAGUE FINANCIAL PARTNERS INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

For the period from incorporation on February 22, 2013 to March 31, 2013

	2013
Assets	
Current assets:	
Accounts receivable	$ 34,192
Total assets	$ 34,192
Liabilities and Shareholder's Deficiency	
Current liabilities:	
Due to League Assets Corp (note 6)	$ 527,864
	$ 527,864
Shareholder's deficiency:	
Share capital (note 3)	10
Deficit	(493,682)
	(493,672)
Total liabilities and shareholder's deficiency	$ 34,192

Approved on behalf of the Board

_____________________________ Director

_____________________________ Director

See accompanying notes to consolidated financial statement.

LEAGUE FINANCIAL PARTNERS INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(unaudited)

For the period from incorporation on February 22, 2013 to March 31, 2013

	2013
Expenses:	
Listing and issuance expenses	$493,682
Comprehensive loss, being deficit end of period	$493,682

LEAGUE FINANCIAL PARTNERS INC.

STATEMENT OF CASH FLOWS

(unaudited)

For the period from incorporation on February 22, 2013 to March 31, 2013

Cash provided by (used in):	
Operations:	
Net loss	$(493,682)
Change in non-cash working capital Accounts receivable	(34,192)
	(527,874)
Financing:	
Advance from League Assets Corp.	527,864
Issuance of share capital	10
	527,874
Increase in cash being cash, end of period	$ —

See accompanying notes to financial statements.

LEAGUE FINANCIAL PARTNERS INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited)

For the period from incorporation on February 22, 2013 to March 31, 2013

	2013
Retained earnings, beginning of period	$ —
Net loss and comprehensive loss	(493,682)
Deficit, end of period	(493,682)
Share capital, beginning of period	—
Issuance of Class A shares	10
Total shareholder's deficiency, end of period	$(493,672)

See accompanying notes to consolidated financial statement.

Reporting entity:

League Financial Partners Inc. (the "Company") was incorporated under the Canada Business Corporations Act on February 22, 2013. The principal activity of the Company will be to issue shares and to serve as a holding company for various entities involved in asset management, wealth management and real estate development management.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary League Investment Fund Ltd.

1. Statement of Compliance:

The consolidated financial statement of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's consolidated financial statement for the period from incorporation on February 22, 2013 to March 31, 2013 were authorized for issue by the shareholder on July 16, 2013. Going forward, the Company's financial reporting year end will be December 31.

2. Significant accounting policies:

Functional and presentation currency:

(a) These consolidated financial statement are presented in Canadian dollars, which is the Company's functional currency.

(b) Basis of measurement:

The consolidated financial statement have been prepared on the historical cost basis.

(c) Use of estimates and judgments:

The preparation of the consolidated financial statement in conformity with IFRSs require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities. Actual results may differ from those estimates.

(d) Income taxes:

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in earnings except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(e) New standards not yet adopted:

In November 2009 the IASB issued IFRS 9, Financial Instruments (IFRS 9 (2009)), and in October 2010 the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In December 2011, the IASB issued an amendment to IFRS 9 to defer the mandatory effective date to annual periods beginning on or after January 1, 2015.

IFRS 9 (2009) replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

2. Significant accounting policies: (continued)

(e) New standards not yet adopted: (continued)

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date.

IFRS 9 (2010) added guidance to IFRS 9 (2009) on the classification and measurement of financial liabilities, and this guidance is consistent with the guidance in IAS 39 except as described below.

Under IFRS 9 (2010), for financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in OCI, with the remainder of the change recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. Amounts presented in OCI will not be reclassified to profit or loss at a later date.

IFRS 9 (2010) also requires derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument to be measured at fair value, whereas such derivative liabilities are measured at cost under IAS 39.

IFRS 9 (2010) also added the requirements of IAS 39 for the derecognition of financial assets and liabilities to IFRS 9 without change.
The IASB has deferred the mandatory effective date of the existing chapters of IFRS 9, Financial Instruments (2009), and IFRS 9 (2010) to annual periods beginning on or after January 1, 2015. The early adoption of either standard continues to be permitted.

The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2015. It is expected that IFRS 9, when initially applied, will have a significant impact on the Company's financial statements, since it will be required to be applied retrospectively. However, the Company is not able at this time to estimate reasonably the impact that IFRS 9 (2010) will have on the financial statements.

3. Share capital:

Authorized:

Unlimited number of Common Shares.
Unlimited Class A non-voting Shares without par value
Unlimited Class B non-voting shares without par value

	2013	
	Number of shares	**Amount**
Class A shares issued:		
Opening balance	—	$—
Issued during the year	1	10
Closing balance	1	$10

4. Financial instruments:

(a) Risk management:

The Company has exposure to the following risks from its use of financial instruments:

(*i*) Credit risk:

Credit risk, the risk of financial loss to the Company if a counterparty to a financial agreement fails to meet its contractual agreements, arises from the Company's receivable from a related party. The Company does not believe that there is significant credit risk associated with this receivable as a result of management's evaluation and ongoing monitoring of the related entities' financial condition.

4. Financial instruments: (continued)

(*ii*) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled in cash or another financial asset. This risk to the Company is generally low. The Company's approach to managing liquidity is to ensure that it has sufficient cash and or credit facilities available to meet its obligations when due.

(b) Fair value:

The carrying values of the Company's financial instruments are a reasonable approximation of their fair value due to their short-term nature.

(c) Capital management policy:

The Company's objective in managing capital is to safeguard the Company's assets and ensure that the Company can continue to operate as a going concern so that it can continue to provide services and provide an adequate return to its shareholder. The Company's capital was as follows:

	2013
Share capital	$ 10
Deficit	(493,682)
	(493,672)

6. Related party transactions:

(a) Due to related parties:

The company has a loan payable to League Assets Corp., which is under common control. The loan is unsecured, non-interest bearing, with no terms for repayment.

7. Subsequent events:

Subsequent to March 31, 2013, League Financial Partners Inc. ("LFP") will be facilitating a re-organization and recapitalization of a group of businesses which are directly or indirectly controlled or managed by League Assets Limited Partnership ("LALP"). As part of the re-organization transactions, League Assets Corporation, League Investment Services Inc. League Capital Markets Ltd, and League Opportunity Fund Ltd. will become wholly owned subsidiaries of LFP. LFP will also issue securities to the holders of common and income priority units issued by IGW Real Estate Investment Trust and IGW REIT Limited Partnership.

A preliminary non-offering prospectus (the "Prospectus") is being filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, to enable LFP to become a reporting issuer pursuant to applicable securities legislation in each of the provinces and territories of Canada, except Québec.

As of March 31, 2013, League Opportunity Fund Ltd., a company under common control, had issued $13,469,999 principal amount of secured convertible promissory notes (the "LOF Convertible Notes")

The LOF Convertible Notes will be convertible at the option of the holder into common shares of League Financial Partners Ltd. ("Common Shares") if the Common Shares become listed on the TSX or the TSX Venture Exchange at a 25% discount to the Specified Value of the Common Shares. The LOF Convertible Notes will mature on the earlier of (i) March 14, 2014 or (ii) the date on which the Common Shares are listed on the TSX or TSX Venture Exchange at which point the holder will have the option to accept repayment of the principal amount of the LOF Convertible Note together with interest accrued thereon, or exercise the holders' option to exchange the LOF Convertible Notes for Common Shares at a 25% discount to the Specified Value of the Common Shares. Upon conversion, such holder will receive accrued and unpaid interest on the LOF Convertible Notes up to the date of the conversion.

Financial Statements of

LEAGUE FINANCIAL PARTNERS INC.

February 22, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholder of League Financial Partners Inc.

We have audited the accompanying financial statements of League Financial Partners Inc., which comprise the statement of financial position as at February 22, 2013, and the statement of changes in equity and cash flows for the one day period ended February 22, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of League Financial Partners Inc. as at February 22, 2013, and its financial performance and its cash flows for the one day period ended February 22, 2013 in accordance with International Financial Reporting Standards.

Chartered Accountants
July *, 2013
Victoria, Canada

LEAGUE FINANCIAL PARTNERS INC.

STATEMENT OF FINANCIAL POSITION

February 22, 2013

Assets	
Current assets:	
Cash	$10
	$10
Shareholder's Equity	
Shareholder's equity:	
Share capital (note 3)	$10
	$10

Subsequent events (note 4)

See accompanying notes to financial statements.

On behalf of the Board:

____________________________ Director

____________________________ Director

LEAGUE FINANCIAL PARTNERS INC.

STATEMENT OF CHANGES IN EQUITY

For one day period ended February 22, 2013

Shareholder's equity, beginning of period	$—
Issuance of common share	10
Shareholder's equity, end of period	$10

See accompanying notes to financial statements.

LEAGUE FINANCIAL PARTNERS INC.

STATEMENT OF CASH FLOWS

For the one day period ended February 22, 2013

Cash provided by (used in):	
Operations:	
Net earnings	$—
Financing:	
Issuance of share capital	10
Increase in cash being cash, end of period	$ 10

See accompanying notes to financial statements.

LEAGUE FINANCIAL PARTNERS INC.

NOTES TO FINANCIAL STATEMENTS

As at and for the one day period ended February 22, 2013

Reporting Entity:

League Financial Partners Inc. (the "Company") was incorporated under the Canada Business Corporations Act on February 22, 2013.

The registered office of the Company is located at 200, 710 Redbrick Street, Victoria, British Columbia, Canada, V8T 5J3.

The principal activity of the Company will be to issue shares and to serve as a holding company for various entities involved in asset management, wealth management and real estate development management.

1. Statement of Compliance:

The financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's financial statements as at and for the one day period ended February 22, 2013 were authorized for issue by the shareholder on July 15, 2013. Going forward, the Company's financial reporting year end will be December 31.

2. Significant accounting policies:

(a) Functional and presentation currency:

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

(b) Measurement uncertainty (use of estimates):

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, inventories, future income taxes and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

3. Share capital:

	As at February 22, 2013
Authorized	
Unlimited common shares without par value	
Issued:	
1 Common share	$10

4. Subsequent event:

Subsequent to February 22, 2013, League Financial Partners Inc. ("LFP") will be facilitating a reorganization and recapitalization of a group of businesses which are directly or indirectly controlled or managed by League Assets Limited Partnership ("LALP"). As part of the re organization transactions, League Assets Corporation, League Investment Services Inc. League Capital Markets Ltd, and League Opportunity Fund Ltd. will become wholly owned subsidiaries of LFP. LFP will also issue securities to the holders of common and income priority units issued by IGW Real Estate Investment Trust and IGW REIT Limited Partnership.

A preliminary non-offering prospectus (the "Prospectus") is being filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, to enable LFP to become a reporting issuer pursuant to applicable securities legislation in each of the provinces and territories of Canada, except Québec.

As of March 31, 2013, League Opportunity Fund Ltd., a company under common control, had issued $13,469,999 principal amount of secured convertible promissory notes (the "LOF Convertible Notes").

The LOF Convertible Notes will be convertible at the option of the holder into common shares of League Financial Partners Ltd. ("Common Shares") if the Common Shares become listed on the TSX or the TSX Venture Exchange, at a 25% discount to the Specified Value of the Common Shares. The LOF Convertible Notes will mature on the earlier of (i) March 14, 2014 or (ii) the date on which the Common Shares are listed on the TSX or TSX Venture Exchange at which point the holder will have the option to accept repayment of the principal amount of the LOF Convertible Note together with interest accrued thereon, or exercise the holders' option to exchange the LOF Convertible Notes for Common Shares at a 25% discount to the Specified Value of the Common Shares. Upon conversion, such holder will receive accrued and unpaid interest on the LOF Convertible Notes up to the date of the conversion.

Unaudited Interim Condensed Consolidated Financial Statements of

LEAGUE ASSETS CORP.

Three months ended March 31, 2013 and 2012

LEAGUE ASSETS CORP.

Interim Condensed Consolidated Statements of Financial Position
Unaudited
As at March 31, 2013 and December 31, 2012

	March 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ —	$ 181,524
Accounts receivable	48,216	1,203
Deposits	136,219	150,748
Prepaid expenses	661,716	235,103
Income taxes receivable	716,864	93,325
Loans receivable (note 5)	2,646,947	2,577,615
	4,209,962	3,239,518
Due from managed entities (note 6)	8,089,681	8,374,108
Due from related parties (note 7)	2,631,673	2,091,520
Investments in associates (note 8)	6,956,595	7,130,293
Due from shareholder	46,304	25,027
Equipment and leasehold improvements (note 9)	878,057	664,575
Deferred costs	961,974	415,564
Total assets	$23,774,246	$21,940,605
Liabilities and Shareholder's Equity (Deficiency)		
Current liabilities:		
Bank indebtedness (note 10)	$ 121,321	$ —
Accounts payable and accrued liabilities	4,240,568	3,771,651
Bonds payable (note 11)	1,682,453	1,688,389
Due to managed entitles (note 6)	329,459	429,271
Due to related parties (note 7)	12,899,232	9,864,767
Current portion of finance lease obligation	—	4,845
	19,273,033	15,758,923
Bonds payable (note 11)	6,417,058	6,604,308
Total liabilities	25,690,091	22,363,231
Shareholder's deficiency:		
Share capital (note 12)	2	2
Deficit	(1,462,512)	(13,240)
	(1,462,510)	(13,238)
Non-controlling interest	(453,335)	(409,388)
Total shareholder's equity (deficiency)	(1,915,845)	(422,626)
Total liabilities and shareholder's deficiency	$23,774,246	$21,940,605

Subsequent events (note 15)

Approved on behalf of the Board

______________________________ Director

______________________________ Director

See accompanying notes to interim condensed consolidated financial statements.

LEAGUE ASSETS CORP.

Interim Condensed Consolidated Statements Comprehensive Income (Loss)
Unaudited
For the three months ended March 31, 2013

	2013	2012
Revenue (note 14):		
Organization and set-up fees	$ 500,986	$1,020,745
Asset management fees	1,824,745	1,545,621
Incentive management fees (refund)	86,107	(58,111)
Overhead recoveries and other income	318,588	386,010
Acquisition fees	916,138	621,606
Interest on balances due from managed entities	39,865	1,797
Total revenue	3,686,429	3,517,668
Expenses:		
Advertising and promotion	437,253	343,369
Professional fees	1,389,653	966,630
Salaries and benefits	1,742,264	813,508
Office	257,175	34,289
Rental	345,588	238,356
Courier	35,884	58,378
Travel	140,345	86,884
Depreciation	66,516	45,724
Information technology	135,387	99,849
Sub contracts	7,500	12,919
Training	112,300	86,514
Telephone	132,452	61,007
Repairs and maintenance	15,197	9,065
Total expenses	4,817,514	2,856,492
Other items		
Interest and bank charges	(266,735)	(14,191)
Distributions from investments, carried at cost	101,272	65,161
Interest on loans receivable	66,979	150,365
Interest on bonds payable	(202,613)	(258,304)
Impairment loss	(77,641)	—
Loss on investments	3,121	(2,909)
Restructuring costs	(468,802)	—
Total other items	(844,419)	(59,878)
Income (loss) before income taxes	(1,975,504)	601,298
Income taxes:		
Current income taxes	(482,285)	170,413
Deferred income taxes	—	(3,215)
Total income taxes	(482,285)	167,198
Net income (loss) and comprehensive income (loss)	$(1,493,219)	$ 434,100
Net income (loss) and comprehensive income (loss) attributable to shareholder	$(1,449,272)	$ 482,308
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest	(43,947)	(48,208)
	$(1,493,219)	$ 434,100

See accompanying notes to interim condensed consolidated financial statements.

LEAGUE ASSETS CORP.

Interim Condensed Consolidated Statements of Changes in Equity (Deficiency)
Unaudited
For the three months ended March 31, 2013

	Share capital	Retained earnings (deficit)	Non-controlling interest	Total
Balance, January 1, 2012	$ 2	$ 2,721,282	$(214,317)	$ 2,506,967
Net income (loss)	—	482,308	(48,208)	434,100
Balance, March 31, 2012	2	3,203,590	(262,525)	2,941,067
Balance, December 31, 2012	2	(13,240)	(409,388)	(422,626)
Net loss	—	(1,449,272)	(43,947)	(1,493,219)
Balance, March 31, 2013	$ 2	$(1,462,512)	$(453,335)	$(1,915,845)

See accompanying notes to interim condensed consolidated financial statements.

LEAGUE ASSETS CORP.

Statements of Cash Flows
Unaudited
For the three months ended March 31, 2013

	2013	2012
Cash provided by (used in):		
Operations:		
Net income (loss)	$(1,493,219)	$ 434,100
Items not involving cash:		
Depreciation	66,516	45,724
Net finance cost	14,226	(45,297)
Impairment loss	77,641	—
Deferred income tax recovery	—	(3,215)
	(1,334,836)	431,312
Changes in non-cash operating capital:		
Decrease (increase) in accounts receivable	(47,013)	179,471
Decrease (increase) in deposits	14,529	(74,777)
Increase in prepaid expenses	(426,613)	(60,807)
(Decrease) increase in accounts payable and accrued liabilities	468,917	(686,611)
(Decrease) in income taxes receivable	(623,539)	170,412
Interest paid	(5,936)	(59,605)
	(1,954,491)	(100,605)
Financing:		
Repayment of finance lease obligation	(4,845)	(17,912)
Advances from (to) related parties	2,494,312	(18,589)
	2,489,467	(36,501)
Investing:		
Advances from (to) managed entitles	23,416	76,848
Due from shareholder	(21,277)	—
Purchase of equipment and leasehold improvements	(279,998)	(203,353)
Deferred costs	(546,410)	169,028
(Increase) decrease in investments in associates	173,698	(1,746,611)
Proceeds from issuance of bonds	—	1,714,922
Repayment of bonds	(187,250)	—
	(837,821)	10,834
Decrease in cash and cash equivalents	(302,845)	(126,272)
Cash and cash equivalents, beginning of period	181,524	713,170
(Bank indebtedness) cash and cash equivalents, end of period	$ (121,321)	$ 586,898

See accompanying notes to consolidated financial statements.

LEAGUE ASSETS CORP.

Notes to Condensed Consolidated Interim Financial Statements

Unaudited

For the three months ended March 31, 2013

1. Reporting entity:

League Assets Corp. (the "Company") is a private company incorporated under the laws of British Columbia with a principal business activity of real estate asset management. The Company raises investors' funds through League Investment Services Inc., which are placed in various real estate development projects throughout Canada.

The address of its registered office and principal place of business is 200 – 710 Redbrick Street, Victoria, British Columbia, Canada, V8T 5J3.

2. Continuing operations:

At March 31, 2012 the Company had a shareholder's deficiency of $1,915,845 and incurred a loss for the period of $1,493,219.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations. The profitability of the Company and its ability to continue operating as a going concern is dependent upon the continued generation of cash flows from operations and the successful completion of the restructuring transaction described in note 15(a), as well as obtaining additional financing as required. Management believes that its current cash resources, unutilized line of credit, and additional financings should enable the Company to execute its business plan and meet its projected cash flow requirements for at least the next twelve months. The Company's working capital, however, may not be sufficient to meet its contractual commitments in the event of unforeseen circumstances or a change in the strategic direction of the Company.

If the going concern basis was not appropriate, then adjustments would be necessary to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the statement of financial position classifications used, and these adjustments could be material.

3. Basis of presentation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as at and for the year ended December 31, 2012. The condensed consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on July 19, 2013.

(b) Basis of presentation:

These condensed consolidated interim financial statements have been prepared on a going concern basis and have been presented in Canadian dollars, the Company's functional currency. The condensed consolidated interim financial statements have been prepared under the historical cost convention; no items are carried at fair value.

(c) Basis of consolidation:

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying an ownership of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is obtained by the Company. They are deconsolidated from the date that control ceases.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive loss from the effective date of acquisition, and up to the effective date of disposal, as appropriate.

All intercompany transactions, balances, income and expenses have been eliminated, in full, upon consolidation.

(d) Use of estimates and judgments:

The preparation of interim financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. There has been no change to the estimates or judgments disclosed in the financial statements for the year ended December 31, 2012.

4. Significant accounting policies:

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2012 except for the adoption of IFRS 10, 11, 12 and 13, which had no material impact on these condensed consolidated interim financial statements.

5. Loans receivable:

	March 31, 2013	December 31, 2012
GTM Capital Inc. promissory note receivable, secured by guarantees and general security agreements, bearing interest at 12% per annum, paid monthly	$2,526,947	$2,457,615
Green Tree 2010 Trust loan receivable secured by a promissory note and due on demand without interest	40,000	40,000
Catalyst Investment Corp, non-interest bearing, unsecured and due on demand	30,000	30,000
Loan receivable, non-interest bearing, unsecured and due on demand	50,000	50,000
	$2,646,947	$2,577,615

6. Due from/to managed entities:

Due from managed entities:

	March 31, 2013	December 31, 2012
473 Albert St Office LP	$ 139,793	$ 102,784
Colwood City Centre LP	1,636,851	981,235
Colwood Triumph LP	328	328
Cowichan District Financial Centre LP	135,195	95,479
Cygnet Apartments LP	12,455	12,246
Eagle Landing Retail LP	538,403	198,939
Fort St. John Retail LP	39,514	40,677
Gatineau Centre Development LP	1,467,467	—
IGW Diversified Redevelopment Fund LP	200,674	172,880
IGW Energy Capital LP	—	325
IGW Industrial LP	495,246	476,731
IGW Mortgage Investment Corp	58,700	29,085
IGW Public LP	254,040	60,170
IGW REIT LP	978,955	4,948,192
IGW Segregated Debt 1 LP	—	61,355
IGW Segregated Debt 2 LP	—	28,188
LAPP Global Asset Management Corp	217,234	—
Londondale Shopping Centre LP	10,951	16,293
Market Square LP	22,296	26,864
Member Partners Solar Capital Inc.	9,730	9,730
Member Partners Solar Energy LP	8,066	189,416
North Vernon Properties LP	94,012	81,345
Partners REIT	34,345	67,338
Place Trans Canadienne Commercial	339,155	187,923
Quadra Village LP	1,302,393	519,794
Tsawwassen Retail Power Centre LP	44,253	21,479
Tyee Plaza LP	38,957	43,602
Village Green Holdings LP	680	680
Other cost recoveries	9,988	1,030
	$8,089,681	$8,374,108

6. Due from/to managed entities: (continued):

Advances to managed entities are interest bearing at prime +4% annually and are due on demand. Managed entities are considered to be related parties (see note 14).

Due to managed entities:

	March 31, 2013	December 31, 2012
IGW Energy Capital LP	$123,930	$291,717
Gatineau Centre Development LP	—	25,762
Wesbrooke Retirement LP	56,185	111,792
League-Cityzen Capital Corporation	275	—
IGW Segregated Debt 1 LP	95,417	—
IGW Segregated Debt 2 LP	50,535	—
Miracle Mile LP	3,117	—
	$329,459	$429,271

Amounts payable to managed entities are unsecured, non-interest bearing and are due on demand.

7. Due from/to related parties:

Due from related parties:

	March 31, 2013	December 31, 2012
Gant Holdings Ltd.	$ 8,556	$ 8,556
League Capital Markets	861	—
League Capital Partners Ltd.	200,287	200,287
League Financial Partners Ltd.	517,473	33,705
League Foundation	2,050	1,050
League Holding Corp.	1,901,606	1,847,612
League Investments Fund Ltd.	530	—
0908150 B.C. Ltd.	310	310
	$2,631,673	$2,091,520

Due to related parties:

	March 31, 2013	December 31, 2012
League Assets GP Inc.	$ 38,277	$ 163,671
League Assets LP	2,295,931	2,069,931
League Investment Services Inc.	572,341	636,179
League Opportunity Fund Inc.	9,952,090	6,954,393
Pratten Properties Ltd.	40,593	40,593
	$12,899,232	$9,864,767

Amounts due from/to related parties are unsecured, non-interest bearing and are due in demand.

8. Investment in associates:

	March 31, 2013	December 31, 2012
Equity method investments:		
Eagle Landing Retail LP	$2,399,001	$2,399,001
Gatineau Centre Development LP	360,000	360,000
IGW REIT LP	49,199	49,199
Colwood City Centre LP	25,875	25,875
Fort St. John Retail LP	2,000	2,000
Available for sale financial assets measured at cost:		
Member Partners Solar Energy LP	4,106,550	4,293,800
IGW Seg Debt 2 LP (15,000 units)	13,552	—
IGW Redev Capital Inc.	400	400
Other	18	18
	$6,956,595	$7,130,293

9. Equipment and leasehold improvements:

	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
Cost:				
Balance, January 1, 2012	$207,999	$ 369,529	$115,814	$ 693,342
Additions	—	548,548	—	548,548
Disposals	—	—	—	—
Balance, December 31, 2012	207,999	918,077	115,814	1,241,890
Additions	58,206	84,222	137,571	279,999
Disposals	—	—	—	—
Balance, March 31, 2013	$266,205	$1,002,299	$253,385	$1,521,889

	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
Accumulated amortization:				
Balance, January 1, 2012	$112,372	$234,655	$ 5,260	$352,287
Additions	17,752	202,016	5,260	225,028
Disposals	—	—	—	—
Balance, December 31, 2012	130,124	436,671	10,520	577,315
Additions	6,788	47,847	11,882	66,517
Disposals	—	—	—	—
Balance, March 31, 2013	$136,912	$484,518	$22,402	$643,832

	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
Carrying amounts:				
December 31, 2012	$ 77,875	$481,406	$105,294	$664,575
March 31, 2013	129,293	517,781	230,983	878,057

10. Bank indebtedness:

The Company has an available credit facility at a Canadian chartered bank limited to $105,000 for operating and other costs, which is secured by a creditor insurance program. The credit facility is due on demand and bears interest at prime plus 2.75% per annum.

Bank indebtedness is comprised of the credit facility and a short term overdraft.

11. Bonds payable:

	March 31, 2013	December 31, 2012
Bonds payable bearing interest at 8% per annum, payable monthly and subject to the Company's right of early redemption, mature March 31, 2014	$2,414,800	$2,414,800
Bonds payable bearing interest at 10.50% per annum, payable monthly and subject to the Company's right of early redemption mature July 31, 2014	4,000,550	4,187,800
Bonds payable bearing interest at 12% per annum accruing for the first six months then paid monthly, mature 12 months from date of issuance	1,682,453	1,688,389
Other	1,708	1,708
	8,099,511	8,292,697
Less current portion	1,682,453	1,688,389
	$6,417,058	$6,604,308

12. Share capital:

	March 31, 2013	December 31, 2012
Authorized:		
Unlimited Class A common shares without par value		
Unlimited Class B common shares with a par value of $0.01 each		
Unlimited Class C common shares without par value		
Unlimited Class D common shares with a par value of $1.00 each		
Issued:		
1 Class A share	$1	$1
1 Class B share	1	1
	$2	$2

13. Guarantee:

(a) The Company has provided an unlimited guarantee towards the repayment of principal and interest related to a $100,000 loan from IGW Mortgage Investment Corporation to Living Forest One LP.

(b) The Company and IGW Real Estate Investment Trust (the "REIT") have provided a guarantee for up to $25 million in respect to promissory notes issued by League Opportunity Fund Ltd., a related party. Both parties to the guarantee are jointly and severally liable for any breach in the terms. As at March 31, 2013, a total of $13,469,998 in notes have been issued and further issues have closed. The guarantee expires March 31, 2014 concurrent with the maturity of the promissory notes.

14. Related party transactions:

Parent

The Company's shares are wholly owned by League Asset LP.

Managed entities

The Company provides advisory, asset management, and administration services to a number of entities. These entities are considered related parties due to the Company's role as manager of the entity. Virtually all of the Company's revenue is derived from providing such services to its managed entities. Balances owing from, including advances to, managed entities are detailed in note 6.

Related party transactions consisted of the following:

	March 31, 2013	March 31, 2012
League Holdings Corp. – rent paid to entity under common control	$ 234,023	$156,910
League Investment Services Inc. – reimbursement of expenses for services provided (cost plus 1%)	951,026	616,631
Partners REIT – net reimbursement of recharged expenses	119,082	56,884
	$1,304,131	$830,425

15. Subsequent events:

(a) Subsequent to March 31, 2013, League Financial Partners Inc. (“LFP”) will be facilitating a re-organization and recapitalization of a group of businesses which are directly or indirectly controlled or managed by League Assets Limited Partnership (“LALP”). As part of the re-organization transactions, League Assets Corporation, League Investment Services Inc. League Capital Markets Ltd, and League Opportunity Fund Ltd. will become wholly owned subsidiaries of LFP. LFP will also issue securities to the holders of common and income priority units issued by IGW Real Estate Investment Trust and IGW REIT Limited Partnership.

A preliminary non-offering prospectus (the “Prospectus”) is being filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, to enable LFP to become a reporting issuer pursuant to applicable securities legislation in each of the provinces and territories of Canada, except Québec.

(b) On April 30, 2013, League Investment Fund Ltd. issued approximately $1.6 million of units (the “Units”) by way of private placement. The Units, each with a subscription price of $1,000, consist of a $1,000 principal amount convertible unsecured promissory note (the “LIF Convertible Notes”) and 50 Common Share purchase warrants (the “Warrants”). The LIF Convertible Notes are guaranteed by League Assets Corp. and IGW REIT LP and bear interest at a rate of 8% per annum, calculated monthly and payable quarterly. League Financial Partners Inc. and League Investment Fund Ltd. have agreed to complete a short form amalgamation pursuant to the Canada Business Corporations Act on or about the date on which League Financial Partners Inc. completes a listing of its shares for trading on the TSX (a “Listing Transaction”). Pursuant to and following such amalgamation, the LIF Convertible Notes will then become convertible for Common Shares of League Financial Partners Inc. at a price equaling a 20% premium to the Specified Value of the Common Shares, subject to standard anti-dilution adjustments in certain events. Holders converting their LIF Convertible Notes will receive accrued and unpaid interest thereon to the date of conversion. The LIF Convertible Notes will mature 30 months from the date of closing of the private placement. On June 30, 2013, the League Investment Fund Ltd. paid interest of $21,111 to investors.

In the event a Listing Transaction and the amalgamation of League Investment Fund Ltd. and League Financial Partners Inc have not occurred within two years of closing of the private placement, then League Investment Fund Ltd. will be required to make an offer to purchase, on the maturity date, all of the LIF Convertible Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest. League Investment Fund Ltd. has the right at any time to purchase the LIF Convertible Notes, by tender, or by private contract. Subject to certain conditions, the LIF Convertible Notes may be repaid by League Investment Fund Ltd. at any time following the Listing Transaction and amalgamation without notice or bonus.

(c) On June 4, 2013, the Company borrowed $2,437,500 from Export Development Canada for use in financing up to 75% of the upfront payment associated with LALP’s acquisition of Harris Fraser Group Ltd. The loan bears interest at prime plus 4% per annum, is payable in 36 equal payments commencing August 2013 and matures on May 24, 2016.

Consolidated Financial Statements of

LEAGUE ASSETS CORP.

Years ended December 31, 2012, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of League Assets Corp.

We have audited the accompanying consolidated financial statements of League Assets Corp., which comprise the consolidated statements of financial position as at December 31, 2012, 2011 and 2010, the consolidated statements of comprehensive income (loss), changes in equity (deficiency) and cash flows for each of the years in the three-year period ended December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of League Assets Corp. as at December 31, 2012, 2011, and 2010, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended December 31, 2012 in accordance with International Financial Reporting Standards.

Chartered Accountants
July *, 2013
Victoria, Canada

LEAGUE ASSETS CORP.

Consolidated Statements of Financial Position

As at December 31, 2012, 2011 and 2010

	2012	2011 Restated (note 5)	2010 Restated (note 5)
Assets			
Current assets:			
Cash and cash equivalents	$ 181,524	$ 713,170	$ 267,156
Accounts receivable	1,203	318,574	330,973
Deposits	150,748	58,683	75,365
Prepaid expenses	235,103	23,862	9,547
Income taxes receivable	93,325	—	—
Loans receivable (note 6)	2,577,615	4,423,290	—
	3,239,518	5,537,579	683,041
Due from managed entities (note 7)	8,374,108	4,473,768	3,199,633
Due from related parties (note 8)	2,091,520	2,105,798	2,014,598
Investments in associates (note 9)	7,130,293	4,669,549	2,484,617
Due from shareholder (note 10)	25,027	—	13,163
Equipment and leasehold improvements (note 11)	664,575	251,541	217,283
Deferred costs (note 12)	415,564	481,525	—
Deferred income taxes (note 19)	—	11,414	—
Total assets	$21,940,605	$17,531,174	$8,612,335
Liabilities and Shareholder's Equity (Deficiency)			
Current liabilities:			
Accounts payable and accrued liabilities	$ 3,771,651	$ 1,982,802	$1,772,573
Bonds payable (note 13)	1,688,390	2,441,216	—
Loans payable (note 14)	—	—	272,149
Income taxes payable	—	851,239	76,675
Due to managed entities (note 7)	429,271	628,302	2,232,357
Due to related parties (note 8)	9,864,767	2,758,154	784,623
Current portion of finance lease obligation (note 15)	4,845	54,434	66,507
	15,758,924	8,716,147	5,204,884
Bonds payable (note 13)	6,604,307	6,301,290	2,414,800
Finance lease obligation (note 15)	—	6,770	61,204
Deferred income taxes (note 19)	—	—	16,705
Total liabilities	22,363,231	15,024,207	7,697,593
Shareholder's equity (deficiency):			
Share capital (note 17)	2	2	2
Retained earnings (deficit)	(13,240)	2,721,282	931,769
	(13,238)	2,721,284	931,771
Non-controlling interest	(409,388)	(214,317)	(17,029)
Total shareholder's equity (deficiency)	(422,626)	2,506,967	914,742
Total liabilities and shareholder's equity	$21,940,605	$17,531,174	$8,612,335

Contractual obligations (note 25)
Subsequent events (note 26)

Approved on behalf of the Board

______________________________ Director

______________________________ Director

See accompanying notes to consolidated financial statements.

LEAGUE ASSETS CORP.

Consolidated Statements of Comprehensive Income (Loss)
Years ended December 31, 2012, 2011 and 2010

	2012	2011 Restated (note 5)	2010 Restated (note 5)
Revenue (note 21):			
Organization and set-up fees	$ 3,973,213	$ 5,033,216	$ 3,144,177
Asset management fees	6,424,965	4,599,075	2,921,287
Incentive management fees	2,450,952	4,143,211	3,018,821
Overhead recoveries and other income	2,062,398	1,505,586	1,530,763
Acquisition fees	3,083,001	607,825	859,030
Renovation management fees	—	—	157,322
Interest on balances due from managed entities	100,094	20,718	102,310
Total revenue	18,094,623	15,909,631	11,733,710
Expenses:			
Advertising and promotion	1,696,864	1,243,078	1,537,297
Professional fees	5,538,520	3,863,853	2,925,513
Salaries and benefits	5,977,336	4,740,808	4,499,827
Office	682,306	496,621	335,698
Bad debt	51,864	—	—
Rental	1,190,390	1,002,577	993,936
Courier	173,973	139,001	162,149
Travel	563,655	175,117	351,991
Depreciation	225,028	145,470	499,804
Information technology	801,736	275,128	178,050
Sub contracts	224,041	82,854	151,970
Training	852,594	307,808	247,239
Telephone	382,741	211,445	236,857
Repairs and maintenance	51,601	51,061	32,440
Total expenses	18,412,649	12,734,821	12,152,771
Other items:			
Interest and bank charges	(154,170)	(69,095)	(172,004)
Distributions from investments carried at cost	372,976	46,416	—
Interest on loans receivable	474,089	463,878	—
Interest on bonds payable	(1,002,197)	(677,414)	(138,369)
Impairment loss	(507,281)	(39,330)	—
Loss on sale of equipment	—	—	(77,809)
Loss on investments	(310,726)	(72,259)	—
Restructuring costs (note 18)	(655,002)	—	—
Total other items	(1,782,311)	(347,804)	(388,182)
Income (loss) before income taxes	(2,100,337)	2,827,006	(807,243)
Income taxes (note 19):			
Current income taxes	(231,158)	854,100	(235,853)
Deferred income taxes	11,414	(28,119)	59,876
Total income taxes	(219,744)	825,981	(175,977)
Net income (loss) and comprehensive income (loss)	$ (1,880,593)	$ 2,001,025	$ (631,266)
Net income (loss) and comprehensive income (loss) attributable to shareholder	$ (1,685,522)	$ 2,199,513	$ (492,897)
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest	(195,071)	(198,488)	(138,369)
	$ (1,880,593)	$ 2,001,025	$ (631,266)

See accompanying notes to consolidated financial statements.

LEAGUE ASSETS CORP.

Consolidated Statements of Changes in Equity (Deficiency)
Years ended December 31, 2012, 2011 and 2010

	Share capital	Retained earnings (deficit)	Non-controlling interest	Total
Balance, January 1, 2010	$ 2	$ 2,151,666	$ —	$ 2,151,668
Shares issued	—	—	121,340	121,340
Net loss	—	(492,897)	(138,369)	(631,266)
Dividends	—	(727,000)	—	(727,000)
Balance, December 31, 2010 (restated, note 5)	2	931,769	(17,029)	914,742
Shares issued	—	—	1,200	1,200
Net income	—	2,199,513	(198,488)	2,001,025
Dividends	—	(410,000)	—	(410,000)
Balance, December 31, 2011 (restated, note 5)	2	2,721,282	(214,317)	2,506,967
Net loss	—	(1,685,522)	(195,071)	(1,880,593)
Dividends	—	(1,049,000)		(1,049,000)
Balance, December 31, 2012	$ 2	$ (13,240)	$(409,388)	$ (422,626)

See accompanying notes to consolidated financial statements.

LEAGUE ASSETS CORP.

Consolidated Statements of Cash Flows
Years ended December 31, 2012, 2011 and 2010

	2012	2011 Restated (note 5)	2010 Restated (note 5)
Cash provided by (used in):			
Operations:			
Net income (loss)	$(1,880,593)	$ 2,001,025	$ (631,266)
Items not involving cash:			
Depreciation	225,028	145,470	499,804
Loss on investments	310,726	72,259	—
Net finance cost	179,681	227,653	37,741
Loss on sale of equipment	—	—	77,809
Impairment loss	507,281	39,330	—
Deferred income tax expense (recovery)	11,414	(28,119)	59,876
	(646,463)	2,457,618	43,964
Changes in non-cash operating capital:			
Decrease (increase) in accounts receivable	313,951	12,399	(316,390)
Decrease (increase) in deposits	(92,065)	16,682	(46,160)
Increase in prepaid expenses	(211,241)	(14,315)	(4,058)
(Decrease) increase in accounts payable and accrued liabilities	1,788,849	210,229	1,196,554
(Decrease) increase in income taxes receivable	(914,144)	774,564	(334,417)
Interest paid	(501,966)	(278,660)	(37,741)
	(290,079)	3,178,517	501,752
Financing:			
Increase in (repayment of) loans payable	—	(272,149)	231,598
Repayment of finance lease obligation	(56,359)	(66,507)	(36,055)
Advances from related parties	6,965,972	1,882,331	784,623
Dividends	(1,049,000)	(410,000)	(727,000)
Shares issued to non-controlling interests	—	1,200	121,340
	5,860,613	1,134,875	374,506
Investing:			
Advances from (to) managed entitles	(4,720,691)	(3,080,956)	850,351
Decrease (increase) in loans receivable	—	(510,537)	470,626
Receipts from collections of loans receivable	3,000,000	470,626	—
Disbursements of loans receivable	(680,000)	(4,070,000)	—
Due from shareholder	(25,027)	13,163	238,700
Advances to related parties	75,702	—	(1,927,367)
Purchase of equipment and leasehold improvements	(638,062)	(179,728)	(332,169)
Deferred costs	65,961	(481,525)	—
Increase in investments in associates	(2,771,470)	(2,296,521)	(2,254,930)
Proceeds from issuance of bonds	2,591,407	6,268,100	2,414,800
Repayment of bonds	(3,000,000)	—	—
	(6,102,180)	(3,867,378)	(539,989)
Increase (decrease) in cash and cash equivalents	(531,646)	446,014	336,269
Cash and cash equivalents beginning of year	713,170	267,156	(69,113)
Cash and cash equivalents, end of year	$ 181,524	$ 713,170	$ 267,156

See accompanying notes to consolidated financial statements.

1. **Reporting entity:**

League Assets Corp. (the "Company") is a private company incorporated under the laws of British Columbia with a principal business activity of real estate asset management. The Company raises investors' funds through League Investment Services Inc., which are placed in various real estate development projects throughout Canada.

The address of its registered office and principal place of business is 200 – 710 Redbrick Street, Victoria, British Columbia, Canada, V8T 5J3.

2. **Continuing operations:**

At December 31, 2012 the Company had a shareholder's deficiency of $422,626 and incurred a loss for the year of $1,880,593.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations. The profitability of the Company and its ability to continue operating as a going concern is dependent upon the continued generation of cash flows from operations and the successful completion of the restructuring transaction described in note 26(a), as well as obtaining additional financing as required. Management believes that its current cash resources, unutilized line of credit, and additional financings should enable the Company to execute its business plan and meet its projected cash flow requirements for at least the next twelve months. The Company's working capital, however, may not be sufficient to meet its contractual commitments in the event of unforeseen circumstances or a change in the strategic direction of the Company.

If the going concern basis was not appropriate, then adjustments would be necessary to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the statement of financial position classifications used, and these adjustments could be material.

3. **Basis of presentation:**

(a) Statement of compliance:

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

The consolidated financial statements were authorized for issue by the board of directors on July 19, 2013.

(b) Basis of presentation:

These consolidated financial statements have been prepared on a going concern basis and have been presented in Canadian dollars, the Company's functional currency. The consolidated financial statements have been prepared under the historical cost convention; no items are carried at fair value.

(c) Basis of consolidation:

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying an ownership of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is obtained by the Company. They are deconsolidated from the date that control ceases.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive loss from the effective date of acquisition, and up to the effective date of disposal, as appropriate.

All intercompany transactions, balances, income and expenses have been eliminated, in full, upon consolidation.

Non-controlling interest relates to the non-voting, participating shares issued to third parties and 100% of the cumulative income or loss. The shares held by the Company's are voting but non-participating thereby providing control without any allocation of income or loss (see note 4).

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Basis of presentation (continued):

(d) Use of estimates and judgments (continued):

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 4: determination of significant influence of associates and control of subsidiaries
Note 19: utilization of tax losses
Note 20: guarantee.

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Financial instruments:

(i) Financial assets:

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"); 'held to maturity' investments; 'available-for-sale' financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise accounts receivable, due from managed entities, loans receivable, due from shareholder, due from related parties, deposits and cash and cash equivalents.

(ii) Financial liabilities

The Company initially recognizes financial liabilities on the date that they are originated.

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

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

Other financial liabilities

Other financial liabilities comprise accounts payable and accrued liabilities, loans payable, bonds payable, due to managed entities, due to related parties, and finance lease obligation.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

4. Significant accounting policies (continued):

(b) Investments in associates:

Under IAS 28 – *Investments in Associates* ("IAS 28"), an associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss. The requirements of IAS 39 –Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in an associate.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 – Impairment of Assets ("IAS 36") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Investments that the Company does not control or have significant influence are recorded at cost if not quoted in an active market.

(c) Equipment and leasehold improvements:

Equipment and leasehold improvements are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with its carrying amount, and are recognized net within other income in profit or loss.

The cost of replacing a part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of equipment and leasehold improvements, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	45%

4. Significant accounting policies (continued):

(c) Equipment and leasehold improvements (continued):

Leasehold improvements are depreciated over the remaining term of the lease. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(d) Impairment:

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence is considered to exist when there is a significant or prolonged decline in value.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables, including loans to related parties and due from managed entities, at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The recoverable amount of a non-financial asset, including equipment and leasehold improvements, is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized when the carrying amount of a non-financial asset exceeds its estimated recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(e) Revenue recognition:

Organization and set-up fees

Organization and set-up fees are recorded on the accrual basis and are calculated as a percentage of capital raised on behalf of entities under management.

Asset management fees

Asset management fees are recorded on a monthly basis and are calculated as a percentage of the net asset values of entities under management.

Incentive management fees

Revenues from performance-based incentive management fees are recorded on the accrual basis based upon the amount that would be due under the incentive fee formula at the end of the measurement period established by the contract where it is no longer subject to adjustment based on future events, and are presented as asset management and other services within the Consolidated Statements of Comprehensive Income (Loss).

4. Significant accounting policies (continued):

(e) Revenue recognition (continued):

Acquisition fees

Acquisition fees are recorded when earned and are calculated as a percentage of the contacted purchase price.

Overhead recoveries and other income

Overhead recoveries and other income are recorded as incurred.

Interest income:

Interest income comprises interest on receivables from managed entities and related parties. Interest income is recognized as it accrues in profit or loss, using the effective interest method. When a financial asset is identified as non-performing, the accrual of interest is discontinued.

(f) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) New standards and interpretations not yet adopted:

From time-to-time, the International Accounting Standards Board ("IASB") issues new accounting standards and revises existing accounting standards. The following standards, not yet effective as at the date of these financial statements and accordingly not applied to these financial statements, may have a future impact:

Financial instruments

IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB in November 2009 and contains requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income.

Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains or losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010, and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated

4. Significant accounting policies (continued):

(g) New standards and interpretations not yet adopted (continued):

at fair value through profit or loss would generally be recorded in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

Consolidated Financial Statements

IFRS 10 – Consolidated Financial Statements ("IFRS 10") builds on existing principals and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. IFRS 10 will not have any impact on the Company's financial statements.

Joint Arrangements

IFRS 11 – Joint Arrangements ("IFRS 11") establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. IFRS 11 will not have any impact on the Company's financial statements.

Disclosure of Interests in Other Entities

IFRS 12 – Disclosure of Interests in Other Entities ("IFRS 12") provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. IFRS 12 will result in some additional disclosure in the Company's financial statements.

Fair Value Measurement

IFRS 13 – Fair Value Measurement ("IFRS 13") defines fair value, requires disclosure of fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. IFRS 13 will result in some additional disclosure in the Company's financial statements.

Employee Benefits

IAS 19 – Employee Benefits ("IAS 19") eliminates the corridor approach, with all changes to the defined benefit obligation and plan assets recognized when they occur. Retrospective application is required with certain exceptions. IAS 19 is effective for annual periods beginning on or after January 1, 2013. IAS 19 will not have any impact on the Company's financial statements.

Investments in Associates and Joint Ventures

IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") is a revision of the existing standard and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. IAS 28 will not have any impact on the Company's financial statements.

Separate Financial Statements

IAS 27 – *Separate Financial Statements* ("IAS 27") provides guidance on the accounting and disclosure requirements for subsidiaries, jointly controlled entities, and associates in separate, or unconsolidated, financial statements. . IAS 27 is effective for annual periods beginning on or after January 1, 2013. IAS 27 will result in additional disclosure requirements in the Company's annual consolidated financial statements.

5. Restatement of prior periods:

Effective for the year beginning January 1, 2010, the Company determined that due to the shareholder voting but non-participating rights associated with its investments in holding corporations formed to facilitate investments in limited partnerships by registered savings plans, it should consolidate the operations of these corporations. The consolidations include GTM Capital Inc. ("GTM Capital"), Eagle Landing Capital Inc. ("Eagle Capital") and Member-Partners Solar Energy Capital Inc. ("Solar Capital").

5. Restatement of prior periods (continued):

GTM Capital was incorporated under the British Columbia Business Corporation Act on April 13, 2011 and was formed to facilitate investments in Green Tree Capital Management Corp. ("Green Corp."). Eagle Capital was incorporated under the British Columbia Business Corporation Act on November 17, 2009 and was formed to facilitate investments in Eagle Landing Retail Limited Partnership ("Eagle LP"). Solar Capital was incorporated under the British Columbia Business Corporation Act on April 13, 2011 and was formed to facilitate investments in Member-Partners Solar Energy Limited Partnership ("Solar LP"). The restatements included the addition of investments in loans receivable from Green Corp., limited partnership units of Eagle LP and Solar LP and bonds payable to unrelated investors. The investors' shares in Eagle Capital and Solar Capital represented by non-controlling interest are participating but non-voting.

The effect of the consolidations, which have been applied retrospectively, is as follows:

Consolidated Statements of Financial Position

	2010 Restated	2010 Originally	2010 Difference
Cash and cash equivalents	$ 267,156	$ 235,092	$ 32,064
Accounts receivable	330,973	40,253	290,720
Investments in associates	2,484,617	254,733	2,229,884
Total assets	3,082,746	530,078	2,552,668
Accounts payable and accrued liabilities	1,772,573	$1,617,276	$ 155,297
Bonds payable	2,414,800	—	2,414,800
Due to managed entities	2,232,357	2,232,757	(400)
Non-controlling interest	(17,029)	—	(17,029)
Total liabilities and shareholder's equity	$6,402,701	$3,850,033	$2,552,668

	2011 Restated	2011 Originally	2011 Difference
Cash and cash equivalents	$ 713,170	$ 60,358	$ 652,812
Accounts receivable	318,574	23,374	295,200
Loans receivable	4,423,290	293,284	4,130,006
Due from managed entities	4,473,768	4,479,830	(6,062)
Investments in associates	4,669,549	241,873	4,427,676
Total assets	14,598,351	5,098,719	9,499,632
Accounts payable and accrued liabilities	1,982,802	$1,626,910	$ 355,892
Bonds payable	8,742,506	—	8,742,506
Due to managed entities	628,302	12,753	615,549
Non-controlling interest	(214,317)	—	(214,317)
Total liabilities and shareholder's equity	$11,139,293	$1,639,661	$9,499,632

Consolidated Statements of Comprehensive Income (Loss)

	2010 Restated	2010 Originally	2010 Difference
Revenue:			
Interest on balances due from managed entities	$ 102,310	$ 16,549	$ 85,761
Other items:			
Interest and bank charges	(172,004)	(86,243)	(85,761)
Interest on bonds payable	(138,369)	—	(138,369)
Net income (loss) and comprehensive income (loss)	—	—	$(138,369)

5. Restatement of prior periods (continued):

	2011 Restated	2011 Originally	2011 Difference
Revenue:			
Interest on balances due from managed entities	$ 20,718	$ 20,432	$ 286
Expenses:			
Professional fees	3,863,853	3,832,485	31,368
Other items:			
Interest and bank charges	(69,095)	(68,811)	(284)
Distributions from investments	46,416	—	46,416
Interest on loans receivable	463,878	—	463,878
Interest on bonds payable	(677,414)	—	(677,414)
Net income (loss) and comprehensive income (loss)	—	—	$(198,486)

Consolidated Statements of Cash Flows

	2010 Restated	2010 Originally	2010 Difference
Cash provided by (used in):			
Operations	$ 501,752	$ 775,544	$ (273,792)
Financing	374,506	1,103,917	(729,411)
Investing	(539,989)	(1,575,256)	(1,035,267)
Increase (decrease) in cash and cash equivalents	336,269	304,205	32,064
Cash and cash equivalents beginning of year	(69,113)	(69,113)	—
Cash and cash equivalents, end of year	$ 267,156	$ 235,092	$ 32,064

Consolidated Statements of Cash Flows (continued):

	2011 Restated	2011 Originally	2011 Difference
Cash provided by (used in):			
Operations	$ 3,178,517	$ 1,840,109	$ 1,338,480
Financing	1,134,875	(995,129)	2,130,004
Investing	(3,867,378)	(1,019,714)	(2,847,664)
Increase (decrease) in cash and cash equivalents	446,014	(174,734)	620,748
Cash and cash equivalents beginning of year	267,156	235,092	32,064
Cash and cash equivalents, end of year	$ 713,170	$ 60,358	$ 652,812

6. Loans receivable:

	2012	2011 Restated (note 5)	2010
GTM Capital Inc. promissory note receivable, secured by guarantees and general security agreements, bearing interest at 12% per annum, paid monthly	$2,457,615	$4,383,290	$ —
Green Tree 2010 Trust loan receivable secured by a promissory note and due on demand without interest	40,000	40,000	—
Catalyst Investment Corp, non-interest bearing, unsecured and due on demand	30,000	—	—
Loan receivable, non-interest bearing, unsecured and due on demand	50,000	—	—
	$2,577,615	$4,423,290	$ —

7. Due from/to managed entities:

Due from managed entities:

	2012	2011 Restated (note 5)	2010 Restated (note 5)
473 Albert St Office LP	$ 102,784	$ 86,736	$ 42,588
80 Aberdeen Office Investment LP	—	16,336	8,477
Colwood City Centre LP	981,235	327,282	330,454
Colwood Triumph LP	328	10,033	—
Cowichan District Financial Centre LP	95,479	71,222	59,645
Cygnet Apartments LP	12,246	39,628	23,396
Duncan City Centre LP	—	6,359	78,919
Eagle Landing Retail LP	198,939	112,596	101,406
Evolve Equity Fund	—	—	2,428
Fort St. John Retail LP	40,677	929	32,897
IGW Capital LP	—	1,021	2,323
IGW Diversified Redevelopment Fund LP	172,880	833,445	18,644
IGW Energy Capital LP	325	18,925	—
IGW Industrial LP	476,731	—	—
IGW Investments 2 Ltd.	—	1,021	2,323
IGW Investments Ltd.	—	1,021	2,323
IGW Mortgage Investment Corp	29,085	29,955	22,528
IGW Public LP	60,170	44,658	1,280,103
IGW REIT LP	4,948,191	1,495,103	—
IGW Residential Capital LP	—	929	—
IGW Segregated Debt 1 LP	61,355	71,961	286,698
IGW Segregated Debt 2 LP	28,188	84,311	258,201
LAPP Global Asset Management Corp	—	—	263,898
League Debt Corp	—	383	—
Londondale Shopping Centre LP	16,293	27,817	16,868
LXGP Management Ltd.	—	50,000	50,000
Market Square LP	26,864	22,611	7,235
Member Partners Solar Capital Inc.	9,730	—	—
Member Partners Solar Energy LP	189,416	—	—
Miracle Mile LP	—	—	12,704
North Vernon Properties LP	81,345	38,009	—
Partners REIT	67,338	256,542	98,891
Place Trans Canadienne Commercial	187,923	—	12,771
Quadra Village LP	519,794	109,978	—
Tsawwassen Retail Power Centre LP	21,479	326,947	—
Tyee Plaza LP	43,602	42,655	87,817
Village Green Holdings LP	680	5,778	5,608
Wesbrooke Retirement LP	—	294,824	90,488
Other cost recoveries	1,031	44,753	—
	$8,374,108	$4,473,768	$3,199,633

Advances to managed entities are interest bearing at prime +4% annually and are due on demand. Managed entities are considered to be related parties (see note 18).

7. Due from/to managed entities (continued):

Due to managed entities:

	2012	2011	2010
IGW Energy Capital LP	$291,717	$ —	$ —
Wesbrooke Retirement LP	111,792	—	—
Gatineau Centre Development LP	25,762	—	1
Place Trans Canadienne Commercial	—	12,753	—
Member Partners Solar Energy LP	—	615,549	—
North Vernon LP	—	—	156,438
IGW REIT LP	—	—	2,043,438
IGW Rescap LP	—	—	4,775
League Debt Corp.	—	—	13,839
Miracle Mile LP	—	—	13,848
Other	—	—	18
	$429,271	$628,302	$2,232,357

Amounts payable to managed entities are unsecured, non-interest bearing and are due on demand.

8. Due from/to related parties:

Due from related parties:

	2012	2011	2010
Gant Holdings Ltd.	$ 8,556	$ —	$ —
League Capital Partners Ltd.	200,287	—	144,318
League Family Equity Fund Inc.	—	74,594	—
League Financial Corp.	33,705	—	—
League Foundation	1,050	—	—
League Holding Corp.	1,847,612	2,031,204	1,869,633
0908150 B.C. Ltd.	310	—	—
League Assets Inc. (USA entity)	—	—	647
	$2,091,520	$2,105,798	$2,014,598

Due to related parties:

	2012	2011	2010
League Assets GP Inc.	$ 163,671	$ 233,346	$133,162
League Assets LP	2,069,931	1,958,612	358,722
League Investment Services Inc.	636,179	566,196	292,739
League Opportunity Fund Inc.	6,954,393	—	—
Pratten Properties Ltd.	40,593	—	—
	$9,864,767	$2,758,154	$784,623

Amounts due from/to related parties are unsecured, non-interest bearing and are due on demand. The parties are related by virtue of common control.

9. Investment in associates:

	2012	2011 Restated (note 5)	2010 Restated (note 5)
Equity accounted investees:			
Eagle Landing Retail LP	2,399,001	2,230,776	2,229,884
Gatineau Centre Development LP	360,000	—	—
Duncan City Centre LP	—	124,833	124,833
IGW REIT LP	49,199	82,347	82,347
Colwood City Centre LP	25,875	25,875	25,875
Fort St. John Retail LP	2,000	2,000	2,000
Available for sale investees at cost:			
Member-Partners Solar Energy LP	$4,293,800	$2,197,700	$ —
Behavioral Recognition Systems	—	6,000	19,260
IGW Redev Capital Inc.	400	—	400
Other	18	18	18
	$7,130,293	$4,669,549	$2,484,617

During the year the Company's equity interest in Solar LP and Eagle LP increased in correlation with capital raised for investments in limited partnerships by registered savings plans.

The Company's share of loss in its equity accounted investees and write-downs to fair value totaled $310,726 for the year (2011 – $72,750, 2010 – nil).

Summary information for equity accounted investees is as follows:

December 31, 2012	Ownership	Total Assets	Total Liabilities	Total Revenue	Loss
Eagle Landing Retail LP	27.283%	15,848,066	8,407,331	587,958	(315,839)
Gatineau Centre Dev LP	6.855%	10,130,155	5,285,164	—	(57,344)
IGW REIT LP	0.154%	314,334,828	264,306,611	29,485,518	(39,099,144)
Colwood City Centre LP	0.091%	121,383,613	116,706,338	349,768	(1,601,348)
Fort St. John Retail LP	0.067%	7,187,091	6,055,185	688,380	(166,448)
		$128,570,704	$122,761,523	$ 1,038,148	$ (1,767,796)

10. Due from shareholder:

The amount due from shareholder is non-interest bearing and has no specified repayment terms.

11. Equipment and leasehold improvements:

	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
Cost:				
Balance, January 1, 2010	$152,268	$ 797,120	$ 219,093	$1,168,481
Additions	45,402	280,766	6,006	332,174
Disposals	—	—	(219,093)	(219,093)
Balance, December 31, 2010	197,670	1,077,886	6,006	1,281,562
Additions	10,329	143,098	26,300	179,727
Disposals	—	(851,455)	(6,006)	(857,461)
Balance, December 31, 2011	207,999	369,529	26,300	603,828
Additions	—	548,548	89,514	638,062
Disposals	—	—	—	—
Balance, December 31, 2012	$207,999	$ 918,077	$ 115,814	$1,241,890

11. Equipment and leasehold improvements (continued):

	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
Accumulated amortization:				
Balance, January 1, 2010	$ 61,293	$ 503,183	$ 141,284	$ 705,760
Additions	27,275	466,522	6,006	499,803
Disposals	—	—	(141,284)	(141,284)
Balance, December 31, 2010	88,568	969,705	6,006	1,064,279
Additions	23,804	116,406	5,260	145,470
Disposals	—	(851,456)	(6,006)	(857,462)
Balance, December 31, 2011	112,372	234,655	5,260	352,287
Additions	17,752	202,016	5,260	225,028
Disposals	—	—	—	—
Balance, December 31, 2012	$130,124	$ 436,671	$ 10,520	$ 577,315

	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
Carrying amounts:				
December 31, 2010	$109,102	$108,181	$ —	$217,283
December 31, 2011	95,627	134,874	21,040	251,541
December 31, 2012	77,875	481,406	105,294	664,575

12. Deferred costs:

Deferred acquisition costs consist of deposits paid for pending property acquisition transactions and consultant fees relating to pre-acquisition and due diligence on pending property acquisitions.

	2012	2011	2010
Deposits	$ —	$327,100	$ —
Consulting fees	415,564	154,425	—
	$415,564	$481,525	$ —

13. Bonds payable:

	2012	2011	2010
Bonds payable bearing interest at 8% per annum, payable monthly and subject to the Company's right of early redemption, mature March 31, 2014	$2,414,800	$2,414,800	$2,414,800
Bonds payable bearing interest at 10.50% per annum, payable monthly and subject to the Company's right of early redemption mature July 31, 2014	4,187,800	2,198,100	—
Bonds payable bearing interest at 12% per annum accruing for the first six months then paid monthly, mature 12 months from date of issuance	1,688,390	4,129,606	—
Other	1,707	—	—
	8,292,697	8,742,506	2,414,800
Less current portion	1,688,390	2,441,216	—
	$6,604,307	$6,301,290	$2,414,800

14. Loans payable:

	2012	2011	2010
Loan payable to ECL Holdings Ltd., bears interest at 15%, matures on April 15, 2011 and is secured by property located on West Saanich Road	$ —	$ —	$100,000
Loan payable to Macquarie Premium Funding, bears interest at 5.35%, matures on January 1, 2011 and is unsecured	—	—	44,649
Loan payable to David Schroeder, bears interest at 10% with no fixed terms for repayment	—	—	127,500
	$ —	$ —	$272,149

15. Finance lease obligations:

CMAS Portal Platform capital leases, secured by leased assets, payable in monthly instalments of $7,676 and bearing interest at 20% per annum.

The following is a schedule of future minimum lease payments under finance lease obligation:

	2012	2011	2010
2011	$ —	$ —	$ 85,306
2012	—	63,104	63,104
2013	4,986	7,787	7,787
Total minimum lease payments	4,986	70,891	156,197
Less amount representing interest at 20%	141	9,687	28,486
Present value of net minimum capital lease payments	4,845	61,204	127,711
Less current portion of obligations under capital lease	4,845	54,434	66,507
	$ —	$ 6,770	$ 61,204

Principal repayments are due as follows:

	2012	2011	2010
2011	$ —	$ —	$ 66,507
2012	—	54,434	54,434
2013	4,845	6,770	6,770
	$4,845	$61,204	$127,711

Interest of $7,190 (2011 – $25,605) relating to finance lease obligations has been included in interest and bank charges. The total amount of assets under finance lease is $nil due to the assets being written off in previous years since they did not meet the needs of the Company; however, the finance lease obligation continues to be payable.

16. Credit facility:

The Company has an available credit facility at a Canadian chartered bank limited to $105,000 for operating and other costs, which is secured by a creditor insurance program. The credit facility is due on demand and bears interest at prime plus 2.75% per annum.

The credit facility was unutilized at December 31, 2012 (2011, 2010 – unutilized).

17. Share capital:

	2012	2011	2010
Authorized:			
Unlimited Class A common shares without par value			
Unlimited Class B common shares with a par value of $ 0.01 each			
Unlimited Class C common shares without par value			
Unlimited Class D common shares with a par value of $ 1.00 each			
Issued:			
1 Class A share	$ 1	$ 1	$ 1
1 Class B share	1	1	1
	$ 2	$ 2	$ 2

18. Restructuring costs:

Restructuring costs represent professional and due diligence fees related to abandoned acquisitions and for certain costs incurred for the purposes of facilitating a transaction and recapitalization of a group of businesses inclusive of the Company (note 26(a)).

19. Income taxes:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory tax rates of 25% (2011 – 26.50%, 2010 – 28.50%) to the income before income taxes. The reasons for the differences and related tax effects are as follows:

	2012	2011	2010
(Loss) income before income taxes	$(2,100,337)	$2,827,006	$(807,243)
Computed income taxes on income before income taxes, at above basic rate	$ (525,084)	$ 749,157	$(230,064)
Increase (decrease) in taxes resulting from:			
Non-deductible expenses	30,241	14,065	28,221
Loss for accounting purposes	204,502	14,000	—
Other	59,183	76,878	(34,010)
Deferred taxes	11,414	(28,119)	59,876
	$ (219,744)	$ 825,981	$(175,977)

19. Income taxes (continued):

The tax effects of temporary differences that give rise to the deferred tax asset (liability) are as follows:

	2012	2011	2010
Premises and equipment	$ (5,165)	$ 3,838	$(17,309)
Cumulative eligible capital	472	493	$ 530.00
Capital loss carry forwards	28,969	7,083	74
	24,276	11,414	(16,705)
Valuation adjustment	(24,276)		
	$ —	$11,414	$(16,705)

20. Guarantee:

(a) The Company has provided an unlimited guarantee towards the repayment of principal and interest related to a $100,000 loan from IGW Mortgage Investment Corporation to Living Forest One LP.

(b) The Company and LEAGUE IGW Real Estate Investment Trust (the "REIT") have provided a guarantee for up to $25 million in respect to promissory notes issued by League Opportunity Fund Ltd., a related party. Both parties to the guarantee are jointly and severally liable for any breach in the terms. As at December 31, 2012, a total of $10,467,440 in notes have been issued and further issues have closed. The guarantee expires March 31, 2014 concurrent with the maturity of the promissory notes.

21. Related party transactions:

Parent

The Company's shares are wholly owned by League Assets Limited Partnership ("LALP").

Managed entities

The Company provides advisory, asset management, and administration services to a number of entities. These entities are considered related parties due to the Company's role as manager of the entity. Virtually all of the Company's revenue is derived from providing such services to its managed entities. Balances owing from, including advances to, managed entities are detailed in note 5.

Key management personnel compensation

The remuneration of directors and other key management personnel of the Company during the years ended December 31, 2012 was $816,000 (2011: $850,000, 2010 – $766,000).

21. Related party transactions (continued):

Related party transactions consisted of the following:

	2012	2011	2010
League Holdings Corp. – rent paid to entity under common control	$ 822,774	$ 720,100	$ 286,772
League Assets GP Inc. – management fee paid to controlling interest of parent entity	500,000	500,000	500,000
League Investment Services Inc. – reimbursement of expenses for services provided (cost plus 1%)	3,122,207	2,565,193	704,477
Partners REIT – net reimbursement of recharged expenses	286,908	341,377	—
	$4,731,889	$4,126,670	$1,491,249

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

22. Capital management:

The Company defines capital as shareholder's equity. During the year ended December 31, 2012, the Company's objective (which was unchanged from 2011 and 2010) was to manage capital to maintain a balance between the following:

- Maintain and improve productive capacity to fund business strategies;
- Ensure stability in dividends;
- Maintain an appropriate debt level so that there are no financial constraints on the use of capital; and
- Safeguard the Company's ability to continue as a going concern.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the capital requirements of new projects. In order to maintain or modify the capital structure, the Company may arrange new debt, replace existing debt with new debt of differing characteristics, or issue new equity.

23. Financial instruments:

Fair value is the amount that arm's length parties are willing to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair values of the financial instruments were determined as follows:

(a) *Short-term financial assets and liabilities*

The carrying amounts for cash and cash equivalents, accounts receivable, deposits, accounts payable, finance lease obligations, bonds payable and loans payable approximate their fair values due to short-term nature of these items.

(b) *Loans receivable from (payable to) related parties*

The fair value of investment in associates carried on a cost basis, loans receivable and due to and from related parties and managed entities are not determinable due to limited market information.

24. Risk management:

In the normal course of business, the Company is exposed to a number of risks that can materially affect its operating performance. These risks, and the actions taken to manage them, are as follows:

(a) *Credit risk*

The Company is exposed to credit risk as a lender of financing in the event that a borrower is unable to make the contracted payments. Such risk is mitigated through credit checks and related due diligence of the borrowers and through careful evaluation of the worth of underlying assets held as security. As at December 31, 2012, the total credit risk related to loans receivable from related parties and managed entities was $10,465,628 (2011 – $6,579,566, 2010 – $5,214,231).

24. Risk management (continued):

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meets its financial obligations as they become due. The Company's approach to managing its obligations is to maintain sufficient resources to meet its obligations when due without undue risk to the Company.

The Company's principle liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, and planned funding of new ventures.

(b) Liquidity risk (continued)

December 31, 2012	Carrying Amount	Contractual Cash Flows
Bonds payable (note 13)	$ 8,292,697	$ 9,627,235
Finance lease obligation (note 15)	4,845	4,986
Due to managed entities (note 7)	429,271	429,271
Due to related parties (note 8)	9,864,767	9,864,767
Contractual obligations (note 25)	5,832,814	5,832,814
Accounts payable	3,771,650	3,771,650
	$28,196,044	$29,530,723

December 31, 2012	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Total
Bonds payable (note 13)	$ 2,118,070	$316,517	$4,867,888	$ 2,324,760	$ 9,627,235
Finance lease obligation (note 15)	4,986	—	—	—	4,986
Due to managed entities (note 7)	429,271	—	—	—	429,271
Due to related parties (note 8)	9,864,767	—	—	—	9,864,767
Contractual obligations (note 25)	5,832,814	—	—	—	5,832,814
Accounts payable	3,771,650	—	—	—	3,771,650
	$22,021,558	$316,517	$4,867,888	$ 2,324,760	$29,530,723

(c) Market risk

The company does not have significant foreign currency or interest rate risk.

25. Contractual obligations:

The Company has a long term lease with respect to its premises. The Company has also committed funds as donations to the BC Cancer Foundation. Future minimum payments as at December 31, 2012 are as follows:

2013	$1,174,166
2014	1,446,987
2015	1,390,809
2016	897,820
2017	923,032
	$5,832,814

26. Subsequent events:

(a) On February 22, 2013, League Financial Partners Inc. ("LFP") was incorporated as a wholly owned subsidiary of IGW REIT Limited Partnership for the sole purpose of facilitating a transaction and recapitalization of a group of businesses which are directly or indirectly controlled or managed by League Assets Limited Partnership ("LALP"). As part of the transactions, League Assets Corp., League Investment Services Inc., as well as a number of other wholly owned subsidiaries of LALP will become wholly owned subsidiaries of LFP. LFP will also issue securities to the holders of common and income producing priority units issued by LEAGUE IGW Real Estate Investment Trust and IGW REIT Limited Partnership. It is expected that securities issued by LFP will be publicly traded on a major Canadian exchange.

26. Subsequent events (continued):

(b) On April 30, 2013, League Investment Fund Ltd. issued approximately $1.6 million of units (the "Units") by way of private placement. The Units, each with a subscription price of $1,000, consist of a $1,000 principal amount convertible unsecured promissory note (the "LIF Convertible Notes") and 50 Common Share purchase warrants (the "Warrants"). The LIF Convertible Notes are guaranteed by League Assets Corp. and IGW REIT LP and bear interest at a rate of 8% per annum, calculated monthly and payable quarterly. League Financial Partners Inc. and League Investment Fund Ltd. have agreed to complete a short form amalgamation pursuant to the Canada Business Corporations Act on or about the date on which League Financial Partners Inc. completes a listing of its shares for trading on the TSX (a "Listing Transaction"). Pursuant to and following such amalgamation, the LIF Convertible Notes will then become convertible for Common Shares of League Financial Partners Inc. at a price equaling a 20% premium to the Specified Value of the Common Shares, subject to standard anti-dilution adjustments in certain events. Holders converting their LIF Convertible Notes will receive accrued and unpaid interest thereon to the date of conversion. The LIF Convertible Notes will mature 30 months from the date of closing of the private placement. On June 30, 2013, the League Investment Fund Ltd. paid interest of $21,111 to investors.

In the event a Listing Transaction and the amalgamation of League Investment Fund Ltd. and League Financial Partners Inc have not occurred within two years of closing of the private placement, then League Investment Fund Ltd. will be required to make an offer to purchase, on the maturity date, all of the LIF Convertible Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest. League Investment Fund Ltd. has the right at any time to purchase the LIF Convertible Notes, by tender, or by private contract. Subject to certain conditions, the LIF Convertible Notes may be repaid by League Investment Fund Ltd. at any time following the Listing Transaction and amalgamation without notice or bonus.

(c) On June 4, 2013, the Company borrowed $2,437,500 from Export Development Canada for use in financing up to 75% of the upfront payment associated with LALP's acquisition of Harris Fraser Group Ltd. The loan bears interest at prime plus 4% per annum, is payable in 36 equal payments commencing August 2013 and matures on May 24, 2016.

Financial Statements of

LEAGUE INVESTMENT SERVICES INC.

Three months ended March 31, 2013 and 2012

(unaudited)

LEAGUE INVESTMENT SERVICES INC.

CONDENSED STATEMENT OF FINANCIAL POSITION

(unaudited)

	March 31 2013	December 31 2012
Assets		
Current assets:		
Cash	$ 4,094	$115,433
Prepaid expenses	6,660	6,660
Income taxes receivable	9,634	11,168
Other receivable	12,662	—
Due from related party (note 3(a))	580,785	703,592
	$613,835	$836,853
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$427,160	$589,184
Sales tax payable	—	4,976
Income taxes payable	—	—
Due to related party (note 3(b))	5,888	69,787
	433,048	663,947
Shareholder's equity:		
Share capital	125,001	125,001
Retained earnings	55,786	47,905
	180,787	172,906
	$613,835	$836,853

Subsequent event (note 4)

See accompanying notes to financial statements.

LEAGUE INVESTMENT SERVICES INC.

CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS

(unaudited)

Three months ended March 31, 2013 and 2012

	2013	2012
Revenue:		
Service fees (note 3)	$951,026	$616,631
Expenses:		
Dues, fees, and licences	144,203	110,323
Interest and bank charges	916	1,246
Office and miscellaneous	6,344	24,768
Professional fees	93,083	79,806
Salaries and wages	685,837	383,695
Travel	11,228	12,866
	941,611	612,704
Earnings before income taxes	9,415	3,927
Income tax expense	1,534	—
Net earnings and comprehensive income	$ 7,881	$ 3,927

See accompanying notes to financial statements.

LEAGUE INVESTMENT SERVICES INC.

CONDENSED STATEMENT OF CHANGES IN EQUITY

(unaudited)

Three months ended March 31, 2013 and 2012

	2013	2012
Retained earnings, beginning of period	$ 47,905	$ 26,297
Net earnings and comprehensive income	7,881	3,927
Retained earnings, end of period	55,786	30,224
Share capital, beginning and end of period	125,001	125,001
Total shareholder's equity, end of period	$180,787	$155,225

See accompanying notes to financial statements.

LEAGUE INVESTMENT SERVICES INC.

CONDENSED STATEMENT OF CASH FLOWS

(unaudited)

Three months ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Net earnings and comprehensive income	$ 7,881	$ 3,927
Changes in non-cash operating working capital:		
Income taxes receivable	1,534	—
Other receivable	(12,662)	—
Accounts payable and accrued liabilities	(162,024)	(9,168)
Sales tax payable	(4,976)	(172,626)
Income taxes payable	—	(97,443)
	(170,247)	(275,310)
Financing:		
Proceeds from amount due to related party	(63,899)	(38,900)
Amount due from related party	122,807	216,570
	58,908	177,670
Increase (decrease) in cash	(111,339)	(97,640)
Cash, beginning of period	115,433	102,457
Cash, end of period	$ 4,094	$ 4,817
Supplemental cash disclosures:		
Cash paid for:		
Interest	$ 916	$ 1,246
Income taxes		

See accompanying notes to financial statements.

LEAGUE INVESTMENT SERVICES INC.

NOTES TO FINANCIAL STATEMENTS

(unaudited)

Three months ended March 31, 2013 and 2012

1. Reporting entity:

League Investment Services Inc. (the “Company”) was incorporated under the British Columbia Business Corporations Act on September 14, 2007. The Company changed its name from Evolve Equity Fund Inc. to League Wealth Management Ltd. on October 21, 2008, and then to League Investment Services Inc. on February 16, 2010. On September 28, 2010, the Company registered as an exempt market dealer in all provinces and territories of Canada. The Company’s registered office is 200 – 710 Redbrick Street, Victoria, BC.

The Company provides investment management services.

2. Basis of preparation:

(a) Financial reporting framework:

These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* as issued by the International Financial Accounting Standards Board (“IASB”). These statements represent a condensed set of financial statements and accordingly do not include all of the information required for annual financial statements. These statements should be read in conjunction with the Company’s most recent annual financial statements as at and for the year ended December 31, 2012. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements.

These financial statements have been prepared on a going concern basis and have been presented in Canadian dollars, the Company’s functional currency. The financial statements have been prepared under the historical cost convention; no items are carried at fair value.

Effective January 1, 2013, the Company adopted the following new or amended accounting standards as issued by the IASB: IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements), IFRS 12 (Disclosure of Interests in Other Entities) and IFRS 13 (Fair Value Measurement), IAS 19 (Employee Benefits) and the amendments to IAS 1 (Presentation of Financial Statements) and IFRS 7 (Financial Instruments–Disclosures). The adoption of these standards and amendments did not have a material impact on the condensed interim financial statements.

The financial statements were authorized for issue by the Board of Directors on July 15, 2013.

(b) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the Company’s December 31, 2012 annual financial statements.

3. Related party transactions:

(a) Due from related party:

The amount is due from League Assets Corp., an entity related by virtue of common control. The amount is non-interest bearing and has no specified terms of repayment.

Pursuant to an agreement with League Assets Corp., the Company is reimbursed for costs incurred. The amount reimbursed during the three month period ended March 31, 2013 was \$951,026 (2012: \$618,831) and is based on cost plus 1%. This mutually agreed upon percentage is to change from time to time.

(b) Due to related party:

Included in due to related parties is \$5,888 (2012 – \$2,374) due to IGW REIT L.P., an entity related by virtue of directors in common. The amount is non-interest bearing and has no specified terms of repayment.

4. Subsequent event:

Subsequent to March 31, 2013, League Financial Partners Inc. (“LFP”) will be facilitating a re-organization and recapitalization of a group of businesses which are directly or indirectly controlled or managed by League Assets Limited Partnership (“LALP”). As part of the re-organization transactions, League Assets Corporation, League Investment Services Inc. League Capital Markets Ltd, and League Opportunity Fund Ltd. will become wholly owned subsidiaries of LFP. LFP will also issue securities to the holders of common and income priority units issued by IGW Real Estate Investment Trust and IGW REIT Limited Partnership.

A preliminary non-offering prospectus (the “Prospectus”) is being filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, to enable LFP to become a reporting issuer pursuant to applicable securities legislation in each of the provinces and territories of Canada, except Québec.

Financial Statements of

LEAGUE INVESTMENT SERVICES INC.

Year ended December 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of League Investment Services Inc

We have audited the accompanying financial statements of League Investment Services Inc., which comprise the statements of financial position as at December 31, 2012 and December 31, 2011, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of League Investment Services Inc. as at December 31, 2012 and December 31, 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
July •, 2013
Victoria, Canada

LEAGUE INVESTMENT SERVICES INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2012, with comparative information for 2011

	2012	2011
Assets		
Current assets:		
Cash	$115,433	$102,457
Prepaids	6,660	—
Income tax receivable	11,168	—
Due from related party (note 6(a))	703,592	567,467
	$836,853	$669,924
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$589,184	$379,014
Sales tax payable	4,976	97,337
Income tax payable	—	3,375
Due to related parties (note 6(b))	69,787	38,900
	663,947	518,626
Shareholder's equity:		
Share capital (note 5)	125,001	125,001
Retained earnings	47,905	26,297
	172,906	151,298
	$836,853	$669,924

Subsequent event (note 8)

Approved on behalf of the Board

______________________________ Director

______________________________ Director

The accompanying notes form an integral part of these financial statements.

LEAGUE INVESTMENT SERVICES INC.

STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2012, with comparative information for 2011

	2012	2011
Revenue:		
Service fees (note 6)	$3,122,207	$2,565,193
Expenses:		
Dues, fees, and licences	110,323	10,484
Interest and bank charges	4,468	2,302
Office and miscellaneous	107,573	31,377
Professional fees	356,687	157,377
Salaries and wages	2,456,202	2,314,476
Travel	55,574	23,779
	3,090,827	2,539,795
Earnings before income taxes	31,380	25,398
Income tax expense (note 7)	9,772	4,135
Net earnings and comprehensive income	$ 21,608	$ 21,263

The accompanying notes form an integral part of these financial statements.

LEAGUE INVESTMENT SERVICES INC.

STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2012, with comparative information for 2011

	Share capital	Retained earnings	Total equity
Balance at December 31, 2010	$125,001	$ 5,034	$130,035
Net earnings and comprehensive income	—	21,263	21,263
Balance at December 31, 2011	125,001	26,297	151,298
Net earnings and comprehensive income	—	21,608	21,608
Balance at December 31, 2012	$125,001	$47,905	$172,906

The accompanying notes form an integral part of these financial statements.

LEAGUE INVESTMENT SERVICES INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2012, with comparative information for 2011

	2012	2011
Cash provided by (used in):		
Operating:		
Net earnings	$ 21,608	$ 21,263
Changes in non-cash operating working capital:		
Prepaids	(6,660)	—
Income tax receivable	(11,168)	—
Accounts payable and accrued liabilities	210,170	215,932
Sales tax payable	(92,361)	24,672
Income tax payable	(3,375)	2,434
	118,214	264,301
Financing:		
Amount due to related party	(136,125)	(39,100)
Amount due from related party	30,887	(274,728)
Amount due from shareholder	—	125,001
	(105,238)	(188,827)
Increase in cash	12,976	75,474
Cash, beginning of year	102,457	26,983
Cash, end of year	$ 115,433	$ 102,457
Supplemental cash disclosures:		
Cash paid for:		
Interest	$ 4,468	$ 2,302
Income taxes	24,315	1,702

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

1. Reporting entity:

League Investment Services Inc. (the "Company") was incorporated under the British Columbia Business Corporations Act on September 14, 2007. The Company changed its name from Evolve Equity Fund Inc. to League Wealth Management Ltd. on October 21, 2008, and then to League Investment Services Inc. on February 16, 2010. On September 28, 2010, the Company registered as an exempt market dealer in all provinces and territories of Canada. The Company's registered office is 200 – 710 Redbrick Street, Victoria, British Columbia.

2. Basis of preparation:

(a) Financial reporting framework:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements were authorized for issue by the Board of Directors on July 16, 2013.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions, which include those related to financial instruments (note 3(a)) and future income taxes (note 3(c)), are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

3. Significant accounting policies:

(a) Financial instruments:

Cash, prepaids, income tax receivable and due from related party are classified as loans and receivables and are measured at amortized cost. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Accounts payable and accrued liabilities, sales tax payable, income tax payable and due to related party are classified as other financial liabilities and are measured at amortized cost.

Such assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these assets and liabilities are measured at amortized cost using the effective interest method, and for financial assets also less any impairment losses.

At each reporting date, management considers whether there is objective evidence that its financial assets are impaired. If there is objective evidence that a loss in value has occurred, the financial asset is written down through earnings. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through earnings in that period.

(b) Revenue recognition:

Revenue is recognized when services are provided.

(c) Income taxes:

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in earnings except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3. Significant accounting policies (continued):

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(d) New standards not yet adopted:

At December 31, 2012, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these financial statements. None of these standards and interpretations, and amendments thereto, are expected to have a significant effect on the Company's financial statements.

4. Financial instruments:

(a) Risk management:

The Company has exposure to the following risks from its use of financial instruments:

(*i*) Credit risk:

Credit risk, the risk of financial loss to the Company if a counterparty to a financial agreement fails to meet its contractual agreements, arises from the Company's receivable from related party and receivable from shareholder. The Company does not believe that there is significant credit risk associated with these receivables as a result of Management's evaluation and ongoing monitoring of the related entities' financial condition.

(*ii*) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled in cash or another financial asset. The Company's approach to managing liquidity is to ensure that it has sufficient cash and or credit facilities available to meet its obligations when due. The Company does not believe that there is significant liquidity risk as it believes the amount due from related party (note 6(a)) continues to be collectible in a timely manner to pay for the Company's costs as incurred.

(b) Fair value:

The carrying values of the Company's financial instruments are a reasonable approximation of their fair value due to their short-term nature.

(c) Capital management policy:

The Company's objective in managing capital, which is unchanged from the prior year, is to safeguard the Company's assets and ensure that the Company can continue to operate as a going concern so that it can continue to provide services and provide an adequate return to its shareholder. The Company is not subject to debt covenants or any other externally imposed restrictions on capital, except for the minimum capital requirement of $50,000 as outlined below.

The Company's capital was as follows:

	2012	2011
Share capital	$125,001	$125,001
Retained earnings	47,905	26,297
	$172,906	$151,298

In order to comply with the requirements of its exempt market dealer status, the Company's excess working capital must not be less than zero for two consecutive days, and the Company must maintain minimum capital of $50,000 at all times.

5. Share capital:

Authorized:
Unlimited Class A voting shares without par value
Unlimited Class B non-voting shares without par value
Unlimited Class C non-voting shares without par value
Unlimited Class D non-voting shares without par value

	2012		2011	
	Number of shares	Amount	Number of shares	Amount
Class A shares issued:				
Opening balance	125,001	$125,001	125,001	$125,001
Issued during the year	—	—	—	—
Closing balance	125,001	$125,001	125,001	$125,001

6. Related party transactions:

(a) Due from related party:

The amount is due from League Assets Corp., an entity related by virtue of common control. The amount is non-interest bearing and is recovered throughout the year to pay expenses.

Pursuant to an agreement with League Assets Corp., the Company is reimbursed for costs incurred. The amount recorded as a reimbursement during the year ended December 31, 2012 was $3,122,207 (2011 – $2,565,193) and is based on cost plus 1%. This mutually agreed upon percentage is to change from time to time.

(b) Due to related parties:

Included in due to related parties is $2,374 (2011 – $38,900) due to IGW REIT L.P., an entity related by virtue of directors in common. The amount is non-interest bearing and has no specified terms of repayment.

Also included in due to related parties is $67,413 (2011 – nil) due to League Assets Corp. for expenses paid on behalf of the Company.

(c) Transactions with key management personnel:

Key management personnel of the Company includes all senior management of the Company and its directors. The summary of compensation of key management personnel for the year ended is as follows:

	2012	2011
Short-term employee benefits	$457,224	$304,366
Share-based payments	—	44,200
	$457,224	$348,566

7. Income taxes:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory tax rates of 25% (2011 – 26.50%) to the income before income taxes. The reasons for the differences and related tax effects are as follows:

	2012	2011
Earnings before income taxes	$31,380	25,398
Computed income taxes on earnings before income taxesat above basic rate	7,845	6,730
Increase (decrease) in taxes resulting from		
Non-deductible expenses	1,734	1,333
Other	193	(3,928)
	$ 9,772	$ 4,135

8. Subsequent event:

Subsequent to December 31, 2012, League Financial Partners Inc. ("LFP") will be facilitating a re- organization and recapitalization of a group of businesses which are directly or indirectly controlled or managed by League Assets Limited Partnership ("LALP"). As part of the re organization transactions, League Assets Corporation, League Investment Services Inc., League Capital Markets Ltd, and League Opportunity Fund Ltd. will become wholly owned subsidiaries of LFP. LFP will also issue securities to the holders of common and income priority units issued by IGW Real Estate Investment Trust and IGW REIT Limited Partnership.

A preliminary non-offering prospectus (the "Prospectus") is being filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, to enable LFP to become a reporting issuer pursuant to applicable securities legislation in each of the provinces and territories of Canada, except Québec.

Financial Statements of

LEAGUE INVESTMENT SERVICES INC.

Years ended December 31, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of League Investment Services Inc.

We have audited the accompanying financial statements of League Investment Services Inc., which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of League Investment Services Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Chartered Accountants
March •, 2013
Victoria, Canada

LEAGUE INVESTMENT SERVICES INC.

STATEMENTS OF FINANCIAL POSITION

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash	$102,457	$ 26,983	$—
Due from related party (note 6)	567,467	292,739	—
Due from shareholder (note 6)	—	125,001	1
	$669,924	$444,723	$ 1
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$379,014	$163,082	$—
Sales tax payable	97,337	72,665	—
Income taxes payable	3,375	941	—
Due to related party (note 6)	38,900	78,000	—
	518,626	314,688	—
Shareholder's equity:			
Share capital (note 5)	125,001	125,001	1
Retained earnings	26,297	5,034	—
	151,298	130,035	—
	$669,924	$444,723	$ 1

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board:

______________________________ Director

______________________________ Director

LEAGUE INVESTMENT SERVICES INC.

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2011 and 2010

	2011	2010
Revenue:		
Service fees (note 6)	$2,565,193	$704,447
Expenses:		
Dues, fees, and licences	10,484	1,063
Interest and bank charges	2,302	858
Office and miscellaneous	31,377	9,815
Professional fees	157,377	219,084
Salaries and wages	2,314,476	461,816
Travel	23,779	5,836
	2,539,795	698,472
Earnings before income taxes	25,398	5,975
Income tax expense	4,135	941
Net earnings and comprehensive income	$ 21,263	$ 5,034

The accompanying notes form an integral part of these financial statements.

LEAGUE INVESTMENT SERVICES INC.

STATEMENTS OF CHANGES IN EQUITY
Years ended December 31, 2011 and 2010

	Share capital	Retained earnings	Total equity
Balance at January 1, 2010	$ 1	$ —	$ 1
Contributed capital	125,000	—	125,000
Net earnings and comprehensive income	—	5,034	5,034
Balance at December 31, 2010	125,001	5,034	130,035
Net earnings and comprehensive income	—	21,263	21,263
Balance at December 31, 2011	$125,001	$26,297	$151,298

The accompanying notes form an integral part of these financial statements.

LEAGUE INVESTMENT SERVICES INC.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2011 and 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Net earnings and comprehensive income	$ 21,263	$ 5,034
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	215,932	163,082
Sales tax payable	24,672	72,665
Income taxes payable	2,434	941
	264,301	241,722
Financing:		
Issuance of share capital	—	125,000
Amount due to related party	(39,100)	78,000
Amount due from related party	(274,728)	(292,739)
Amount due from shareholder	125,001	(125,000)
	(188,827)	(214,739)
Increase in cash	75,474	26,983
Cash, beginning of year	26,983	—
Cash, end of year	$ 102,457	$ 26,983
Supplemental cash disclosures:		
Cash paid for:		
Interest	$ 2,302	$ 107
Income taxes	1,702	—

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2011 and 2010

1. Reporting entity:

League Investment Services Inc. (the "Company") was incorporated under the British Columbia Business Corporations Act on September 14, 2007. The Company changed its name from Evolve Equity Fund Inc. to League Wealth Management Ltd. on October 21, 2008, and then to League Investment Services Inc. on February 16, 2010. On September 28, 2010, the Company registered as an exempt market dealer in all provinces and territories of Canada. The Company's registered office is 200 – 710 Redbrick Street, Victoria, BC.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. As these are the first financial statements prepared in accordance with the above financial reporting framework, these financial statements have been prepared in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The Company has consistently applied the same accounting policies in its opening statement of financial position as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

The financial statements were authorized for issue by the Board of Directors on March 11, 2013.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRSs require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

(e) Basis of transition to IFRSs:

The financial statements of the Company were prepared in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP") up to and including December 31, 2010, and restated using IFRSs for these financial statements. The financial statements for the year ended December 31, 2011 are the first annual financial statements prepared in compliance with IFRS. The Company's transition date to IFRSs was January 1, 2010 and accordingly, the Company prepared its opening IFRS statement of financial position as at that date, and has complied with IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1").

Upon transition to IFRSs, the general principle is that financial statements must be prepared on a retrospective basis as if IFRSs had always been applied. In addition to exempting entities from the requirement to restate comparatives for particular standards, IFRS 1 provides certain mandatory exceptions and grants certain optional exemptions from full retrospective application of IFRSs.

The estimates previously made by the Company under CGAAP were not revised for application of IFRSs except where necessary to reflect any difference in accounting policies. Estimates under IFRSs at January 1, 2010 are consistent with estimates made for that same date under CGAAP.

The Company did not elect to apply any of the optional exemptions from full retrospective application of IFRSs.

The financial reporting requirements of CGAAP differ in certain areas from those prescribed by IFRSs. IFRS 1 requires an explanation of how the transition to IFRSs has affected an entity's reported financial position, financial performance and cash flows, including certain reconciliations that provide a quantification of the effect of the transition to IFRSs.

2. Basis of preparation: (continued)

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS at the Transition Date:

Shareholder's equity as reported under Canadian GAAP – December 31, 2009 Differences increasing (decreasing) reported amount:	$ 1
	—
Shareholder's equity, as reported under IFRS – January 1, 2010	$ 1

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS at December 31, 2010:

Shareholder's equity as reported under Canadian GAAP – December 31, 2010 Differences increasing (decreasing) reported amount:	$130,035
	—
Shareholder's equity, as reported under IFRS – December 31, 2010	$130,035

Reconciliation of net income and comprehensive income as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Company's net income reported in accordance with Canadian GAAP to its net income in accordance with IFRS for the year ended December 31, 2010:

Net loss and comprehensive loss as reported under Canadian GAAP Differences increasing (decreasing) reported amount:	$5,034
	—
Net income and comprehensive income as reported under IFRS	$5,034

There are no material differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under previous CGAAP.

3. Significant accounting policies:

(a) Financial instruments:

Cash, due from related party and due from shareholder are classified as loans and receivables and are measured at amortized cost. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Accounts payable and accrued liabilities, sales tax payable, income taxes payable and due to related party are classified as other financial liabilities and are measured at amortized cost.

Such assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these assets and liabilities are measured at amortized cost using the effective interest method, and for financial assets also less any impairment losses.

At each reporting date, management considers whether there is objective evidence that its financial assets are impaired. If there is objective evidence that a loss in value has occurred, the financial asset is written down through earnings. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through earnings in that period.

(b) Revenue recognition:

Revenue is recognized when services are provided.

(c) Income taxes:

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in earnings except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

3. Significant accounting policies: (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(d) New standards not yet adopted:

At December 31, 2011, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these financial statements. None of these standards and interpretations, and amendments thereto, are expected to have a significant effect on the Company's financial statements.

4. Financial instruments:

(a) Risk management:

The Company has exposure to the following risks from its use of financial instruments:

(*i*) Credit risk:

Credit risk, the risk of financial loss to the Company if a counterparty to a financial agreement fails to meet its contractual agreements, arises from the Company's receivable from related party and receivable from shareholder. The Company does not believe that there is significant credit risk associated with these receivables as a result of Management's evaluation and ongoing monitoring of the related entities' financial condition.

(*ii)* Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled in cash or another financial asset. The Company's approach to managing liquidity is to ensure that it has sufficient cash and or credit facilities available to meet its obligations when due. The Company does not believe that there is significant liquidity risk as it believes the amount due from related party (see note 6) continues to be collectible in a timely manner to pay for the Company's costs as incurred.

(b) Fair value:

The carrying values of the Company's financial instruments are a reasonable approximation of their fair value due to their short-term nature.

(c) Capital management policy:

The Company's objective in managing capital, which is unchanged from the prior year, is to safeguard the Company's assets and ensure that the Company can continue to operate as a going concern so that it can continue to provide services and provide an adequate return to its shareholder. The Company is not subject to debt covenants or any other externally imposed restrictions on capital.

4. Financial instruments: (continued)

The Company's capital was as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Share capital	$125,001	$125,001	$ 1
Retained earnings	26,297	5,034	—
	$151,298	$130,035	$ 1

In order to comply with the requirements of its exempt market dealer status, the Company's excess working capital must not be less than zero for two consecutive days, and the Company must maintain minimum capital of $50,000 at all times.

5. Share capital:

Authorized:
Unlimited Class A voting shares without par value
Unlimited Class B non-voting shares without par value
Unlimited Class C non-voting shares without par value
Unlimited Class D non-voting shares without par value

	2011		2010	
	Number of shares	Amount	Number of shares	Amount
Class A shares issued:				
Opening balance	125,001	$125,001	1	$ 1
Issued during the year	—	—	125,000	125,000
Closing balance	125,001	$125,001	125,001	$125,001

6. Related party transactions:

(a) Due from related party:

The amount is due from League Assets Corp., an entity related by virtue of common control. The amount is non-interest bearing and has no specified terms of repayment.

Pursuant to an agreement with League Assets Corp., the Company is reimbursed for costs incurred. The amount reimbursed during the year ended December 31, 2011 was $2,565,193 (2010 – $704,447) and is based on cost plus 1%. This mutually agreed upon percentage is to change from time to time.

(b) Due from shareholder:

The amount is due from League Assets LP, the Company's shareholder. The amount is non- interest bearing and has no specified terms of repayment. The amount was repaid on March 28, 2011.

(c) Due to related party:

The amount is due to IGW REIT L.P., an entity related by virtue of directors in common. The amount is non-interest bearing and has no specified terms of repayment.

6. Related party transactions: (continued)

(d) Transactions with key management personnel:

Key management personnel of the Company includes all senior management of the Company and its directors. The summary of compensation of key management personnel for the year ended is as follows:

	2011	2010
Short-term employee benefits	$304,366	$175,960
Share-based payments	44,200	—
	$348,566	$175,960

7. Subsequent event:

On February 22, 2013, League Financial Partners Inc. ("LFP") was incorporated as a wholly owned subsidiary of IGW REIT Limited Partnership for the sole purpose of facilitating a reorganization and recapitalization of a group of businesses which are directly or indirectly controlled or managed by League Assets Limited Partnership ("LALP"). As part of the reorganization transactions, League Assets Corp., League Investment Services Inc., as well as a number of other wholly owned subsidiaries of LALP will become wholly owned subsidiaries of LFP. LFP will also issue securities to the holders of common and income producing priority units issued by IGW Real Estate Investment Trust and IGW REIT Limited Partnership. It is expected that securities issued by LFP will be publicly traded on a major Canadian exchange.

LEAGUE CAPITAL MARKETS LTD.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2013 AND 2012

LEAGUE CAPITAL MARKETS LTD.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2013 AND 2012

LEAGUE CAPITAL MARKETS LTD.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	As at March 31, 2013	As at December 31, 2012
CURRENT		
Cash and cash equivalents *(note 2)*	$ 197,619	$ 221,507
Client funds held in trust	—	1,000
Accounts receivable	209,506	160,456
Note receivable – current *(note 3)*	76,629	77,136
Prepaid expenses and deposits	22,546	6,917
	506,300	467,016
NOTE RECEIVABLE *(note 3)*	16,081	32,690
CONTINGENCY FUND DEPOSITS	20,000	20,000
PLANT AND EQUIPMENT *(note 4)*	24,195	23,796
GOODWILL *(note 5)*	1,487,401	1,487,401
DEFERRED TAX ASSET *(note 9)*	224,558	225,462
	$2,278,535	$2,256,365

APPROVED ON BEHALF OF THE BOARD:

"Adam Gant" Director
Adam Gant

"Emanuel Arruda" Director
Emanuel Arruda

See accompanying notes to the unaudited interim consolidated financial statements.

LEAGUE CAPITAL MARKETS LTD.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES

	As at March 31, 2013	As at December 31, 2012
CURRENT		
Accounts payable and accrued liabilities	$ 270,469	$ 299,799
Trust funds due to clients	—	1,000
Income taxes payable	9,554	3,408
Loan payable – current *(note 6)*	742,197	736,658
Due to related parties *(note 7)*	912,357	912,357
	1,934,577	1,953,222
LOAN PAYABLE *(note 6)*	435,628	432,377
	2,370,205	2,385,599
SHAREHOLDERS' DEFICIENCY		
SHARE CAPITAL *(note 8)*	1	1
DEFICIT	(91,671)	(129,235)
	(91,670)	(129,234)
	$2,278,535	$2,256,365

See accompanying notes to the unaudited interim consolidated financial statements.

LEAGUE CAPITAL MARKETS LTD.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Common Shares			
	Number of Shares	Share Capital	Deficit	Total
For the three months ended March 31, 2012				
Balance as at December 31, 2011	1	$ 1	$ —	$ 1
Comprehensive income for the period	—	—	—	—
Balance as at March 31, 2012	1	$ 1	$ —	$ 1
For the three months ended March 31, 2013				
Balance as at December 31, 2012	1	$ 1	$(129,235)	$(129,234)
Comprehensive income for the period	—	—	37,564	37,564
Balance as at March 31, 2013	1	$ 1	$ (91,671)	$ (91,670)

See accompanying notes to the unaudited interim consolidated financial statements.

LEAGUE CAPITAL MARKETS LTD.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended March 31, 2013	2012
REVENUE	$690,868	$—
EXPENSES		
Commissions	324,566	—
Salaries and benefits	201,569	—
General and administrative	55,464	—
Membership, subscriptions and licences	19,134	—
Professional fees	17,155	—
Interest and bank charges	10,392	—
Insurance	9,175	—
Consulting	3,896	—
Travel, promotion and entertainment	3,245	—
Depreciation *(note 4)*	1,658	—
	646,254	—
COMPREHENSIVE INCOME BEFORE INCOME TAX	44,614	—
NET PROVISION FOR INCOME TAXES *(note 9)*	(7,050)	—
TOTAL COMPREHENSIVE INCOME	$ 37,564	$—

See accompanying notes to the unaudited interim consolidated financial statements.

LEAGUE CAPITAL MARKETS LTD.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	For the three months ended March 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 37,564	$—
Adjustments for:		
Depreciation *(note 4)*	1,658	—
Deferred taxes *(note 9)*	904	—
	40,126	—
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Change in accounts receivable	(49,050)	—
Change in note receivable	17,116	—
Change in prepaid expenses	(15,629)	—
Change in accounts payable and accrued liabilities	(29,330)	—
Change in income taxes payable	6,146	—
NET CASH USED IN OPERATING ACTIVITIES	(30,621)	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to plant and equipment *(note 4)*	(2,057)	—
NET CASH USED IN INVESTING ACTIVITIES	(2,057)	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in loan payable	8,790	—
NET CASH FROM FINANCING ACTIVITIES	8,790	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23,888)	—
CASH AND CASH EQUIVALENTS, beginning of period	221,507	—
CASH AND CASH EQUIVALENTS, end of period	$197,619	$—

See accompanying notes to the unaudited interim consolidated financial statements.

LEAGUE CAPITAL MARKETS LTD.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012

League Capital Markets Ltd. (the "Company") was incorporated under the laws of British Columbia on October 31, 2008.

On April 10, 2012, the Company was sold by League Assets Corp. to League Assets Limited Partnership.

On November 1, 2012, the Company completed the acquisition of all of the issued shares of Catalyst Investment Corp. ("Catalyst") and directly or indirectly all the issued shares of Catalyst's subsidiaries: Monarch Wealth Corporation ("MWC"), Monarch Wealth Deposit Group Inc. ("MWDG"), Monarch Delaney Financial Inc. ("MDFI") and Monarch Wealth Assurance Agencies Inc. ("MWAA").

The Company is a Canadian financial services company. Through one of its subsidiaries (MWC), the Company earns commission revenue from financial institutions on the placement of mutual funds and is a level 3 mutual fund dealer, limited market dealer and member of the Mutual Fund Dealer Association of Canada.

The Company's registered office is located at 200-710 Redbrick Street, Victoria, British Columbia, V8T 5J3.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements for the year ended December 31, 2012, with the exception of those new accounting policies that were adopted on January 1, 2013 as more fully described below.

These unaudited interim consolidated financial statements of the Company for the three months ended March 31, 2013 were approved by the Board of Directors on June 13, 2013.

Basis of Presentation

These unaudited interim consolidated financial statements are prepared in Canadian dollars ("$"), which is also the Company's functional currency. The notes presented in these unaudited interim consolidated financial statements include in general only significant changes and transactions occurring since the Company's last year-end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2012.

The Company's operating results are subject to seasonal fluctuations that materially impact quarter-to-quarter operating results and, thus, one quarter's operating results are not necessarily indicative of a subsequent quarter's operating results.

These unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the Company's annual audited consolidated financial statements for the year ended December 31, 2012, with the exception of the following new accounting standards and amendments which the Company adopted and are effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013.

IFRS 10, Consolidated Financial Statements

As a result of the adoption of IFRS 10, the Company has changed its accounting policy with respect to determining whether it has control over and subsequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if the Company controls the investee on the basis of de facto circumstances.

In accordance with the transitional provisions of IFRS 10, the Company re-assessed the control conclusion for its investees at January 1, 2013. The Company made no changes as a result of this process in the current or comparative period.

IFRS 13, Fair Value Measurement

On January 1, 2013, the Company adopted IFRS 13, which provides a single source of guidance on how fair value is measured, replacing the fair value measurement guidance contained in individual IFRSs. The standard defines fair value and establishes a framework for measuring fair value. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation

The accompanying unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Catalyst Investment Corp. ("Catalyst"), Monarch Wealth Corporation ("MWC"), Monarch Wealth Deposit Group Inc. ("MWDG") and Monarch Delaney Financial Inc. ("MDFI") and Monarch Wealth Assurance Agencies Inc. ("MWAA"). The subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through more than half of the voting rights.

All inter-company transactions and balances have been eliminated upon consolidation.

Use of Estimates

When preparing the interim consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim consolidated financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual consolidated financial statements for the year ended December 31, 2012. The only exceptions are the estimates of the provision for and recovery of income taxes which is determined in the interim consolidated financial statements using the estimated average annual effective income tax rate applied to the pre-tax income or loss of the interim period.

Significant Events and Transactions

During the reporting period, MWC was able to reliably estimate a liability relating to claims from its clients regarding inadequate supervision of leveraged trades. MWC estimated and accrued $40,245 in client compliant settlements during the period; of which $33,094 has been settled. The amount is to be offset by the Company against the final instalment payment to the vendor in May 2014 pursuant to the share purchase agreement.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments. Cash and cash equivalents are comprised of the following:

	As at March 31, 2013	As at December 31, 2012
Cash on hand and balances with banks	$177,564	$201,491
Short-term investments	20,055	20,016
	$197,619	$221,507

3. NOTE RECEIVABLE

	As at March 31, 2013	As at December 31, 2012
Non-interest bearing note receivable, collectible in monthly instalments of $6,000 subject to changes from the price adjustment clause. To be fully received by May 2014.	$92,710	$109,826
Approximate receipts are as follows:		
Within one year	$76,629	
Beyond one year	16,081	
	$92,710	

4. PLANT AND EQUIPMENT

	Computer software	Computer	Furniture and fixtures	Leaseholds	Total
At cost					
As at March 1, 2012	$—	$ —	$ —	$ —	$ —
Additions	90	15,740	12,753	3,118	31,701
Dispositions	—	(2,564)	(887)	(3,118)	(6,569)
As at December 31, 2012	$90	$13,176	$11,866	—	25,132
Additions	—	2,057	—	—	2,057
Dispositions	—	—	—	—	—
As at March 31, 2013	$90	$15,233	$11,866	$ —	$27,189
Accumulated depreciation					
As at March 1, 2012	$—	$ —	$ —	$ —	$ —
Depreciation	13	848	475	—	1,336
As at December 31, 2012	$13	$ 848	$ 475	$ —	$ 1,336
Depreciation	10	1,079	569	—	1,658
As at March 31, 2013	$23	$ 1,927	$ 1,044	$ —	$ 2,994
Net book value					
As at December 31, 2012	$77	$12,328	$11,391	$ —	$23,796
As at March 31, 2013	$67	$13,306	$10,822	$ —	$24,195

5. GOODWILL

	Cost	Accumulated impairment losses	Net, as at March 31, 2013	Net, as at December 31, 2012
Goodwill	$1,487,401	$—	$1,487,401	$1,487,401

On November 1, 2012, the Company recognized goodwill of $1,487,401 upon the completed acquisition of all of the issued shares of the Catalyst group of companies.

As at March 31, 2013, the Company performed an impairment test on goodwill based on the fair value less costs to sell, taking into consideration the market price paid for the group of companies as a whole. The impairment test performed resulted in no impairment of goodwill.

6. LOAN PAYABLE

	As at March 31, 2013	As at December 31, 2012
Non-interest bearing loan payable; to be fully repaid by May 2014.	$1,177,825	$1,169,035
Approximate principal repayments are as follows:		
Within one year	$ 742,197	
Beyond one year	435,628	
	$1,177,825	

7. RELATED PARTY TRANSACTIONS

The ultimate controlling shareholder of the Company is League Assets Limited Partnership, which holds the voting control of the Company. The transactions with related parties, as summarized below, were recorded at the amount established and agreed upon by the related parties.

As at March 31, 2013, $912,357 ($912,357 as at December 31, 2012) was due to companies related by common control for funds advanced. The balance is unsecured and non-interest bearing with no fixed terms of repayment.

8. SHARE CAPITAL

Authorized

Unlimited Class A common shares with no par value
Unlimited Class B special shares with no par value
Unlimited Class C special shares with no par value
Unlimited Class D special shares with no par value

	As at March 31, 2013	As at December 31, 2012
Issued		
1 common share	$1	$ 1

9. INCOME TAXES

a) Income tax expense

The components of income tax benefit for the three month periods ended March 31, 2013 and 2012 were as follows:

	For the three months ended March 31, 2013	2012
Income before income tax	$44,614	$ —
Applicable tax rate (%)	15.5	15.5
Income tax computed at applicable statutory rates	6,915	—
Origination and reversal of temporary differences	135	—
Net current and deferred income tax expense	$ 7,050	$ —

b) Deferred tax asset

The movement of deferred tax asset is summarized as follows:

	As at March 31, 2013	As at December 31, 2012
Deferred tax asset, beginning of period	$225,462	$ —
Non-capital income tax losses carried forward:		
Acquired upon business combination	—	173,871
Income tax (expense) benefit recognized in comprehensive income	(904)	51,591
Deferred tax asset, end of period	$224,558	$225,462

Deferred tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at March 31, 2013, the Company had non-capital losses carried forward for $1,448,765. If not utilized, the majority of tax losses will expire from 2028 and beyond. The Company has determined that it is probable that all recognized deferred tax assets will be realized through a combination of future reversals of temporary differences and taxable income.

10. CONTINGENT LIABILITIES

During the reporting period, MWC was able to reliably estimate a liability relating to claims from its clients regarding inadequate supervision of leveraged trades. MWC estimated and accrued $40,245 in client compliant settlements during the period; of which $33,094 has been settled. Further client complaints and settlements relating to the matter above may occur subsequent to the reporting period; however their amounts cannot be reliably estimated at this time.

As per the share purchase agreement between the Company and the vendor, the Company will offset the final instalment payment made to the vendor in May 2014 with the total of all client settlements paid out by MWC.

11. RISK MANAGEMENT

Fair Value

For certain financial instruments of the Company, including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their immediate or short-term maturity.

The fair value of amounts due from related parties are not determinable, as they are non-interest bearing with related parties and, accordingly, cannot be ascertained with reference to similar debt with non-related parties.

Credit Risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents and commissions receivable from mutual fund, segregated fund and GIC companies. The Company mitigates this risk by having cash and cash equivalents held at major financial institutions and by dealing with only reputable fund companies.

The Company determined that no receivables were impaired and thus no allowance for doubtful accounts was established.

The Company does not have significant exposure to any individual mutual fund company or counterpart.

Market Risk in Assets under Management and Assets under Administration

Assets under management (“AUM”) are exposed to various forms of market risk including, but not limited to, fair value risk, interest rate risk and currency risk. These risks transfer to the Company through the generation of management fee revenues, net of associated trailer service fees.

The Company also incurs market risk exposure to fluctuations in assets under administration (“AUA”). While the Company does not quantify its exposure to these risks in isolation, it does monitor the portion of its AUA which earns trailer fee revenues, a significant component of financial services revenues.

LEAGUE CAPITAL MARKETS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

LEAGUE CAPITAL MARKETS LTD.

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Nick DeLuca
Chartered Accountant
30 Pennsylvania Ave.
Unit 2
Concord, Ontario L4K 4A5
Telephone: (416) 256 - 0900
Telephone: (905) 760 - 1761
Fax: (416) 256 - 1788

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
League Capital Markets Ltd.

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of League Capital Markets Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of League Capital Markets Ltd. and its subsidiaries as at December 31, 2012, December 31, 2011 and January 1, 2011, and their consolidated financial performance and consolidated cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

Nick DeLuca
Chartered Accountant
30 Pennsylvania Ave.
Unit 2
Concord, Ontario L4K 4A5

Telephone: (416) 256 - 0900
Telephone: (905) 760 - 1761
Fax: (416) 256 - 1788

I draw attention to note 3 of the financial statements which describes that League Capital Markets Ltd. adopted International Financial Reporting Standards on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these consolidated financial statements, including the consolidated statements of financial position as at December 31, 2011 and January 1, 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2011 and related disclosures.

Chartered Accountant
Licensed Public Accountant

Concord, Ontario
May *, 2013

LEAGUE CAPITAL MARKETS LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	As at December 31, 2012	As at December 31, 2011	As at January 1, 2011
CURRENT			
Cash and cash equivalents *(note 5)*	$ 221,507	$—	$—
Client funds held in trust	1,000	—	—
Accounts receivable	160,456	1	1
Note receivable – current *(note 6)*	77,136	—	—
Prepaid expenses and deposits	6,917	—	—
	467,016	1	1
NOTE RECEIVABLE *(note 6)*	32,690	—	—
CONTINGENCY FUND DEPOSITS	20,000	—	—
PLANT AND EQUIPMENT *(note 7)*	23,796	—	—
GOODWILL *(note 8)*	1,487,401	—	—
DEFERRED TAX ASSET *(note 12)*	225,462	—	—
	$2,256,365	$ 1	$ 1

APPROVED ON BEHALF OF THE BOARD:

______________________________ Director
Adam Gant

______________________________ Director
Emanuel Arruda

The accompanying notes are an integral part of these consolidated financial statements.

LEAGUE CAPITAL MARKETS LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES

	As at December 31, 2012	As at December 31, 2011	As at January 1, 2011
CURRENT			
Accounts payable and accrued liabilities	$ 299,799	$—	$—
Trust funds due to clients	1,000	—	—
Income taxes payable	3,408	—	—
Loan payable – current *(note 9)*	736,658	—	—
Due to related parties *(note 10)*	912,357	—	—
	1,953,222	—	—
LOAN PAYABLE *(note 9)*	432,377	—	—
	2,385,599	—	—

SHAREHOLDERS' (DEFICIENCY) EQUITY

	2012	2011	January 1, 2011
SHARE CAPITAL *(note 11)*	1	1	1
DEFICIT	(129,235)	—	—
	(129,234)	1	1
	$2,256,365	$ 1	$ 1

The accompanying notes are an integral part of these consolidated financial statements.

LEAGUE CAPITAL MARKETS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Common Shares			
	Number of Shares	Share Capital	Deficit	Total
For the year ended December 31, 2011				
Balance as at January 1, 2011	1	$ 1	$ —	$ 1
Comprehensive loss	—	—	—	—
Balance as at December 31, 2011	1	$ 1	$ —	$ 1
For the year ended December 31, 2012				
Balance as at January 1, 2012	1	$ 1	$ —	$ 1
Comprehensive loss	—	—	(129,235)	(129,235)
Balance as at December 31, 2012	1	$ 1	$(129,235)	$(129,234)

The accompanying notes are an integral part of these consolidated financial statements.

LEAGUE CAPITAL MARKETS LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31, 2012	2011
REVENUE	$ 519,527	$—
EXPENSES		
Commissions	282,480	—
Professional fees	217,393	—
Salaries and benefits	121,568	—
General and administrative	26,050	—
Membership, subscriptions and licences	16,600	—
Consulting	12,095	—
Interest and bank charges	6,944	—
Loss on disposal of plant and equipment *(note 7)*	6,569	—
Insurance	3,082	—
Travel, promotion and entertainment	2,828	—
Depreciation *(note 7)*	1,336	—
	696,945	—
COMPREHENSIVE LOSS BEFORE INCOME TAX	(177,418)	—
RECOVERY OF INCOME TAXES *(note 12)*	48,183	—
TOTAL COMPREHENSIVE LOSS	$(129,235)	$—

The accompanying notes are an integral part of these consolidated financial statements.

LEAGUE CAPITAL MARKETS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended December 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (129,235)	$—
Adjustments for:		
Depreciation *(note 7)*	1,336	—
Deferred taxes *(note 12)*	(225,462)	—
Loss on disposal of plant and equipment *(note 7)*	6,569	—
	(346,792)	—
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Change in accounts receivable	(160,455)	—
Change in note receivable	(109,826)	—
Change in prepaid expenses	(6,917)	—
Change in contingency fund deposits	(20,000)	—
Change in goodwill	(1,487,401)	—
Change in accounts payable and accrued liabilities	299,799	—
Change in income taxes payable	3,408	—
NET CASH USED IN OPERATING ACTIVITIES	(1,828,184)	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to plant and equipment *(note 7)*	(31,701)	—
NET CASH USED IN INVESTING ACTIVITIES	(31,701)	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related parties	912,357	—
Change in loan payable	1,169,035	—
NET CASH FROM FINANCING ACTIVITIES	2,081,392	—
NET INCREASE IN CASH AND CASH EQUIVALENTS	221,507	—
CASH AND CASH EQUIVALENTS, beginning of year	—	—
CASH AND CASH EQUIVALENTS, end of year	$ 221,507	$—

The accompanying notes are an integral part of these consolidated financial statements.

League Capital Markets Ltd. (the "Company") was incorporated under the laws of British Columbia on October 31, 2008.

On April 10, 2012, the Company was sold by League Assets Corp. to League Assets Limited Partnership.

On November 1, 2012, the Company completed the acquisition of all of the issued shares of Catalyst Investment Corp. ("Catalyst") and directly or indirectly all the issued shares of Catalyst's subsidiaries: Monarch Wealth Corporation ("MWC"), Monarch Wealth Deposit Group Inc. ("MWDG"), Monarch Delaney Financial Inc. ("MDFI") and Monarch Wealth Assurance Agencies Inc. ("MWAA").

The Company is a Canadian financial services company. Through one of its subsidiaries (MWC), the Company earns commission revenue from financial institutions on the placement of mutual funds and is a level 3 mutual fund dealer, limited market dealer and member of the Mutual Fund Dealer Association of Canada.

The Company's registered office is located at 200-710 Redbrick Street, Victoria, British Columbia, V8T 5J3.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the Company's reporting for the years ended December 31, 2012 and 2011. These are the Company's first annual consolidated financial statements prepared in accordance with IFRS, and the Company has elected January 1, 2011 as the date of transition to IFRS (the "Transition Date"). First-time adoption of IFRS ("IFRS 1") has been applied. An explanation of how the transition to IFRS has affected the consolidated financial statements is included in note 3.

The consolidated financial statements of the Company for the years ended December 31, 2012 and 2011 were approved by the Board of Directors on May 1, 2013.

Basis of Presentation

The consolidated financial statements have been prepared under the historical cost convention as set out in the accounting policies below. Certain items, such as financial instruments, are stated at fair value. The consolidated financial statements are prepared in Canadian dollars ("$"), which is also the Company's functional currency.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Catalyst Investment Corp. ("Catalyst"), Monarch Wealth Corporation ("MWC"), Monarch Wealth Deposit Group Inc. ("MWDG") and Monarch Delaney Financial Inc. ("MDFI") and Monarch Wealth Assurance Agencies Inc. ("MWAA"). The subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of December 31.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions and balances have been eliminated upon consolidation.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method.

The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date, except for deferred tax assets and liabilities which are recognized and measured in accordance with IAS 12 *Income Taxes.*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date the Company receives complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the entity over the net fair value of the identifiable net assets recognized.

If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any), the difference shall be recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and highly liquid investments, consisting primarily of term deposits that are cashable any time up to maturity.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Commission revenues are recognized on a trade-date basis. The Company also earns trailer fee commission revenue from mutual fund companies, which are recognized on an accrual basis as a percentage over the total assets under administration for each mutual fund company.

Income Taxes

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in the consolidated statement of comprehensive income except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable based on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized for future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Recognition

The Company initially recognizes loans and receivables, debt securities and subordinated liabilities on the date they originate. All other financial assets and financial liabilities are initially recognized on the trade date at which the Company becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and liability simultaneously.

Classification and Measurement

Financial instruments are, for measurement purposes, grouped into classes. The classification depends on the purpose and is determined at initial recognition. All of the Company's non-derivative financial assets are classified as available-for-sale or loans and receivables. Available-for-sale financial assets are comprised of the Company's publicly traded and private investments. These investments are carried at fair value plus transaction costs directly attributable to the acquisition of the financial asset, on the consolidated statement of financial position, with subsequent changes in fair value, other than impairment losses, recorded in the available-for-sale financial assets reserve, a component of equity, through Other Comprehensive Income ("OCI"), until such time as the investments are disposed of, at which time the cumulative fair value change in OCI related to the disposed investments is transferred to income. Upon initial recognition, all of the Company's loans and receivables, comprised of cash and cash equivalents and accounts receivable are measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset and subsequently carried at amortized cost using the effective interest method, with changes recorded through net income.

All of the Company's non-derivative financial liabilities are classified as other financial liabilities and are initially measured at fair value plus transaction costs that are directly attributable to the issue of the financial liability. Subsequent to the initial recognition and measurement, these non-derivative financial liabilities are measured at amortized cost using the effective interest method.

Impairment

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets carried at amortized cost, are assessed collectively, based on the nature of the asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the consolidated statement of comprehensive income and reflected in an allowance account against accounts receivable.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

Plant and Equipment

Plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses. Depreciation is charged to the consolidated statement of comprehensive income over their estimated useful lives as follows:

Computer software	– 50% diminishing balance
Computer	– 30% diminishing balance
Furniture and fixtures	– 20% diminishing balance
Leaseholds	– 5 year straight line

Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the Company enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash generating units ("CGUs") that are expected to benefit from the business combination. Each CGU represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

Goodwill and indefinite-life intangible assets

The carrying values of identifiable intangible assets with indefinite lives and goodwill are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. A CGU is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and indefinite life intangible assets are allocated to CGUs for the purpose of impairment testing based on the level at which management monitors them, which is not higher than an operating segment. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

Non-financial assets with finite useful lives

The carrying values of non-financial assets with finite useful lives, such as plant and equipment and intangible assets with finite useful lives, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset must be determined. Such assets are impaired if their recoverable amount is lower than their carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs is tested for impairment.

Recognition of impairment charge

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell or its value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The resulting impairment loss is recognized in the consolidated statement of comprehensive income. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset or CGU in prior years. Impairment losses recognized for goodwill are not reversed.

Use of Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from these estimates.

Key areas of estimation, where management has made difficult, complex or subjective judgements, often as a result of matters that are inherently uncertain are as follows:

a) *Business combinations*

The amount of goodwill initially recognized as a result of a business combination and the determination of the fair value of the identifiable assets acquired and the liabilities assumed is based, to a considerable extent, on management's judgement.

b) *Income taxes*

Income tax liabilities must be estimated for the Company, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Management's judgement is required for the calculation of current and deferred taxes.

c) *Plant and equipment*

Measurement of plant and equipment involves the use of estimates for determining the expected useful lives of depreciable assets. Management's judgement is also required to determine depreciation methods and an asset's residual value.

d) *Impairment of non-financial assets*

The impairment test on CGUs is carried out by comparing the carrying amount of CGUs and their recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. This complex valuation process used to determine fair value less costs to sell and/or value in use entails the use of methods such as the discounted cash flow method which uses assumptions to estimate cash flows. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *Financial risk management and financial instruments*

The fair value of derivative instruments, investments in publicly traded and private companies, and equity instruments is determined on the basis of either prices in regulated markets or quoted prices provided by financial counterparties, or using valuation models which also take into account subjective measurements such as, cash flow estimates or expected volatility of prices.

f) *Contingency*

The determination of whether an item is a contingent liability or whether an outflow of resources is probable requires management's judgement to determine if a provision needs to be made.

2. FUTURE CHANGES TO ACCOUNTING STANDARDS

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and amendments or interpretations to existing standards that are not yet effective and not applied. The Company does not anticipate early adoption of these standards at this time. The Company is reviewing the standards to determine the potential impact, if any; however no significant impact is anticipated.

Amendments to IAS 1, *Presentation of Financial Statements*

This amendment provides guidance on items contained in other comprehensive income and their classification within other comprehensive income. This amendment must be applied retrospectively for annual periods beginning on or after July 1, 2012.

Amendments to IFRS 7, *Financial Instruments: Disclosures*

This amendment requires disclosures to better assess the effect or potential effect of offsetting arrangements in the statement of financial position. This amendment to IFRS 7 must be applied retrospectively for annual periods beginning on or after January 1, 2013.

IFRS 9, *Financial Instruments*

This standard initially issued guidance on the classification and measurement of financial assets. Additional guidance was issued on the classification and measurement of financial liabilities. Further amendments were issued which modify the requirements for transition from IAS 39 to IFRS 9, deferring the mandatory effective date to annual periods beginning on or after January 1, 2015.

IFRS 10, *Consolidated Financial Statements*

This standard establishes principles for the presentation and preparation of consolidated financial statements. IFRS 10 identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This standard must be applied retrospectively for annual periods beginning on or after January 1, 2013.

IFRS 13, *Fair Value Measurement*

This is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. IFRS 13 must be applied prospectively for annual periods beginning on or after January 1, 2013.

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*

This amendment clarifies the application of the offsetting requirements of financial assets and financial liabilities. This amendment to IAS 32 must be applied retrospectively for annual periods beginning on or after January 1, 2014.

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

The Company has elected to apply the standards in Part I of the *CICA Accounting Handbook* in accordance with International Financial Reporting Standards.

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING (continued)

These are the Company's first annual consolidated financial statements prepared in accordance with IFRS, and the Company has elected January 1, 2011 as the date of transition to IFRS (the "Transition Date").

The consolidated financial statements for the years ended December 31, 2012 and 2011 were prepared in accordance with the accounting principles and provisions set out in IFRS 1 "FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS", for first-time adopters of this basis of accounting.

The application of adopting this new financial reporting framework had no impact on the previously reported consolidated financial position as at December 31, 2011 and January 1, 2011 or to the previously reported consolidated statements of comprehensive income or changes in equity for the year ended December 31, 2011. Consequently, a reconciliation of previously reported comprehensive income to comprehensive income as reported using International Financial Reporting Standards was not prepared.

4. BUSINESS COMBINATION

On November 1, 2012, the Company completed the acquisition of all of the issued shares of Catalyst and directly or indirectly all the issued shares of MWC, MWDG, MDFI and MWAA. The acquisition was made with a view to enhancing the Company and its related entities wealth management opportunities. The acquisition was for consideration of $1,460,000; $260,000 in cash on the date of acquisition, and the balance in non-interest bearing instalments with the final instalment being due in May 2014. Using the effective interest method the consideration resulted in a total of $1,423,211.

The share purchase agreement stipulates a covenant relating to contingent MFDA claims related to its subsidiary, MWC, whereby the Company is to be reimbursed by the vendor for any liabilities incurred. Subsequent to the acquisition date, MWC incurred a liability relating to the settlement of claims with its clients. Since the event occurred subsequent to the acquisition date, it is not considered a measurement period adjustment, and is to be accounted for separately from the business combination. The contingent consideration, when received, is to be recognized in the consolidated statement of comprehensive income.

The purchase was accounted for using the acquisition method of accounting and, accordingly, the fair values of the identifiable assets purchased and liabilities assumed have been included in the consolidated statement of financial position as at December 31, 2012.

The following illustrates the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed:

	Catalyst	MWC	MWDG	MDFI	MWAA	Total
Cash	$ 62,503	$ 89,049	$ 330	$ —	$ 3,513	$155,395
Accounts receivable	—	79,144	57,486	—	44,041	180,671
Prepaids	—	10,635	—	—	—	10,635
Note receivable	120,942	—	—	—	—	120,942
Contingency fund deposits	—	10,000	—	10,000	—	20,000
Plant and equipment	19,417	9,014	—	—	3,270	31,701
Deferred taxes	141,266	24,016	8,123	—	466	173,871
	$ 344,128	$221,858	$65,939	$10,000	$51,290	$693,215
Accounts payable and accrued liabilities	$ 132,948	$ 70,993	$ —	$ —	$ 3,464	$207,405
Loans from shareholders	550,000	—	—	—	—	550,000
	$ 682,948	$ 70,993	$ —	$ —	$ 3,464	$757,405
Net assets acquired (liabilities assumed)	$(338,820)	$150,865	$65,939	$10,000	$47,826	$ (64,190)

The primary factors that contributed to the recognition of goodwill for $1,487,401 were the expected synergies from combining operations of the Catalyst group of companies with the Company, the acquired workforce and the existing customer lists and broker network.

The amount assigned to goodwill is not expected to be deductible for income tax purposes.

The revenue included in the consolidated statement of comprehensive income since November 1, 2012 contributed by Catalyst and its subsidiaries was $519,527. Catalyst and its subsidiaries also contributed profit of $7,002 over the same period. If Catalyst and its subsidiaries were consolidated with the Company from January 1, 2012, the consolidated statement of comprehensive income would have included revenue of $2,640,646 and a loss of $148,476.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments. Cash and cash equivalents included in the consolidated statement of cash flows are comprised of the following amounts:

	As at December 31, 2012	As at December 31, 2011	As at January 1, 2011
Cash on hand and balances with banks	$201,491	$—	$—
Short-term investments	20,016	—	—
	$221,507	$—	$—

6. NOTE RECEIVABLE

	As at December 31, 2012	As at December 31, 2011	As at January 1, 2011
Non-interest bearing note receivable, collectible in monthly instalments of $6,000 subject to changes from the price adjustment clause. To be fully received by May 2014.	$109,826	$ —	$—

Approximate receipts are as follows:	
2013	$ 77,136
2014	32,690
	$109,826

7. PLANT AND EQUIPMENT

	Computer software	Computer	Furniture and fixtures	Leaseholds	Total
At cost					
As at January 1, 2011	$—	$ —	$ —	$ —	$ —
Additions	—	—	—	—	—
Dispositions	—	—	—	—	—
As at December 31, 2011	$—	$ —	$ —	$ —	$ —
Additions	90	15,740	12,753	3,118	31,701
Dispositions	—	(2,564)	(887)	(3,118)	(6,569)
As at December 31, 2012	$90	$13,176	$11,866	$ —	$25,132
Accumulated depreciation					
As at January 1, 2011	$—	$ —	$ —	$ —	$ —
Depreciation	—	—	—	—	—
As at December 31, 2011	$—	$ —	$ —	$ —	$ —
Depreciation	13	848	475	—	1,336
As at December 31, 2012	$13	$ 848	$ 475	$ —	$ 1,336
Net book value					
As at January 1, 2011	$—	$ —	$ —	$ —	$ —
As at December 31, 2011	$—	$ —	$ —	$ —	$ —
As at December 31, 2012	$77	$12,328	$11,391	$ —	$23,796

8. GOODWILL

	Cost	Accumulated impairment losses	Net 2012	Net 2011	As at January 1, 2011 Net Value
Goodwill	$1,487,401	$—	$1,487,401	$—	$—

On November 1, 2012, the Company recognized goodwill of $1,487,401 upon the completed acquisition of all of the issued shares of the Catalyst group of companies.

As at December 31, 2012, the Company performed an impairment test on goodwill based on the fair value less costs to sell, taking into consideration the market price paid for the group of companies as a whole. The impairment test performed resulted in no impairment of goodwill.

9. LOAN PAYABLE

	As at December 31,		As At January 1,
	2012	2011	2011
Non-interest bearing loan payable; to be fully repaid by May 2014.	$1,169,035	$ —	$—

Approximate principal repayments are as follows:	
2013	$ 736,658
2014	432,377
	$1,169,035

10. RELATED PARTY TRANSACTIONS

The ultimate controlling shareholder of the Company is League Assets Limited Partnership, which holds the voting control of the Company. The transactions with related parties, as summarized below, were recorded at the amount established and agreed upon by the related parties.

Transactions with related parties

In 2012, $624,680 was due to a company related by common control for funds advanced. The balance is unsecured and non-interest bearing with no fixed terms of repayment.

In 2012, $287,677 was due to a company related by common control for funds advanced. The balance is unsecured and non-interest bearing with no fixed terms of repayment.

11. SHARE CAPITAL

Authorized

Unlimited Class A common shares with no par value
Unlimited Class B special shares with no par value
Unlimited Class C special shares with no par value
Unlimited Class D special shares with no par value

	As at December 31,		As at January 1,
	2012	2011	2011
Issued			
1 common share	$1	$1	$1

12. INCOME TAXES

a) Income tax expense (benefit)

The components of income tax expense (benefit) for the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Earnings before income taxes	$(177,418)	$ —
Applicable tax rate (%)	15.5	15.5
Income taxes computed at applicable statutory rates	(27,500)	—
Origination and reversal of temporary differences	2,370	—
Change due to adjustment in prior period	(23,053)	—
Total income tax expense (benefit)	$ (48,183)	$ —

b) Deferred tax asset and liability

The movement of deferred tax assets and liabilities are summarized as follows:

	As at December 31,		As At January 1,
	2012	2011	2011
Deferred tax asset, beginning of year	$ —	$—	$—
Non-capital income tax loss carryforwards:			
Acquired upon business combination	173,871	—	—
Income tax benefit recognized in comprehensive income	51,591	—	—
Deferred tax asset, end of year	$225,462	$—	$—

Deferred tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2012, the Company had non-capital loss carryforwards of $1,454,592. If not utilized, the majority of tax losses will expire from 2028 and beyond. The Company has determined that it is probable that all recognized deferred tax assets will be realized through a combination of future reversals of temporary differences and taxable income.

13. CONTINGENT LIABILITIES

In December 2011, a subsidiary of the Company, MWC, agreed and paid the settlement proposed by the Mutual Fund Dealer's Association ("MFDA") related to the Company's inadequate supervision of leveraged trades and maintenance of adequate risk adjusted capital levels.

Subsequent to the reporting period, MWC estimates a potential liability relating to claims from its clients for $180,336; of which $33,094 has been settled to date. The liability amount is to be reimbursed to the Company by the Escrow Agent, pursuant to the share purchase agreement, once the Company and the vendor agree that the MFDA claims process has been finalized. The liability amount was not recognized in Catalyst's consolidated financial statements as at December 31, 2012 as the event became known after the date in which the consolidated financial statements had been authorized for issue.

14. RISK MANAGEMENT

Fair Value

For certain financial instruments of the Company, including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their immediate or short-term maturity.

The fair value of amounts due from related parties are not determinable, as they are non-interest bearing with related parties and, accordingly, cannot be ascertained with reference to similar debt with non-related parties.

Credit Risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents and commissions receivable from mutual fund, segregated fund and GIC companies. The Company mitigates this risk by having cash and cash equivalents held at major financial institutions and by dealing with only reputable fund companies.

14. RISK MANAGEMENT (continued)

The Company determined that no receivables were impaired and thus no allowance for doubtful accounts was established.

The Company does not have significant exposure to any individual mutual fund company or counterpart.

Market Risk in Assets under Management and Assets under Administration

Assets under management ("AUM") are exposed to various forms of market risk including, but not limited to, fair value risk, interest rate risk and currency risk. These risks transfer to the Company through the generation of management fee revenues, net of associated trailer service fees.

The Company also incurs market risk exposure to fluctuations in assets under administration ("AUA"). While the Company does not quantify its exposure to these risks in isolation, it does monitor the portion of its AUA which earns trailer fee revenues, a significant component of financial services revenues.

CATALYST INVESTMENT CORP.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2013 AND 2012

CATALYST INVESTMENT CORP.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2013 AND 2012

CATALYST INVESTMENT CORP.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	As at March 31, 2013	As at December 31, 2012
CURRENT		
Cash and cash equivalents *(note 2)*	$ 197,619	$ 221,507
Client funds held in trust	—	1,000
Accounts receivable	169,260	160,455
Note receivable – current *(note 3)*	76,629	77,136
Prepaid expenses and deposits	22,546	6,917
	466,054	467,015
NOTE RECEIVABLE *(note 3)*	16,081	32,690
CONTINGENCY FUND DEPOSITS	20,000	20,000
PLANT AND EQUIPMENT *(note 4)*	24,195	23,796
GOODWILL *(note 5)*	1,407,755	1,407,755
DEFERRED TAX ASSET *(note 9)*	204,444	200,472
	$2,138,529	$2,151,728

APPROVED ON BEHALF OF THE BOARD:

"Adam Gant" Director
Adam Gant

"Emanuel Arruda" Director
Emanuel Arruda

See accompanying notes to the unaudited interim consolidated financial statements.

CATALYST INVESTMENT CORP.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES

	As at March 31, 2013	As at December 31, 2012
CURRENT		
Accounts payable and accrued liabilities	$ 252,468	$ 276,159
Trust funds due to clients	—	1,000
Income taxes payable	9,554	3,408
	262,022	280,567
LOANS FROM SHAREHOLDERS *(note 6)*	514,953	520,592
	776,975	801,159
SHAREHOLDERS' EQUITY		
SHARE CAPITAL *(note 7)*	2,300,015	2,300,015
DEFICIT	(1,770,651)	(1,767,812)
NON-CONTROLLING INTEREST *(note 8)*	832,190	818,366
	1,361,554	1,350,569
	$ 2,138,529	$ 2,151,728

See accompanying notes to the unaudited interim consolidated financial statements.

CATALYST INVESTMENT CORP.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Common Shares		Preferred Shares						
	Number of Shares	Share Capital	Number of Shares	Share Capital	Total	Deficit	Total Attributable to Owners of Parent	Non-Controlling Interest	Total
For the three months ended March 31, 2012									
Balance as at December 31, 2011	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$(1,602,407)	$697,608	$665,199	$1,362,807
Comprehensive income for the period	—	—	—	—	—	16,159	16,159	12,032	28,191
Balance as at March 31, 2012	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$(1,586,248)	$713,767	$677,231	$1,390,998
For the three months ended March 31, 2013									
Balance as at December 31, 2012	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$(1,767,812)	$532,203	$818,366	$1,350,569
Comprehensive (loss) income for the period	—	—	—	—	—	(2,839)	(2,839)	13,824	10,985
Balance as at March 31, 2013	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$(1,770,651)	$529,364	$832,190	$1,361,554

See accompanying notes to the unaudited interim consolidated financial statements.

CATALYST INVESTMENT CORP.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended March 31,	
	2013	2012
REVENUE	$690,868	$746,180
EXPENSES		
Commissions	324,566	347,007
Salaries and benefits	201,569	205,683
General and administrative	95,709	52,843
Membership, subscriptions and licences	19,134	29,068
Professional fees	17,155	23,758
Insurance	9,175	11,317
Consulting	3,896	2,850
Travel, promotion and entertainment	3,245	2,585
Depreciation *(note 4)*	1,658	2,789
Interest and bank charges	1,602	3,073
Rent	—	34,539
	677,709	715,512
COMPREHENSIVE INCOME BEFORE INCOME TAX	13,159	30,668
NET PROVISION FOR INCOME TAXES *(note 9)*	(2,174)	(2,477)
TOTAL COMPREHENSIVE INCOME	$ 10,985	$ 28,191
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the Parent	$ (2,839)	$ 16,159
Non-controlling interest *(note 8)*	13,824	12,032
TOTAL COMPREHENSIVE INCOME	$ 10,985	$ 28,191

See accompanying notes to the unaudited interim consolidated financial statements.

CATALYST INVESTMENT CORP.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	For the three months ended March 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 10,985	$ 28,191
Adjustments for:		
Depreciation *(note 4)*	1,658	2,789
Deferred taxes *(note 9)*	(3,972)	2,477
	8,671	33,457
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Change in accounts receivable	(8,805)	13,023
Change in note receivable	17,116	17,674
Change in prepaid expenses	(15,629)	(17,203)
Change in accounts payable and accrued liabilities	(23,691)	(145,631)
Change in income taxes payable	6,146	—
NET CASH USED IN OPERATING ACTIVITIES	(16,192)	(98,680)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to plant and equipment *(note 4)*	(2,057)	(1,050)
NET CASH USED IN INVESTING ACTIVITIES	(2,057)	(1,050)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (to) from shareholders	(5,639)	150,000
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(5,639)	150,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(23,888)	50,270
CASH AND CASH EQUIVALENTS, beginning of period	221,507	108,065
CASH AND CASH EQUIVALENTS, end of period	$197,619	$ 158,335

See accompanying notes to the unaudited interim consolidated financial statements.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2013 AND 2012

Catalyst Investment Corp. (the "Company") was incorporated under the laws of Ontario on September 7, 2001 under the name M. Sifton Investment Inc. On August 28, 2002, the Company changed its name to 1491994 Ontario Inc. On January 6, 2004, the Company changed its name to Catalyst Investment Corp. On July 1, 2007, the Company amalgamated with Monarch Delaney Financial Partners Inc. to form Catalyst Investment Corp.

The Company is a Canadian financial services company. Through one of its subsidiaries (MWC), the Company earns commission revenue from financial institutions on the placement of mutual funds and is a level 3 mutual fund dealer, limited market dealer and member of the Mutual Fund Dealer Association of Canada.

On November 1, 2012, the Company was sold by Forbes & Manhattan Asset Management Corp. to League Capital Markets Ltd. The Company is a subsidiary of League Assets Limited Partnership.

The Company's registered office is located at 80 Richmond Street West, 20th Floor, Toronto, Ontario, M5H 2A4.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements for the year ended December 31, 2012, with the exception of those new accounting policies that were adopted on January 1, 2013 as more fully described below.

These unaudited interim consolidated financial statements of the Company for the three-month periods ended March 31, 2013 and 2012 were approved by the Board of Directors on July 9, 2013.

Basis of Presentation

These unaudited interim consolidated financial statements are prepared in Canadian dollars ("$"), which is also the Company's functional currency. The notes presented in these unaudited interim consolidated financial statements include in general only significant changes and transactions occurring since the Company's last year-end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2012.

The Company's operating results are subject to seasonal fluctuations that materially impact quarter-to-quarter operating results and, thus, one quarter's operating results are not necessarily indicative of a subsequent quarter's operating results.

These unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the Company's annual audited consolidated financial statements for the year ended December 31, 2012, with the exception of the following new accounting standards and amendments which the Company adopted and are effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013.

IFRS 10, Consolidated Financial Statements

As a result of the adoption of IFRS 10, the Company has changed its accounting policy with respect to determining whether it has control over and subsequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if the Company controls the investee on the basis of de facto circumstances.

In accordance with the transitional provisions of IFRS 10, the Company re-assessed the control conclusion for its investees at January 1, 2013. The Company made no changes as a result of this process in the current or comparative period.

IFRS 13, Fair Value Measurement

On January 1, 2013, the Company adopted IFRS 13, which provides a single source of guidance on how fair value is measured, replacing the fair value measurement guidance contained in individual IFRSs. The standard defines fair value and establishes a framework for measuring fair value. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation

The accompanying unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Monarch Wealth Corporation (“MWC”), Monarch Wealth Deposit Group Inc. (“MWDG”), Monarch Delaney Financial Inc. (“MDFI”) as well as 50% of Monarch Wealth Assurance Agencies Inc. (“MWAA”). Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through more than half of the voting rights.

All inter-company transactions and balances have been eliminated upon consolidation.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary’s profit or loss and net assets that is not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Use of Estimates

When preparing the interim consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim consolidated financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company’s last annual consolidated financial statements for the year ended December 31, 2012. The only exceptions are the estimates of the provision for and recovery of income taxes which is determined in the interim consolidated financial statements using the estimated average annual effective income tax rate applied to the pre-tax income or loss of the interim period.

Significant Events and Transactions

During the reporting period, MWC was able to reliably estimate a liability relating to claims from its clients regarding inadequate supervision of leveraged trades. MWC estimated and accrued $40,245 in client compliant settlements during the period; of which $33,094 has been settled.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments. Cash and cash equivalents are comprised of the following:

	As at March 31, 2013	As at December 31, 2012
Cash on hand and balances with banks	$177,564	$201,491
Short-term investments	20,055	20,016
	$197,619	$221,507

3. NOTE RECEIVABLE

	As at March 31, 2013	As at December 31, 2012
Non-interest bearing note receivable, collectible in monthly instalments of $6,000 subject to changes from the price adjustment clause. To be fully received by May 2014.	$92,710	$109,826
Approximate receipts are as follows:		
Within one year	$76,629	
Beyond one year	16,081	
	$92,710	

4. PLANT AND EQUIPMENT

	Computer software	Computer	Furniture and fixtures	Leaseholds	Total
At cost					
As at March 31, 2012	$122,460	$253,700	$ 171,079	$121,758	$ 668,997
Additions	—	—	—	—	—
Dispositions	—	(7,910)	(106,938)	(72,584)	(187,432)
As at December 31, 2012	$122,460	$245,790	$ 64,141	$ 49,174	$ 481,565
Additions	—	2,057	—	—	2,057
Dispositions	—	—	—	—	—
As at March 31, 2013	$122,460	$247,847	$ 64,141	$ 49,174	$ 483,622
Accumulated depreciation					
As at March 31, 2012	$122,326	$234,624	$ 156,538	$109,966	$ 623,454
Depreciation	58	4,185	2,262	8,673	15,178
Reversals	—	(5,347)	(106,051)	(69,465)	(180,863)
As at December 31, 2012	$122,384	$233,462	$ 52,749	$ 49,174	$ 457,769
Depreciation	10	1,079	569	—	1,658
Reversals	—	—	—	—	—
As at March 31, 2013	$122,394	$234,541	$ 53,318	$ 49,174	$ 459,427
Net book value					
As at December 31, 2012	$ 76	$ 12,328	$ 11,392	$ —	$ 23,796
As at March 31, 2013	$ 66	$ 13,306	$ 10,823	$ —	$ 24,195

5. GOODWILL

	Cost	Accumulated impairment losses	Net, as at March 31, 2013	Net, as at December 31, 2012
Goodwill	$1,407,755	$ —	$1,407,755	$1,407,755

The balance originated in 2004 when the Company purchased its subsidiaries. Subsequently, ownership of the Catalyst group of companies has changed, which has made it difficult to allocate a fair value to each individual company.

As at March 31, 2013, the Company performed an impairment test on goodwill based on the fair value less costs to sell, taking into consideration the market price paid for the group of companies as a whole. The impairment test performed resulted in no impairment of goodwill.

6. RELATED PARTY TRANSACTIONS

The ultimate controlling shareholder of the Company is League Assets Limited Partnership. Its wholly-owned subsidiary, League Capital Markets Ltd., holds the voting control of the Company. The transactions with related parties, as summarized below, were recorded at the amount established and agreed upon by the related parties.

As at March 31, 2013, $514,953 ($520,592 as at December 31, 2012) was advanced to the Company from its immediate shareholder. The balance is unsecured and non-interest bearing with no fixed terms of repayment.

7. SHARE CAPITAL

Authorized

Unlimited common shares with no par value
Unlimited preferred Class A shares, non-voting, convertible and carry a right to a preferential cumulative cash dividend at the rate of 8% per annum with no par value.

	As at March 31, 2013	As at December 31, 2012
Issued		
82,500,000 common shares	$ 15	$ 15
27,500,000 preferred shares	2,300,000	2,300,000
	$2,300,015	$2,300,015

8. NON-CONTROLLING INTEREST

The Company holds a 50% ownership interest in Monarch Wealth Assurance Agencies Inc. ("MWAA"). The profit allocated to the non-controlling interest as well as the accumulated non-controlling interest of the subsidiary are as follows:

	As at March 31, 2013	As at December 31, 2012
Non-controlling interest, beginning of period	$818,366	$665,199
Profit allocated to non-controlling interest	13,824	153,167
Non-controlling interest, end of period	$832,190	$818,366

9. INCOME TAXES

a) Income tax expense

The components of income tax expense for the three-month periods ended March 31, 2013 and 2012 were as follows:

	For the three months ended March 31,	
	2013	2012
Income before income tax	$13,159	$30,668
Applicable tax rate (%)	15.5	15.5
Income tax computed at applicable statutory rates	2,039	4,754
Origination and reversal of temporary differences	135	(2,277)
Net current and deferred income tax expense	$ 2,174	$ 2,477

b) Deferred tax asset

The movement of deferred tax asset is summarized as follows:

	As at March 31, 2013	As at December 31, 2012
Deferred tax asset, beginning of period	$200,472	$173,871
Income tax benefit recognized in comprehensive income	3,972	26,601
Deferred tax asset, end of period	$204,444	$200,472

Deferred tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at March 31, 2013, the Company had non-capital losses carried forward for $1,318,993. If not utilized, the majority of tax losses will expire from 2028 and beyond. The Company has determined that it is probable that all recognized deferred tax assets will be realized through a combination of future reversals of temporary differences and taxable income.

10. CONTINGENT LIABILITIES

During the reporting period, MWC was able to reliably estimate a liability relating to claims from its clients regarding inadequate supervision of leveraged trades. MWC estimated and accrued $40,245 in client compliant settlements during the period; of which $33,094 has been settled. Further client complaints and settlements relating to the matter above may occur subsequent to the reporting period; however their amounts cannot be reliably estimated at this time.

11. RISK MANAGEMENT

Fair Value

For certain financial instruments of the Company, including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their immediate or short-term maturity.

The fair value of amounts due from related parties are not determinable, as they are non-interest bearing with related parties and, accordingly, cannot be ascertained with reference to similar debt with non-related parties.

Credit Risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents and commissions receivable from mutual fund, segregated fund and GIC companies. The Company mitigates this risk by having cash and cash equivalents held at major financial institutions and by dealing with only reputable fund companies.

The Company determined that no receivables were impaired and thus no allowance for doubtful accounts was established.

The Company does not have significant exposure to any individual mutual fund company or counterpart.

Market Risk in Assets under Management and Assets under Administration

Assets under management (“AUM”) are exposed to various forms of market risk including, but not limited to, fair value risk, interest rate risk and currency risk. These risks transfer to the Company through the generation of management fee revenues, net of associated trailer service fees.

The Company also incurs market risk exposure to fluctuations in assets under administration (“AUA”). While the Company does not quantify its exposure to these risks in isolation, it does monitor the portion of its AUA which earns trailer fee revenues, a significant component of financial services revenues.

CATALYST INVESTMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

CATALYST INVESTMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Nick DeLuca
Chartered Accountant
30 Pennsylvania Ave.
Unit 2
Concord, Ontario L4K 4A5

Telephone: (416) 256 - 0900
Telephone: (905) 760 - 1761
Fax: (416) 256 - 1788

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
Catalyst Investment Corp.

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Catalyst Investment Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Catalyst Investment Corp. and its subsidiaries as at December 31, 2012 and 2011, and their consolidated financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Accountant
Licensed Public Accountant

Concord, Ontario
March *, 2013

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	As at December 31,	
	2012	**2011**
CURRENT		
Cash and cash equivalents *(note 3)*	$ 221,507	$ 108,065
Client funds held in trust	1,000	—
Accounts receivable	160,455	187,034
Note receivable – current *(note 4)*	77,136	74,826
Prepaid expenses and deposits	6,917	32,700
Due from related parties *(note 9)*	—	4,360
	467,015	406,985
NOTE RECEIVABLE *(note 4)*	32,690	104,395
CONTINGENCY FUND DEPOSITS	20,000	20,000
PLANT AND EQUIPMENT *(note 5)*	23,796	47,283
GOODWILL *(note 6)*	1,407,755	1,407,755
DEFERRED TAX ASSET *(note 10)*	200,472	173,871
	$2,151,728	$2,160,289

APPROVED ON BEHALF OF THE BOARD:

______________________________ Director
Adam Gant

______________________________ Director
Emanuel Arruda

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES

	As at December 31, 2012	As at December 31, 2011
CURRENT		
Accounts payable and accrued liabilities	$ 276,159	$ 516,274
Trust funds due to clients	1,000	—
Income taxes payable	3,408	—
	280,567	516,274
LOANS FROM SHAREHOLDERS *(note 9)*	520,592	281,208
	801,159	797,482

SHAREHOLDERS' EQUITY

	2012	2011
SHARE CAPITAL *(note 7)*	2,300,015	2,300,015
DEFICIT	(1,767,812)	(1,602,407)
NON-CONTROLLING INTEREST *(note 8)*	818,366	665,199
	1,350,569	1,362,807
	$ 2,151,728	$ 2,160,289

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Common Shares		Preferred Shares						
	Number of Shares	Share Capital	Number of Shares	Share Capital	Total	Deficit	Total Attributable to Owners of Parent	Non-Controlling Interest	Total
For the year ended December 31, 2011									
Balance as at January 1, 2011	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$(1,285,708)	$1,014,307	$485,394	$1,499,701
Comprehensive (loss) income	—	—	—	—	—	(316,699)	(316,699)	179,805	(136,894)
Balance as at December 31, 2011	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$(1,602,407)	$ 697,608	$665,199	$1,362,807
For the year ended December 31, 2012									
Balance as at January 1, 2012	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$(1,602,407)	$ 697,608	$665,199	$1,362,807
Comprehensive (loss) income	—	—	—	—	—	(165,405)	(165,405)	153,167	(12,238)
Balance as at December 31, 2012	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$(1,767,812)	$ 532,203	$818,366	$1,350,569

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31, 2012	For the year ended December 31, 2011
REVENUE	$2,640,646	$2,686,172
EXPENSES		
Commissions	1,245,510	872,583
Salaries and benefits	763,246	945,685
General and administrative	166,788	182,486
Rent	158,310	149,645
Professional fees	123,593	106,710
Membership, subscriptions and licences	96,384	117,814
Consulting	43,251	335,964
Insurance	34,613	40,479
Depreciation *(note 5)*	17,968	24,394
Travel	8,508	13,672
Interest and bank charges	8,007	7,468
Loss on disposal of plant and equipment	6,569	—
Promotion and entertainment	3,330	25,420
Interest on long-term debt	—	10,128
Loss on disposal of intangibles	—	29,313
	2,676,077	2,861,761
COMPREHENSIVE LOSS BEFORE INCOME TAX	(35,431)	(175,589)
RECOVERY OF INCOME TAXES *(note 10)*	23,193	38,695
TOTAL COMPREHENSIVE LOSS	$ (12,238)	$ (136,894)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Owners of the Parent	$ (165,405)	$ (316,699)
Non-controlling interest *(note 8)*	153,167	179,805
TOTAL COMPREHENSIVE LOSS	$ (12,238)	$ (136,894)

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended December 31,	
	2012	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (12,238)	$(136,894)
Adjustments for:		
Depreciation *(note 5)*	17,968	24,394
Loss on disposal of intangibles	—	29,313
Deferred taxes *(note 10)*	(26,601)	(38,695)
Loss on disposal of plant and equipment	6,569	—
	(14,302)	(121,882)
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Change in accounts receivable	26,579	1,297
Change in note receivable	69,395	—
Change in prepaid expenses	25,783	252
Change in accounts payable and accrued liabilities	(235,754)	286,812
Change in income taxes payable	3,408	(81)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(124,891)	166,398
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to plant and equipment	(1,051)	(9,049)
NET CASH USED IN INVESTING ACTIVITIES	(1,051)	(9,049)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (to) from shareholders	239,384	(28,019)
Proceeds from disposal of intangibles	—	(211,111)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	239,384	(239,130)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	113,442	(81,781)
CASH AND CASH EQUIVALENTS, beginning of year	108,065	189,846
CASH AND CASH EQUIVALENTS, end of year	$ 221,507	$ 108,065

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Catalyst Investment Corp. (the "Company") was incorporated under the laws of Ontario on September 7, 2001 under the name M. Sifton Investment Inc. On August 28, 2002, the Company changed its name to 1491994 Ontario Inc. On January 6, 2004, the Company changed its name to Catalyst Investment Corp. On July 1, 2007, the Company amalgamated with Monarch Delaney Financial Partners Inc. to form Catalyst Investment Corp.

The Company is a Canadian financial services company. Through one of its subsidiaries (Monarch Wealth Corporation), the Company earns commission revenue from financial institutions on the placement of mutual funds and is a level 3 mutual fund dealer, limited market dealer and member of the Mutual Fund Dealer Association of Canada.

On November 1, 2012, the Company was sold by Forbes & Manhattan Asset Management Corp. to League Capital Markets Ltd. The Company is a subsidiary of League Assets Limited Partnership.

The Company's registered office is located at 80 Richmond Street West, 20th Floor, Toronto, Ontario, M5H 2A9.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the Company's reporting for the years ended December 31, 2012 and 2011.

The consolidated financial statements of the Company for the years ended December 31, 2012 and 2011 were approved by the Board of Directors on March 13, 2013.

Basis of Presentation

The consolidated financial statements have been prepared under the historical cost convention as set out in the accounting policies below. Certain items, such as financial instruments, are stated at fair value. The consolidated financial statements are prepared in Canadian dollars ("$"), which is also the Company's functional currency.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Monarch Wealth Corporation ("MWC"), Monarch Wealth Deposit Group Inc. ("MWDG"), Monarch Delaney Financial Inc. ("MDFI"), as well as 50% of Monarch Wealth Assurance Agencies Inc. ("MWAA"). Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of December 31.

All inter-company transactions and balances have been eliminated upon consolidation.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and highly liquid investments, consisting primarily of term deposits that are cashable any time up to maturity.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Commission revenues derived from the sale of mutual funds, GIC investments and segregated funds are recognized on a trade-date basis. Trailer fee revenues from mutual and segregated fund companies are recognized on an accrual basis as a percentage over the total assets under administration for each mutual or segregated fund company.

Income Taxes

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in the consolidated statement of comprehensive income except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current tax is the expected tax payable or receivable based on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized for future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Financial Instruments

Recognition

The Company initially recognizes loans and receivables and debt securities on the date they originate. All other financial assets and financial liabilities are initially recognized on the trade date at which the Company becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and liability simultaneously.

Classification and Measurement

Financial instruments are, for measurement purposes, grouped into classes. The classification depends on the purpose and is determined at initial recognition. All of the Company’s non-derivative financial assets are classified as available-for-sale or loans and receivables. Available-for-sale investments are carried at fair value plus transaction costs directly attributable to the acquisition of the financial asset, on the consolidated statement of financial position, with subsequent changes in fair value, other than impairment losses, recorded in the available-for-sale financial assets reserve, a component of equity, through Other Comprehensive Income (“OCI”), until such time as the investments are disposed of, at which time the cumulative fair value change in OCI related to the disposed investments is transferred to income. Upon initial recognition, all of the Company’s loans and receivables are measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset and subsequently carried at amortized cost using the effective interest method, with changes recorded through net income.

All of the Company’s non-derivative financial liabilities are classified as other financial liabilities and are initially measured at fair value plus transaction costs that are directly attributable to the issue of the financial liability. Subsequent to the initial recognition and measurement, these non-derivative financial liabilities are measured at amortized cost using the effective interest method.

Impairment

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets carried at amortized cost, are assessed collectively, based on the nature of the asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in the consolidated statement of comprehensive income and reflected in an allowance account against accounts receivable.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Plant and equipment

Plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses. Depreciation is charged to the consolidated statement of comprehensive income over their estimated useful lives as follows:

Computer software	– 50% diminishing balance
Computer	– 30% diminishing balance
Furniture and fixtures	– 20% diminishing balance
Leaseholds	– 5 year straight line

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the Company enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash generating units that are expected to benefit from the business combination. Each cash generating unit represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment.

Impairment

Goodwill and indefinite-life intangible assets

The carrying values of identifiable intangible assets with indefinite lives and goodwill are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. A cash generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and indefinite life intangible assets are allocated to CGUs for the purpose of impairment testing based on the level at which management monitors them, which is not higher than an operating segment. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

Non-financial assets with finite useful lives

The carrying values of non-financial assets with finite useful lives, such as plant and equipment and intangible assets with finite useful lives, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset must be determined. Such assets are impaired if their recoverable amount is lower than their carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs is tested for impairment.

Recognition of impairment charge

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell or its value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The resulting impairment loss is recognized in the consolidated statement of comprehensive income. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset or CGU in prior years. Impairment losses recognized for goodwill are not reversed.

Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from these estimates.

Key areas of estimation, where management has made difficult, complex or subjective judgements, often as a result of matters that are inherently uncertain are as follows:

a) *Business combinations*

The amount of goodwill initially recognized as a result of a business combination and the determination of the fair value of the identifiable assets acquired and the liabilities assumed is based, to a considerable extent, on management's judgement.

b) *Income taxes*

Income tax liabilities must be estimated for the Company, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Management's judgement is required for the calculation of current and deferred taxes.

c) *Plant and equipment*

Measurement of plant and equipment involves the use of estimates for determining the expected useful lives of depreciable assets. Management's judgement is also required to determine depreciation methods and an asset's residual value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *Impairment of non-financial assets*

The impairment test on CGUs is carried out by comparing the carrying amount of CGUs and their recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. This complex valuation process used to determine fair value less costs to sell and/or value in use entails the use of methods such as the discounted cash flow method which uses assumptions to estimate cash flows. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

e) *Financial risk management and financial instruments*

The fair value of derivative instruments, investments in publicly traded and private companies, and equity instruments is determined on the basis of either prices in regulated markets or quoted prices provided by financial counterparties, or using valuation models which also take into account subjective measurements such as, cash flow estimates or expected volatility of prices.

f) *Contingency*

The determination of whether an item is a contingent liability or whether an outflow of resources is probable requires management's judgement to determine if a provision needs to be made.

2. FUTURE CHANGES TO ACCOUNTING STANDARDS

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and amendments or interpretations to existing standards that are not yet effective and not applied. The Company does not anticipate early adoption of these standards at this time. The Company is reviewing the standards to determine the potential impact, if any; however no significant impact is anticipated. The Company does not anticipate early adoption of these standards at this time.

Amendments to IAS 1, *Presentation of Financial Statements*

This amendment provides guidance on items contained in other comprehensive income and their classification within other comprehensive income. This amendment must be applied retrospectively for annual periods beginning on or after July 1, 2012.

Amendments to IFRS 7, *Financial Instruments: Disclosures*

This amendment requires disclosures to better assess the effect or potential effect of offsetting arrangements in the statement of financial position. This amendment to IFRS 7 must be applied retrospectively for annual periods beginning on or after January 1, 2013.

IFRS 9, *Financial Instruments*

This standard initially issued guidance on the classification and measurement of financial assets. Additional guidance was issued on the classification and measurement of financial liabilities. Further amendments were issued which modify the requirements for transition from IAS 39 to IFRS 9, deferring the mandatory effective date to annual periods beginning on or after January 1, 2015.

IFRS 10, *Consolidated Financial Statements*

This standard establishes principles for the presentation and preparation of consolidated financial statements. IFRS 10 identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This standard must be applied retrospectively for annual periods beginning on or after January 1, 2013.

IFRS 13, *Fair Value Measurement*

This is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. IFRS 13 must be applied prospectively for annual periods beginning on or after January 1, 2013.

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*

This amendment clarifies the application of the offsetting requirements of financial assets and financial liabilities. This amendment to IAS 32 must be applied retrospectively for annual periods beginning on or after January 1, 2014.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments. Cash and cash equivalents included in the statement of cash flows are comprised of the following amounts:

	2012	2011
Cash on hand and balances with banks	$201,491	$ 88,047
Short-term investments	20,016	20,018
	$221,507	$108,065

4. NOTE RECEIVABLE

	2012	2011
Non-interest bearing note receivable, collectible in monthly instalments of $6,000 subject to changes from the price adjustment clause. To be fully received by May 2014.	$109,826	$179,221

Approximate receipts are as follows:

2013	$ 77,136
2014	32,690
	$109,826

5. PLANT AND EQUIPMENT

	Computer software	Computer	Furniture and fixtures	Leaseholds	Total
At cost					
As at January 1, 2011	$122,460	$244,347	$ 170,333	$121,758	$ 658,898
Additions/ (Dispositions)	—	8,303	746	—	9,049
As at December 31, 2011	$122,460	$252,650	$ 171,079	121,758	667,947
Additions/ (Dispositions)	—	(6,860)	(106,938)	(72,584)	(186,382)
As at December 31, 2012	$122,460	$245,790	$ 64,141	$ 49,174	$ 481,565
Accumulated depreciation					
As at January 1, 2011	$122,153	$227,247	$ 152,042	$ 94,828	$ 596,270
Depreciation	154	5,991	3,733	14,516	24,394
Reversals	—	—	—	—	—
As at December 31, 2011	122,307	233,238	155,775	109,344	620,664
Depreciation	77	5,571	3,025	9,295	17,968
Reversals	—	(5,347)	(106,051)	(69,465)	(180,863)
As at December 31, 2012	$122,384	$233,462	$ 52,749	$ 49,174	$ 457,769
Net book value					
As at December 31, 2011	$ 153	$ 19,412	$ 15,304	$ 12,414	$ 47,283
As at December 31, 2012	$ 76	$ 12,328	$ 11,392	$ —	$ 23,796

6. GOODWILL

	Cost	Accumulated impairment losses	Net 2012	Net 2011
Goodwill	$1,407,755	$—	$1,407,755	$1,407,755

The balance of the goodwill originated in 2004 when the Company purchased its subsidiaries. Subsequently, ownership of the Catalyst group of companies has changed, which has made it difficult to allocate a fair value to each individual company.

As at December 31, 2012 the Company performed an impairment test on goodwill based on the fair value less costs to sell, taking into consideration the market price paid by the current parent company for the group of companies as a whole. The impairment test performed resulted in no impairment of goodwill.

7. SHARE CAPITAL

Authorized

Unlimited common shares with no par value
Unlimited preferred Class A shares, non-voting, convertible and carry a right to a preferential cumulative cash dividend at the rate of 8% per annum with no par value.

	2012	2011
Issued		
82,500,000 common shares	$ 15	$ 15
27,500,000 preferred shares	2,300,000	2,300,000
	$2,300,015	$2,300,015

8. NON-CONTROLLING INTEREST

The Company holds a 50% ownership interest in Monarch Wealth Assurance Agencies Inc. ("MWAA"). The profit allocated to the non-controlling interest as well as the accumulated non-controlling interest of the subsidiary are as follows:

	2012	2011
Non-controlling interest, beginning of year	$665,199	$485,394
Profit allocated to non-controlling interest	153,167	179,805
Non-controlling interest, end of year	$818,366	$665,199

9. RELATED PARTY TRANSACTIONS

The ultimate controlling shareholder of the Company is League Financial Partners Inc. Its wholly-owned subsidiary, League Capital Markets Ltd., holds the voting control of the Company. The transactions with related parties, as summarized below, were recorded at the amount established and agreed upon by the related parties.

a) *Transactions with parent company*

In 2011, $281,208 was advanced to the Company from the previous ultimate shareholder. The amount was repaid during 2012. In 2012, $520,592 was advanced to the Company from its current immediate shareholder. The balance is non-interest bearing and due on demand, with no scheduled terms of repayment.

b) *Transactions with related parties*

In 2011, $4,360 was due from a company related by common control for funds advanced. The amount was repaid during 2012.

10. INCOME TAXES

(a) Income tax expense (benefit)

The components of income tax expense (benefit) for the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Earnings before income taxes	$(35,431)	$(175,589)
Applicable tax rate (%)	15.5	15.5
Income taxes computed at applicable statutory rates	(5,492)	(27,216)
Origination and reversal of temporary differences	2,266	23,418
Change due to adjustment in prior period	(19,967)	(39,121)
Effect of tax rate changes	—	4,224
Total income tax expense (benefit)	$(23,193)	$ (38,695)

b) Deferred tax asset and liability

The movement of deferred tax assets and liabilities are summarized as follows:

	2012	2011
Deferred tax asset, beginning of year	$173,871	$135,176
Income tax benefit recognized in profit or loss	26,601	38,695
Deferred tax asset end of year	$200,472	$173,871

Deferred tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2012, the Company had non-capital loss carryforwards of $1,293,365 (2011 – $1,471,571). If not utilized, the majority of tax losses will expire between 2028 and beyond. The Company has determined that it is probable that all recognized deferred tax assets will be realized through a combination of future reversals of temporary differences and taxable income.

11. CONTINGENT LIABILITIES

In December 2011, the subsidiary Monarch Wealth Corporation agreed and paid the settlement proposed by the Mutual Fund Dealer's Association ("MFDA") related to the Company's inadequate supervision of leveraged trades and maintenance of adequate risk adjusted capital levels. As part of the settlement agreement, the Company developed a plan to review existing leveraged accounts against stated criteria. While the ultimate outcome of this agreement is presently not determinable, no provision has been made in these consolidated financial statements in respect of this matter.

12. RISK MANAGEMENT

Fair Value

For certain financial instruments of the Company, including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their immediate or short-term maturity.

The fair value of amounts due from affiliated companies are not determinable, as they are non-interest bearing with related parties and, accordingly, cannot be ascertained with reference to similar debt with non-related parties.

Credit Risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents and commissions receivable from mutual fund, segregated fund and GIC companies. The Company mitigates this risk by having cash and cash equivalents held at major financial institutions and by dealing with only reputable fund companies.

The Company determined that no receivables were impaired and thus no allowance for doubtful accounts was established.

The Company does not have significant exposure to any individual mutual fund company or counterpart.

12. RISK MANAGEMENT (continued)

Market Risk in Assets under Management and Assets under Administration

Assets under management ("AUM") are exposed to various forms of market risk including, but not limited to, fair value risk, interest rate risk and currency risk. These risks transfer to the Company through the generation of management fee revenues, net of associated trailer service fees.

The Company also incurs market risk exposure to fluctuations in assets under administration ("AUA"). While the Company does not quantify its exposure to these risks in isolation, it does monitor the portion of its AUA which earns trailer fee revenues, a significant component of financial services revenues.

CATALYST INVESTMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

CATALYST INVESTMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Nick DeLuca
Chartered Accountant
30 Pennsylvania Ave.
Unit 2
Concord, Ontario L4K 4A5

Telephone: (416) 256 - 0900
Telephone: (905) 760 - 1761
Fax: (416) 256 - 1788

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
Catalyst Investment Corp.

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Catalyst Investment Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Catalyst Investment Corp. and its subsidiaries as at December 31, 2011 and 2010, and their consolidated financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Accountant
Licensed Public Accountant

Concord, Ontario
January 15, 2013

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	As at December 31, 2011	As at December 31, 2010
CURRENT		
Cash and cash equivalents *(note 3)*	$ 108,065	$ 189,846
Accounts receivable	187,034	188,331
Note receivable – current *(note 4)*	74,826	—
Prepaid expenses and deposits	32,700	32,951
Due from related parties *(note 11)*	4,360	4,360
	406,985	415,488
NOTE RECEIVABLE *(note 4)*	104,395	—
CONTINGENCY FUND DEPOSITS	20,000	20,000
PLANT AND EQUIPMENT *(note 5)*	47,283	62,628
GOODWILL *(note 6)*	1,407,755	1,407,755
INTANGIBLES *(note 6)*	—	598,929
DEFERRED TAX ASSET *(note 13)*	173,871	135,176
	$2,160,289	$2,639,976

APPROVED ON BEHALF OF THE BOARD:

____________________________ Director
Adam Gant

____________________________ Director
Emanuel Arruda

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES

	As at December 31, 2011	As at December 31, 2010
CURRENT		
Accounts payable and accrued liabilities	$ 516,274	$ 229,461
Income taxes payable	—	81
Promissory notes – current *(note 7)*	—	194,041
	516,274	423,583
PROMISSORY NOTES *(note 7)*	—	176,398
LOAN PAYABLE *(note 8)*	—	231,066
LOANS FROM SHAREHOLDERS *(note 11)*	281,208	309,228
	797,482	1,140,275

SHAREHOLDERS' EQUITY

	2011	2010
SHARE CAPITAL *(note 9)*	2,300,015	2,300,015
DEFICIT	(1,602,407)	(1,285,708)
NON-CONTROLLING INTEREST *(note 10)*	665,199	485,394
	1,362,807	1,499,701
	$ 2,160,289	$ 2,639,976

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Common Shares		Preferred Shares						
	Number of Shares	Share Capital	Number of Shares	Share Capital	Total	Deficit	Total Attributable to Owners of Parent	Non-Controlling Interest	Total
For the year ended December 31, 2010									
Balance as at January 1, 2010	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$ (863,377)	$1,436,638	$207,793	$1,644,431
Comprehensive (loss) income	—	—	—	—	—	(422,331)	(422,331)	277,601	(144,730)
Balance as at December 31, 2010	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$(1,285,708)	$1,014,307	$485,394	$1,499,701
For the year ended December 31, 2011									
Balance as at January 1, 2011	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$(1,285,708)	$1,014,307	$485,394	$1,499,701
Comprehensive (loss) income	—	—	—	—	—	(316,699)	(316,699)	179,805	(136,894)
Balance as at December 31, 2011	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$(1,602,407)	$ 697,608	$665,199	$1,362,807

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,	
	2011	**2010**
REVENUE	$2,686,172	$2,517,194
EXPENSES		
Salaries and benefits	945,685	1,003,910
Commissions	872,583	421,180
Consulting	335,964	350,490
General and administrative	182,486	299,651
Rent	149,645	155,835
Membership, subscriptions and licences	117,814	128,111
Professional fees	106,710	141,519
Insurance	40,479	48,179
Loss on disposal of intangibles *(note 6)*	29,313	—
Promotion and entertainment	25,420	22,413
Depreciation *(note 5)*	24,394	29,397
Travel	13,672	29,953
Interest on long-term debt *(note 12)*	10,128	20,790
Interest and bank charges	7,468	8,077
	2,861,761	2,659,505
COMPREHENSIVE LOSS BEFORE INCOME TAX	(175,589)	(142,311)
RECOVERY OF (PROVISION FOR) INCOME TAXES *(note 13)*	38,695	(2,419)
TOTAL COMPREHENSIVE LOSS	$ (136,894)	$ (144,730)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Owners of the Parent	$ (316,699)	$ (422,331)
Non-controlling interest *(note 10)*	179,805	277,601
TOTAL COMPREHENSIVE LOSS	$ (136,894)	$ (144,730)

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended December 31, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(136,894)	$(144,730)
Adjustments for:		
Depreciation *(note 5)*	24,394	29,397
Loss on disposal of intangibles *(note 6)*	29,313	—
Deferred taxes *(note 13)*	(38,695)	2,419
	(121,882)	(112,914)
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Change in accounts receivable	1,297	7,905
Change in prepaid expenses	252	(757)
Change in accounts payable and accrued liabilities	286,812	(111,087)
Change in income taxes payable	(81)	(5,057)
Change in due from related parties	—	78,205
NET CASH FROM OPERATING ACTIVITIES	166,398	(143,705)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to plant and equipment *(note 5)*	(9,049)	(1,664)
NET CASH USED IN INVESTING ACTIVITIES	(9,049)	(1,664)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (to) from shareholders	(28,019)	309,228
Repayment of promissory notes	—	(306,646)
Proceeds from disposal of intangibles	(211,111)	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(239,130)	2,582
NET DECREASE IN CASH AND CASH EQUIVALENTS	(81,781)	(142,787)
CASH AND CASH EQUIVALENTS, beginning of year	189,846	332,633
CASH AND CASH EQUIVALENTS, end of year	$ 108,065	$ 189,846

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

1. NATURE OF BUSINESS

Catalyst Investment Corp. (the "Company") was incorporated under the laws of Ontario on September 7, 2001 under the name M. Sifton Investment Inc. On August 28, 2002, the Company changed its name to 1491994 Ontario Inc. On January 6, 2004, the Company changed its name to Catalyst Investment Corp. On July 1, 2007, the Company amalgamated with Monarch Delaney Financial Partners Inc. to form Catalyst Investment Corp.

The Company is a Canadian financial services company. Through one of its subsidiaries (Monarch Wealth Corporation), the Company earns commission revenue from financial institutions on the placement of mutual funds and is a level 3 mutual fund dealer, limited market dealer and member of the Mutual Fund Dealer Association of Canada.

The Company is a subsidiary of Forbes & Manhattan Asset Management Corp. Subsequently, on November 1, 2012, the Company and its subsidiaries were acquired by League Capital Markets Ltd.

The Company's registered office is located at 80 Richmond Street West, 20th Floor, Toronto, Ontario, M5H 2A9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the Company's reporting for the years ended December 31, 2011 and 2010.

The consolidated financial statements of the Company for the years ended December 31, 2011 and 2010 were approved by the Board of Directors on January 15, 2013.

Basis of Presentation

The consolidated financial statements have been prepared under the historical cost convention as set out in the accounting policies below. Certain items, such as financial instruments, are stated at fair value. The consolidated financial statements are prepared in Canadian dollars, which is also the Company's functional currency.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Monarch Wealth Corporation ("MWC"), Monarch Wealth Deposit Group Inc. ("MWDG"), Monarch Delaney Financial Inc. ("MDFI"), as well as 50% of Monarch Wealth Assurance Agencies Inc. ("MWAA"). Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of December 31.

All inter-company transactions and balances have been eliminated on consolidation.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and highly liquid investments, consisting primarily of term deposits that are cashable any time up to maturity.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Commission revenues derived from the sale of mutual funds, GIC investments and segregated funds are recognized on a trade-date basis. Trailer fee revenues from mutual and segregated fund companies are recognized on an accrual basis as a percentage over the total assets under administration for each mutual or segregated fund company.

Income Taxes

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in the consolidated statement of comprehensive income except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current tax is the expected tax payable or receivable based on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized for future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the consolidated statement of financial position date and non-monetary assets and liabilities and related depreciation and amortization expenses are translated at the historical exchange rates. Revenue and expenses, other than depreciation and amortization, are translated into Canadian dollars at the average rate for the month in which the transaction was recorded. Realized and unrealized exchange gains and losses are included in earnings.

Financial Instruments

Recognition

The Company initially recognizes loans and receivables and debt securities on the date they originate. All other financial assets and financial liabilities are initially recognized on the trade date at which the Company becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and liability simultaneously.

Classification and Measurement

Financial instruments are, for measurement purposes, grouped into classes. The classification depends on the purpose and is determined at initial recognition. All of the Company’s non-derivative financial assets are classified as available-for-sale or loans and receivables. Available-for-sale financial assets are comprised of the Company’s publicly traded and private investments. These investments are carried at fair value plus transaction costs directly attributable to the acquisition of the financial asset, on the consolidated statement of financial position, with subsequent changes in fair value, other than impairment losses, recorded in the available-for-sale financial assets reserve, a component of equity, through Other Comprehensive Income (“OCI”), until such time as the investments are disposed of, at which time the cumulative fair value change in OCI related to the disposed investments is transferred to income. Upon initial recognition, all of the Company’s loans and receivables, comprised of cash and cash equivalents and accounts receivable are measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset and subsequently carried at amortized cost using the effective interest method, with changes recorded through net income.

All of the Company’s non-derivative financial liabilities are classified as other financial liabilities and are initially measured at fair value plus transaction costs that are directly attributable to the issue of the financial liability. Subsequent to the initial recognition and measurement, these non-derivative financial liabilities are measured at amortized cost using the effective interest method. Such liabilities include bank advances arising from outstanding cheques, accounts payable and accrued liabilities, provisions, and long-term debt.

Impairment

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets carried at amortized cost, are assessed collectively, based on the nature of the asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in the consolidated statement of comprehensive income and reflected in an allowance account against accounts receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss on available-for-sale financial assets is recognized by reclassifying the losses accumulated in the fair value reserve in equity to the consolidated statement of comprehensive income. The cumulative loss that is reclassified from equity to the consolidated statement of comprehensive income is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized.

Plant and equipment

Plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses. Depreciation is charged to the consolidated statement of comprehensive income over their estimated useful lives as follows:

Computer software	– 50% diminishing balance
Computer	– 30% diminishing balance
Furniture and fixtures	– 20% diminishing balance
Leaseholds	– 5 year straight line

Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the Company enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash generating units that are expected to benefit from the business combination. Each cash generating unit represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment.

Intangible assets

Intangible assets acquired in a business combination are recorded at their fair values. Intangible assets with finite useful lives are amortized over their estimated useful lives and are tested for impairment, as described in the following note. Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually. Intangible assets having an indefinite life are not amortized but are tested for impairment on an annual basis, as described in the following note. Client list and trade name are indefinite life intangible assets, because there is no foreseeable limit to the period over which these assets are expected to generate net cash inflows for the Company. The determination of these assets' indefinite life is based on an analysis of all relevant factors, including the expected usage and the typical life cycle of the asset.

Impairment

Goodwill and indefinite-life intangible assets

The carrying values of identifiable intangible assets with indefinite lives and goodwill are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. A cash generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and indefinite life intangible assets are allocated to CGUs for the purpose of impairment testing based on the level at which management monitors them, which is not higher than an operating segment. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

Non-financial assets with finite useful lives

The carrying values of non-financial assets with finite useful lives, such as plant and equipment and intangible assets with finite useful lives, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset must be determined. Such assets are impaired if their recoverable amount is lower than their carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs is tested for impairment.

Recognition of impairment charge

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell or its value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The resulting impairment loss is recognized in the consolidated statement of comprehensive income. An impairment loss is reversed if there has been

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a change in the estimates used to determine the recoverable amount. When an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset or CGU in prior years. Impairment losses recognized for goodwill are not reversed.

Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from these estimates.

Key areas of estimation, where management has made difficult, complex or subjective judgements, often as a result of matters that are inherently uncertain are as follows:

a) *Business combinations*

The amount of goodwill initially recognized as a result of a business combination and the determination of the fair value of the identifiable assets acquired and the liabilities assumed is based, to a considerable extent, on management's judgement.

b) *Income taxes*

Income tax liabilities must be estimated for the Company, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Management's judgement is required for the calculation of current and deferred taxes.

c) *Plant and equipment*

Measurement of plant and equipment involves the use of estimates for determining the expected useful lives of depreciable assets. Management's judgement is also required to determine depreciation methods and an asset's residual value.

d) *Impairment of non-financial assets*

The impairment test on CGUs is carried out by comparing the carrying amount of CGUs and their recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. This complex valuation process used to determine fair value less costs to sell and/or value in use entails the use of methods such as the discounted cash flow method which uses assumptions to estimate cash flows. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

e) *Financial risk management and financial instruments*

The fair value of derivative instruments, investments in publicly traded and private companies, and equity instruments is determined on the basis of either prices in regulated markets or quoted prices provided by financial counterparties, or using valuation models which also take into account subjective measurements such as, cash flow estimates or expected volatility of prices.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments. Cash and cash equivalents included in the statement of cash flows are comprised of the following amounts:

	2011	2010
Cash on hand and balances with banks	$ 88,047	$169,828
Short-term investments	20,018	20,018
	$108,065	$189,846

4. NOTE RECEIVABLE

	2011	2010
Non-interest bearing note receivable, collectible in monthly instalments of $6,000 subject to changes from the price adjustment clause. To be fully received by May 2014.	$179,221	$—

4. NOTE RECEIVABLE (continued)

Approximate receipts are as follows:

2012	$ 74,826
2013	74,395
2014	30,000
	$179,221

5. PLANT AND EQUIPMENT

	Computer software	Computer	Furniture and fixtures	Leaseholds	Total
At cost					
As at January 1, 2010	$122,460	$242,683	$170,333	$121,758	$657,234
Additions/ (Dispositions)	—	1,664	—	—	1,664
As at December 31, 2010	$122,460	$244,347	$170,333	121,758	658,898
Additions / (Dispositions)	—	8,303	746	—	9,049
As at December 31, 2011	$122,460	$252,650	$171,079	$121,758	$667,947
Accumulated depreciation					
As at January 1, 2010	$121,846	$220,961	$147,470	$ 76,596	$566,873
Depreciation	307	6,286	4,572	18,232	29,397
As at December 31, 2010	122,153	227,247	152,042	94,828	596,270
Depreciation	154	5,991	3,733	14,516	24,394
As at December 31, 2011	$122,307	$233,238	$155,775	$109,344	$620,664
Net book value					
As at December 31, 2010	$ 307	$ 17,100	$ 18,291	$ 26,930	$ 62,628
As at December 31, 2011	$ 153	$ 19,412	$ 15,304	$ 12,414	$ 47,283

6. GOODWILL AND INTANGIBLES

	Cost	Accumulated impairment losses	Net 2011	Net 2010
Goodwill	$1,407,755	$—	$1,407,755	$1,407,755
Indefinite life intangible assets:				
Client list	$ —	$—	$ —	$ 568,929
Trade name	—	—	—	30,000
	$ —	$—	$ —	$ 598,929

During 2011, the Company sold the client list and trade name to a third party at a loss of $29,313.

7. PROMISSORY NOTES

	2011	2010
Non-interest bearing promissory note, repayable in monthly installments of $8,500 subject to changes from the price adjustment clause. To be fully repaid by July 2012.	$—	$370,439

8. LOAN PAYABLE

In 2010, the Company had a loan payable for $231,066 for funds advanced. The balance was non-interest bearing and was due on demand, with no scheduled terms of repayment. The balance was repaid during 2011.

9. SHARE CAPITAL

Authorized

Unlimited common shares with no par value
Unlimited preferred Class A shares, non-voting, convertible and carry a right to a preferential cumulative cash dividend at the rate of 8% per annum with no par value.

	2011	2010
Issued		
82,500,000 common shares	$ 15	$ 15
27,500,000 preferred shares	2,300,000	2,300,000
	$2,300,015	$2,300,015

10. NON-CONTROLLING INTEREST

The Company holds a 50% ownership interest in Monarch Wealth Assurance Agencies Inc. ("MWAA"). The profit allocated to the non-controlling interest as well as the accumulated non-controlling interest of the subsidiary are as follows:

	2011	2010
Non-controlling interest, beginning of year	$485,394	$207,793
Profit allocated to non-controlling interest	179,805	277,601
Non-controlling interest, end of year	$665,199	$485,394

11. RELATED PARTY TRANSACTIONS

The ultimate controlling shareholder of the Company is Forbes Manhattan Asset Management Corp., who holds voting control of the Company. The transactions with related parties, as summarized below, were recorded at the amount established and agreed upon by the related parties.

a) *Transactions with the ultimate shareholder*

As at December 31, 2011, $281,208 (2010 – $309,228) was advanced to the Company from the ultimate shareholder. The balance is non-interest bearing and due on demand, with no scheduled terms of repayment.

b) *Transactions with key management personnel*

During 2011, the Company paid $192,633 (2010 – $95,091) in consulting fees to a director of the Company.

c) *Transactions with related parties*

As at December 31, 2011, $4,360 (2010 – $4,360) was due from a company related by common control for funds advanced. Balance is non-interest bearing with no fixed terms of repayment.

12. INTEREST AND INCOME TAXES PAID

The Company had cash flows arising from interest and income taxes paid as follows:

	2011	2010
Interest paid	$10,128	$20,790
Income taxes paid	$ 81	$ 5,057

13. INCOME TAXES

(a) Income tax expense (benefit)

The components of income tax expense (benefit) for the years ended December 31, 2011 and 2010 were as follows:

	2011	2010
Current income tax expense	$ —	$ —
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(42,919)	(1,751)
Effect of tax rate changes	4,224	4,170
Total deferred tax expense (benefit)	(38,695)	2,419
Income tax expense (benefit)	(38,695)	2,419

Due to Canadian federal and provincial enacted corporate income tax rate changes, the statutory income tax rate for the Company decreased from 16.0% in 2010 to 15.5% in 2011.

b) Deferred tax asset and liability

The movement of deferred tax assets and liabilities are summarized as follows:

	2011	2010
Deferred tax asset, beginning of year	135,176	137,595
Non-capital income tax loss carryforwards:		
Benefit (expense) in profit or loss	38,695	(2,419)
Deferred tax asset, end of year	$173,871	$135,176

As at December 31, 2011, the Company had non-capital loss carryforwards of $1,471,571 (2010 -$844,908). If not utilized, the majority of tax losses will expire between 2028 and beyond.

14. CONTINGENT LIABILITIES

In December 2011, the subsidiary Monarch Wealth Corporation agreed and paid the settlement proposed by the Mutual Fund Dealer's Association ("MFDA") related to the Company's inadequate supervision of leveraged trades and maintenance of adequate risk adjusted capital levels. As part of the settlement agreement, the Company developed a plan to review existing leveraged accounts against stated criteria. While the ultimate outcome of this agreement is presently not determinable, no provision has been made in these consolidated financial statements in respect of this matter.

15. RISK MANAGEMENT

Fair Value

For certain financial instruments of the Company, including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their immediate or short-term maturity.

The fair value of amounts due from affiliated companies are not determinable, as they are non-interest bearing with related parties and, accordingly, cannot be ascertained with reference to similar debt with non-related parties.

Credit Risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents and commissions receivable from mutual fund, segregated fund and GIC companies. The Company mitigates this risk by having cash and cash equivalents held at major financial institutions and by dealing with only reputable fund companies.

The Company determined that no receivables were impaired and thus no allowance for doubtful accounts was established.

The Company does not have significant exposure to any individual mutual fund company or counterpart.

15. RISK MANAGEMENT (continued)

Market Risk in Assets under Management and Assets under Administration

Assets under management ("AUM") are exposed to various forms of market risk including, but not limited to, fair value risk, interest rate risk and currency risk. These risks transfer to the Company through the generation of management fee revenues, net of associated trailer service fees.

The Company also incurs market risk exposure to fluctuations in assets under administration ("AUA"). While the Company does not quantify its exposure to these risks in isolation, it does monitor the portion of its AUA which earns trailer fee revenues, a significant component of financial services revenues.

CATALYST INVESTMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

CATALYST INVESTMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Nick DeLuca
Chartered Accountant
30 Pennsylvania Ave.
Unit 2
Concord, Ontario L4K 4A5

Telephone: (416) 256 - 0900
Telephone: (905) 760 - 1761
Fax: (416) 256 - 1788

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
Catalyst Investment Corp.

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Catalyst Investment Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Catalyst Investment Corp. and its subsidiaries as at December 31, 2010 and 2009, and their consolidated financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

"Nick DeLuca"
Chartered Accountant
Licensed Public Accountant

January 15, 2013
Concord, Ontario

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	As at December 31, 2010	As at December 31, 2009
CURRENT		
Cash and cash equivalents *(note 3)*	$ 189,846	$ 332,633
Client funds held in trust	—	105,880
Accounts receivable	188,331	196,236
Prepaid expenses and deposits	32,951	32,194
Due from related parties *(note 10)*	4,360	82,565
	415,488	749,508
CONTINGENCY FUND DEPOSITS	20,000	20,000
PLANT AND EQUIPMENT *(note 4)*	62,628	90,361
GOODWILL *(note 5)*	1,407,755	1,407,755
INTANGIBLES *(note 5)*	598,929	627,805
DEFERRED TAX ASSET *(note 12)*	135,176	137,595
	$2,639,976	$3,033,024

APPROVED ON BEHALF OF THE BOARD:

______________________________ Director
Adam Gant

______________________________ Director
Emanuel Arruda

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES

	As at December 31, 2010	As at December 31, 2009
CURRENT		
Accounts payable and accrued liabilities	$ 229,461	$ 340,547
Trust funds due to clients	—	105,880
Income taxes payable	81	5,138
Promissory notes – current *(note 6)*	194,041	193,122
	423,583	644,687
PROMISSORY NOTES *(note 6)*	176,398	743,906
LOAN PAYABLE *(note 7)*	231,066	—
LOANS FROM SHAREHOLDERS *(note 10)*	309,228	—
	1,140,275	1,388,593

SHAREHOLDERS' EQUITY

	2010	2009
SHARE CAPITAL *(note 8)*	2,300,015	2,300,015
DEFICIT	(1,285,708)	(863,377)
NON-CONTROLLING INTEREST *(note 9)*	485,394	207,793
	1,499,701	1,644,431
	$ 2,639,976	$3,033,024

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Common Shares		Preferred Shares						
	Number of Shares	Share Capital	Number of Shares	Share Capital	Total	Deficit	Total Attributable to Owners of Parent	Non-Controlling Interest	Total
For the year ended December 31, 2009									
Balance as at January 1, 2009	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$ (549,578)	$1,750,437	$ (59,446)	$1,690,991
Comprehensive (loss) income	—	—	—	—	—	(313,799)	(313,799)	267,239	(46,560)
Balance as at December 31, 2009	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$ (863,377)	$1,436,638	$207,793	$1,644,431
For the year ended December 31, 2010									
Balance as at January 1, 2010	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$ (863,377)	$1,436,638	$207,793	$1,644,431
Comprehensive (loss) income	—	—	—	—	—	(422,331)	(422,331)	277,601	(144,730)
Balance as at December 31, 2010	82,500,000	$15	27,500,000	$2,300,000	$2,300,015	$(1,285,708)	$1,014,307	$485,394	$1,499,701

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,	
	2010	**2009**
REVENUE	$2,517,194	$2,440,945
EXPENSES		
Salaries and benefits	1,003,910	1,025,787
Commissions	421,180	430,916
Consulting	350,490	113,312
General and administrative	299,651	215,286
Rent	155,835	223,742
Professional fees	141,519	194,654
Membership, subscriptions and licences	128,111	113,505
Insurance	48,179	50,261
Travel	29,953	37,283
Depreciation *(note 4)*	29,397	36,727
Promotion and entertainment	22,413	29,633
Interest on long-term debt *(note 11)*	20,790	11,549
Interest and bank charges	8,077	49.210
	2,659,505	2,531,865
COMPREHENSIVE LOSS BEFORE INCOME TAX	(142,311)	(90,920)
(PROVISION FOR) RECOVERY OF INCOME TAXES *(note 12)*	(2,419)	44,360
TOTAL COMPREHENSIVE LOSS	$ (144,730)	$ (46,560)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Owners of the Parent	$ (422,331)	$ (313,799)
Non-controlling interest *(note 9)*	277,601	267,239
TOTAL COMPREHENSIVE LOSS	$ (144,730)	$ (46,560)

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended December 31, 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(144,730)	$ (46,560)
Adjustments for:		
Depreciation *(note 4)*	29,397	36,727
Deferred taxes *(note 12)*	2,419	(49,417)
	(112,914)	(59,250)
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Change in accounts receivable	7,905	(19,376)
Change in prepaid expenses	(757)	8,695
Change in accounts payable and accrued liabilities	(111,087)	13,951
Change in income taxes payable	(5,057)	5,057
Change in due from related parties	78,205	31,076
NET CASH USED IN OPERATING ACTIVITIES	(143,705)	(19,847)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to plant and equipment *(note 4)*	(1,664)	—
NET CASH USED IN INVESTING ACTIVITIES	(1,664)	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from shareholders	309,228	—
Repayment of promissory notes	(306,646)	(47,489)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	2,582	(47,489)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(142,787)	(67,336)
CASH AND CASH EQUIVALENTS, beginning of year	332,633	399,969
CASH AND CASH EQUIVALENTS, end of year	$ 189,846	$332,633

The accompanying notes are an integral part of these financial statements.

CATALYST INVESTMENT CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. NATURE OF BUSINESS

Catalyst Investment Corp. (the "Company") was incorporated under the laws of Ontario on September 7, 2001 under the name M. Sifton Investment Inc. On August 28, 2002, the Company changed its name to 1491994 Ontario Inc. On January 6, 2004, the Company changed its name to Catalyst Investment Corp. On July 1, 2007, the Company amalgamated with Monarch Delaney Financial Partners Inc. to form Catalyst Investment Corp.

The Company is a Canadian financial services company. Through one of its subsidiaries (Monarch Wealth Corporation), the Company earns commission revenue from financial institutions on the placement of mutual funds and is a level 3 mutual fund dealer, limited market dealer and member of the Mutual Fund Dealer Association of Canada.

The Company is a subsidiary of Forbes & Manhattan Asset Management Corp. Subsequently, on November 1, 2012, the Company and its subsidiaries were acquired by League Capital Markets Ltd.

The Company's registered office is located at 80 Richmond Street West, 20th Floor, Toronto, Ontario, M5H 2A9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the Company's reporting for the years ended December 31, 2010 and 2009.

The consolidated financial statements of the Company for the years ended December 31, 2010 and 2009 were approved by the Board of Directors on January 15, 2013.

Basis of Presentation

The consolidated financial statements have been prepared under the historical cost convention as set out in the accounting policies below. Certain items, such as financial instruments, are stated at fair value. The consolidated financial statements are prepared in Canadian dollars, which is also the Company's functional currency.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Monarch Wealth Corporation ("MWC"), Monarch Wealth Deposit Group Inc. ("MWDG"), Monarch Delaney Financial Inc. ("MDFI"), as well as 50% of Monarch Wealth Assurance Agencies Inc. ("MWAA"). Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The Company obtain and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of December 31.

All inter-company transactions and balances have been eliminated on consolidation.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and highly liquid investments, consisting primarily of term deposits that are cashable any time up to maturity.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Commission revenues derived from the sale of mutual funds, GIC investments and segregated funds are recognized on a trade-date basis. Trailer fee revenues from mutual and segregated fund companies are recognized on an accrual basis as a percentage over the total assets under administration for each mutual or segregated fund company.

Income Taxes

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in the consolidated statement of comprehensive income except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable based on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities are recognized for future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the consolidated statement of financial position date and non-monetary assets and liabilities and related depreciation and amortization expenses are translated at the historical exchange rates. Revenue and expenses, other than depreciation and amortization, are translated into Canadian dollars at the average rate for the month in which the transaction was recorded. Realized and unrealized exchange gains and losses are included in earnings.

Financial Instruments

Recognition

The Company initially recognizes loans and receivables and debt securities on the date they originate. All other financial assets and financial liabilities are initially recognized on the trade date at which the Company becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and liability simultaneously.

Classification and Measurement

Financial instruments are, for measurement purposes, grouped into classes. The classification depends on the purpose and is determined at initial recognition. All of the Company's non-derivative financial assets are classified as available-for-sale or loans and receivables. Available-for-sale financial assets are comprised of the Company's publicly traded and private investments. These investments are carried at fair value plus transaction costs directly attributable to the acquisition of the financial asset, on the consolidated statement of financial position, with subsequent changes in fair value, other than impairment losses, recorded in the available-for-sale financial assets reserve, a component of equity, through Other Comprehensive Income ("OCI"), until such time as the investments are disposed of, at which time the cumulative fair value change in OCI related to the disposed investments is transferred to income. Upon initial recognition, all of the Company's loans and receivables, comprised of cash and cash equivalents and accounts receivable are measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset and subsequently carried at amortized cost using the effective interest method, with changes recorded through net income.

All of the Company's non-derivative financial liabilities are classified as other financial liabilities and are initially measured at fair value plus transaction costs that are directly attributable to the issue of the financial liability. Subsequent to the initial recognition and measurement, these non-derivative financial liabilities are measured at amortized cost using the effective interest method. Such liabilities include bank advances arising from outstanding cheques, accounts payable and accrued liabilities, provisions, and long-term debt.

Impairment

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets carried at amortized cost, are assessed collectively, based on the nature of the asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the consolidated statement of comprehensive income and reflected in an allowance account against accounts receivable.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends. An impairment loss on available-for-sale financial assets is recognized by reclassifying the losses accumulated in the fair value reserve in equity to the consolidated statement of comprehensive income. The cumulative loss that is reclassified from equity to the consolidated statement of comprehensive income is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and equipment

Plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses. Depreciation is charged to the consolidated statement of comprehensive income over their estimated useful lives as follows:

Computer software	– 50% diminishing balance
Computer	– 30% diminishing balance
Furniture and fixtures	– 20% diminishing balance
Leaseholds	– 5 year straight line

Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the Company enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash generating units that are expected to benefit from the business combination. Each cash generating unit represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment.

Intangible assets

Intangible assets acquired in a business combination are recorded at their fair values. Intangible assets with finite useful lives are amortized over their estimated useful lives and are tested for impairment, as described in the following note. Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually. Intangible assets having an indefinite life are not amortized but are tested for impairment on an annual basis, as described in the following note. Client list and trade name are indefinite life intangible assets, because there is no foreseeable limit to the period over which these assets are expected to generate net cash inflows for the Company. The determination of these assets' indefinite life is based on an analysis of all relevant factors, including the expected usage and the typical life cycle of the asset.

Impairment

Goodwill and indefinite-life intangible assets

The carrying values of identifiable intangible assets with indefinite lives and goodwill are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. A cash generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and indefinite life intangible assets are allocated to CGUs for the purpose of impairment testing based on the level at which management monitors them, which is not higher than an operating segment. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

Non-financial assets with finite useful lives

The carrying values of non-financial assets with finite useful lives, such as plant and equipment and intangible assets with finite useful lives, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset must be determined. Such assets are impaired if their recoverable amount is lower than their carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs is tested for impairment.

Recognition of impairment charge

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell or its value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The resulting impairment loss is recognized in the consolidated statement of comprehensive income. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset or CGU in prior years. Impairment losses recognized for goodwill are not reversed.

Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Key areas of estimation, where management has made difficult, complex or subjective judgements, often as a result of matters that are inherently uncertain are as follows:

a) Business combinations

The amount of goodwill initially recognized as a result of a business combination and the determination of the fair value of the identifiable assets acquired and the liabilities assumed is based, to a considerable extent, on management's judgement.

b) Income taxes

Income tax liabilities must be estimated for the Company, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Management's judgement is required for the calculation of current and deferred taxes.

c) Plant and equipment

Measurement of plant and equipment involves the use of estimates for determining the expected useful lives of depreciable assets. Management's judgement is also required to determine depreciation methods and an asset's residual value.

d) Impairment of non-financial assets

The impairment test on CGUs is carried out by comparing the carrying amount of CGUs and their recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. This complex valuation process used to determine fair value less costs to sell and/or value in use entails the use of methods such as the discounted cash flow method which uses assumptions to estimate cash flows. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

e) Financial risk management and financial instruments

The fair value of derivative instruments, investments in publicly traded and private companies, and equity instruments is determined on the basis of either prices in regulated markets or quoted prices provided by financial counterparties, or using valuation models which also take into account subjective measurements such as, cash flow estimates or expected volatility of prices.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments. Cash and cash equivalents included in the statement of cash flows are comprised of the following amounts:

	2010	2009
Cash on hand and balances with banks	$169,828	$190,273
Short-term investments	20,018	142,360
	$189,846	$332,633

4. PLANT AND EQUIPMENT

	Computer software	Computer	Furniture and fixtures	Leaseholds	Total
At cost					
As at January 1, 2009	$122,460	$242,683	$170,333	$121,758	$657,234
Additions/ (Dispositions)	—	—	—	—	—
As at December 31, 2009	$122,460	$242,683	$170,333	121,758	657,234
Additions / (Dispositions)	—	1,664	—	—	1,664
As at December 31, 2010	$122,460	$244,347	$170,333	$121,758	$658,898
Accumulated depreciation					
As at January 1, 2009	$121,231	$212,510	$141,755	$ 54,650	$530,146
Depreciation	615	8,451	5,715	21,946	36,727
As at December 31, 2009	121,846	220,961	147,470	76,596	566,873
Depreciation	307	6,286	4,572	18,232	29,397
As at December 31, 2010	$122,153	$227,247	$152,042	$ 94,828	$596,270
Net book value					
As at December 31, 2009	$ 614	$ 21,722	$ 22,863	$ 45,162	$ 90,361
As at December 31, 2010	$ 307	$ 17,100	$ 18,291	$ 26,930	$ 62,628

5. GOODWILL AND INTANGIBLES

	Cost	Accumulated impairment losses	Net 2010	Net 2009
Goodwill	$1,407,755	$ —	$1,407,755	$1,407,755
Indefinite life intangible assets:				
Client list	$ 691,963	$123,034	$ 568,929	$ 597,805
Trade name	30,000	—	30,000	30,000
	$ 721,963	$123,034	$ 598,929	$ 627,805

A price adjustment clause was included in the asset purchase agreement for the client list, which stipulates that, at each anniversary date, the amount of the promissory note for the client list will be adjusted to reflect the client list's fair value. The cumulative adjustments as at December 31, 2010 are $123,034 (2009-$94,158).

6. PROMISSORY NOTES

	2010	2009
Non-interest bearing promissory note, repayable in monthly instalments of $8,500 subject to changes from the price adjustment clause. To be fully repaid by July 2012.	$370,439	$499,028
Promissory note bearing interest at 8.5% per annum, repayable in interest only quarterly instalments of $5,057.50. Due November 2010.	—	238,000
Promissory note bearing interest at 10% per annum, repayable in interest only quarterly instalments of $2,500.00. Due January 2010.	—	100,000
Promissory note bearing interest at 7.5% per annum, repayable in interest only quarterly instalments of $1,875. Due July 2010.	—	100,000
	$370,439	$937,028

Approximate principal repayments are as follows:

2011	$194,041
2012	176,398
	$370,439

7. LOAN PAYABLE

In 2010, the Company has a loan payable for $231,066 for funds advanced. The balance is non-interest bearing and due on demand, with no scheduled terms of repayment.

8. SHARE CAPITAL

Authorized

Unlimited common shares with no par value
Unlimited preferred Class A shares, non-voting, convertible and carry a right to a preferential cumulative cash dividend at the rate of 8% per annum with no par value.

	2010	2009
Issued		
82,500,000 common shares	$ 15	$ 15
27,500,000 preferred shares	2,300,000	2,300,000
	$2,300,015	$2,300,015

9. NON-CONTROLLING INTEREST

The Company holds a 50% ownership interest in Monarch Wealth Assurance Agencies Inc. ("MWAA"). The profit allocated to the non-controlling interest as well as the accumulated non-controlling interest of the subsidiary are as follows:

	2010	2009
Non-controlling interest, beginning of year	$207,793	$ (59,446)
Profit allocated to non-controlling interest	277,601	267,239
Non-controlling interest, end of year	$485,394	$207,793

10. RELATED PARTY TRANSACTIONS

The ultimate controlling shareholder of the Company is Forbes Manhattan Asset Management Corp. which holds voting control of the Company. The transactions with related parties, as summarized below, were recorded at the amount established and agreed upon by the related parties.

a) *Transactions with the ultimate shareholder*

In 2010, $309,228 was advanced to the Company from the ultimate shareholder. The balance is non-interest bearing and due on demand, with no scheduled terms of repayment.

b) *Transactions with key management personnel*

During 2010, the Company paid $95,091 in consulting fees to a director of the Company.

c) *Transactions with related parties*

$4,360 due from a company related by common control for funds advanced. Balance is non-interest bearing with no fixed terms of repayment.

11. INTEREST AND INCOME TAXES PAID

The Company had cash flows arising from interest and income taxes paid as follows:

	2010	2009
Interest paid	$20,790	$11,549
Income taxes paid	$ 5,057	$ —

12. INCOME TAXES

(a) Income tax expense (benefit)

The components of income tax expense (benefit) for the years ended December 31, 2010 and 2009 were as follows:

	2010	2009
Current income tax expense	$ —	$ 5,057
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(1,751)	(49,417)
Effect of tax rate changes	4,170	—
Total deferred tax expense (benefit)	2,419	(49,417)
Income tax expense (benefit)	2,419	(44,360)

Due to Canadian federal and provincial enacted corporate income tax rate changes, the statutory income tax rate for the Company decreased from 16.5% in 2009 to 16.0% in 2010.

(b) Deferred tax asset and liability

The movement of deferred tax assets and liabilities are summarized as follows:

	2010	2009
Deferred tax asset, beginning of year	137,595	88,178
Non-capital income tax loss carryforwards:		
Benefit (expense) in profit or loss	(2,419)	49,417
Deferred tax asset, end of year	$135,176	$137,595

As at December 31, 2010, the Company had non-capital loss carryforwards of $844,908 (2009 – $834,052). If not utilized, the majority of tax losses will expire between 2028 and beyond.

13. CONTINGENT LIABILITIES

In December 2011, the subsidiary Monarch Wealth Corporation agreed and paid the settlement proposed by the Mutual Fund Dealer's Association ("MFDA") related to the Company's inadequate supervision of leveraged trades and maintenance of adequate risk adjusted capital levels. As part of the settlement agreement, the Company developed a plan to review existing leveraged accounts against stated criteria. While the ultimate outcome of this agreement is presently not determinable, no provision has been made in these consolidated financial statements in respect of this matter.

14. RISK MANAGEMENT

Fair Value

For certain financial instruments of the Company, including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their immediate or short-term maturity.

The fair value of amounts due from affiliated companies are not determinable, as they are non-interest bearing with related parties and, accordingly, cannot be ascertained with reference to similar debt with non-related parties.

Credit Risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents and commissions receivable from mutual fund, segregated fund and GIC companies. The Company mitigates this risk by having cash and cash equivalents held at major financial institutions and by dealing with only reputable fund companies.

The Company determined that no receivables were impaired and thus no allowance for doubtful accounts was established.

The Company does not have significant exposure to any individual mutual fund company or counterpart.

14. RISK MANAGEMENT (continued)

Market Risk in Assets under Management and Assets under Administration

Assets under management ("AUM") are exposed to various forms of market risk including, but not limited to, fair value risk, interest rate risk and currency risk. These risks transfer to the Company through the generation of management fee revenues, net of associated trailer service fees.

The Company also incurs market risk exposure to fluctuations in assets under administration ("AUA"). While the Company does not quantify its exposure to these risks in isolation, it does monitor the portion of its AUA which earns trailer fee revenues, a significant component of financial services revenues.

HARRIS FRASER GROUP LIMITED

(Incorporated in the British Virgin Islands with limited liability)

Report and Financial Statements
For the year ended 31 March 2013

HARRIS FRASER GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF HARRIS FRASER GROUP LIMITED
(Incorporated in the British Virgin Islands with limited liability)

We have audited the consolidated financial statements of Harris Fraser Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 28, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2013, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

"RSM Nelson Wheeler"
Certified Public Accountants
Hong Kong

27 June 2013

HARRIS FRASER GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013	2012
		HK$	HK$
Revenue	7	**86,913,191**	93,505,140
Cost of service rendered		**(63,724,633)**	(66,066,773)
Gross profit		**23,188,558**	27,438,367
Other income	8	**781,670**	583,196
Administrative expenses		**(14,396,465)**	(12,034,157)
Other operating expenses		**(442,739)**	(299,929)
Profit from operations		**9,131,024**	15,687,477
Finance costs – finance lease charges		**(3,275)**	(7,389)
Profit before tax		**9,127,749**	15,680,088
Income tax expense	9	**(1,314,931)**	(2,325,090)
Profit for the year	10	**7,812,818**	13,354,998
Other comprehensive income for the year, net of tax			
Exchange difference on translating foreign operations		**14,046**	—
Total comprehensive income for the year		**7,826,864**	13,354,998
Profit for the year attributable to:			
Owner of the Company		**7,767,230**	13,324,294
Non-controlling interests		**45,588**	30,704
		7,812,818	13,354,998
Total comprehensive income for the year attributable to:			
Owner of the Company		**7,781,276**	13,324,294
Non-controlling interests		**45,588**	30,704
		7,826,864	13,354,998

HARRIS FRASER GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2013

	Note	2013	2012
		HK$	HK$
Non-current assets			
Property, plant and equipment	11	**642,565**	574,205
Intangible assets	12	**175,206**	144,329
Deferred tax assets	17	**419,004**	578,004
		1,236,775	1,296,538
Current assets			
Trade receivables	13	**8,717,259**	7,429,968
Prepayments, deposits and other receivables	14	**1,918,195**	1,337,734
Due from a director	15	**1,765,025**	1,788,920
Due from a related company	15	**93**	93
Current tax assets		**1,157,439**	—
Bank and cash balances		**44,190,680**	43,049,694
		57,748,691	53,606,409
Current liabilities			
Trade payables		**20,377,129**	19,500,785
Accruals and other payables		**7,652,278**	10,703,748
Finance lease payables	16	**9,286**	117,762
Current tax liabilities		**—**	1,458,581
		28,038,693	31,780,876
Net current assets		**29,709,998**	21,825,533
NET ASSETS		**30,946,773**	23,122,071
Capital and reserves			
Share capital	18	**15,500**	8
Reserves	19	**30,809,921**	22,997,510
Equity attributable to owner of the Company		**30,825,421**	22,997,518
Non-controlling interests		**121,352**	124,553
TOTAL EQUITY		**30,946,773**	23,122,071

Approved by the Board of Directors on 27 June 2013.

"Joseph Frank Attrux"	*"Yuen Yee NG"*
Director	Director

HARRIS FRASER GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

	Attributable to owner of the Company							
		Reserves						
	Share capital	Share-based payment reserve	Capital reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 1 April 2011	8	—	—	—	9,435,592	9,435,600	(35,741)	9,399,859
Share-based payments	—	256,356	—	—	—	256,356	4,844	261,200
Deemed disposal of partial interests in a subsidiary	—	—	—	—	(18,732)	(18,732)	18,732	—
Disposal of a subsidiary	—	—	—	—	—	—	106,014	106,014
Total comprehensive income for the year	—	—	—	—	13,324,294	13,324,294	30,704	13,354,998
At 31 March 2012	8	256,356	—	—	22,741,154	22,997,518	124,553	23,122,071
Issue of shares	15,492	—	—	—	—	15,492	—	15,492
Purchase of non-controlling interests (Note 21)	—	640	30,495	—	—	31,135	(48,789)	(17,654)
Total comprehensive income for the year	—	—	—	14,046	7,767,230	7,781,276	45,588	7,826,864
At 31 March 2013	15,500	256,996	30,495	14,046	30,508,384	30,825,421	121,352	30,946,773

HARRIS FRASER GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013	2012
		HK$	HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**9,127,749**	15,680,088
Adjustments for:			
Amortisation of intangible assets		**22,906**	17,528
Depreciation		**156,423**	143,551
Equity-settled share-based payments for commission		**—**	261,200
Finance costs		**3,275**	7,389
Gains on disposals of property, plant and equipment		**—**	(562)
Gains on disposals of subsidiaries		**—**	(159,022)
Interest income		**(136,027)**	(124,745)
Operating profit before working capital changes		**9,174,326**	15,825,427
Increase in trade receivables		**(1,287,291)**	(3,189,708)
Increase in prepayments, deposits and other receivables		**(580,461)**	(885,888)
Decrease/(increase) in due from a director		**23,895**	(1,788,920)
Increase in trade payables		**876,344**	14,379,937
(Decrease)/increase in accruals and other payables		**(3,051,470)**	3,799,165
Decrease in due to a director		**—**	(6,783,783)
Cash generated from operations		**5,155,343**	21,356,230
Income taxes paid		**(3,771,951)**	(1,304,997)
Net cash generated from operating activities		**1,383,392**	20,051,233
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals of subsidiaries		**—**	(24,107)
Purchases of non-controlling interests	21	**(17,654)**	—
Purchases of property, plant and equipment		**(224,783)**	(717,756)
Additions of intangible assets		**(53,783)**	(41,084)
Proceeds from disposals of property, plant and equipment		**—**	12,270
Interest received		**136,027**	124,745
Net cash used in investing activities		**(160,193)**	(645,932)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**15,492**	—
Repayment of finance lease payables		**(108,476)**	(86,352)
Finance lease charges paid		**(3,275)**	(7,389)
Net cash used in financing activities		**(96,259)**	(93,741)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,126,940**	19,311,560
Effect of exchange rate changes		**14,046**	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**43,049,694**	23,738,134
CASH AND CASH EQUIVALENTS AT END OF YEAR		**44,190,680**	43,049,694
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**44,190,680**	43,049,694

1. GENERAL INFORMATION

The Company was incorporated in the British Virgin Islands with limited liabilities. The address of its registered office is P.O. Box 3444, Road Town, Tortola, British Virgin Islands.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 20 to the financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

On 20 September 2011, the Company acquired interest in 100% of Harris Fraser (International) Limited (the "Acquisition") from the controlling shareholder, Ms. Ng Yuen Yee.

As the Company and Harris Fraser (International) Limited were controlled by Ms. Ng Yuen Yee before and after the Acquisition, the Acquisition was accounted for as a business combination of entities under common control. The financial statements of the Group have been prepared based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants, as if the Acquisition had occurred from the date when the combining entities first came under the control of Ms. Ng Yuen Yee.

Details of accounting policy of merger accounting for business combinations under common control are set out in note 4(b).

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") that are relevant to its operations and effective for its accounting year beginning on 1 April 2012. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRSs issued by the IASB and under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Consolidation (cont'd)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owner of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owner of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

(b) Merger accounting for business combination under common control

The consolidated financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party.

The consolidated statements of comprehensive income and consolidated statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure as at the completion of the acquisition had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at annual rates of 20% which is sufficient to write off their cost over their estimated useful lives on a straight-line basis.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(f) Trademarks

Trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 years.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Trade and other receivables (cont'd)

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(k) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Commission income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligation

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) **Share-based payments**

Equity-settled share-based payments to consultants are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(p) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

(q) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Related parties (cont'd)

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(r) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets except receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives is different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment loss for bad and doubtful debts

The Group assesses impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilites. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables and amount due from a director, included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that services are rendered to customers with an appropriate credit history.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity of the Group's financial liabilities at 31 March 2013 and 31 March 2012 is less than one year.

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments at 31 March

	2013	2012
	HK$	HK$
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**56,317,569**	53,435,206
Financial liabilities:		
Financial liabilities at amortised cost	**28,029,407**	30,204,533

6. FINANCIAL RISK MANAGEMENT (cont'd)

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE

The Group's revenue represents commission income received during the year.

8. OTHER INCOME

	2013	2012
	HK$	**HK$**
Gains on disposals of a subsidiary	**—**	159,022
Gains on disposals of property, plant and equipment	**—**	562
Interest income	**136,027**	124,745
Sundry income	**538,643**	298,867
Written back of the other payables	**107,000**	—
	781,670	583,196

9. INCOME TAX EXPENSE

	2013	2012
	HK$	**HK$**
Current tax – Hong Kong Profits Tax		
Provision for the year	**1,174,121**	2,325,090
Over-provision in prior year	**(18,190)**	—
	1,155,931	2,325,090
Deferred tax (Note 17)	**159,000**	—
	1,314,931	2,325,090

Hong Kong Profits Tax is provided at 16.5% (2012: 16.5%) based on the estimated assessable profit for the year.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2013	2012
	HK$	**HK$**
Profit before tax	**9,127,749**	15,680,088
Tax at the Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	**1,506,078**	2,587,217
Tax effect of income that is not taxable	**(412,048)**	(515,489)
Tax effect of expenses that are not deductible	**99,289**	70,048
Tax effect of temporary differences not recognised	**4,489**	(76,222)
Tax effect of tax losses not recognised	**102,832**	236,994
Tax effect of utilisation of tax losses not previously recognised	**(133,426)**	(17,201)
Tax losses previously recognised and reversed	**159,000**	—
Over-provision in prior year	**(18,190)**	—
Over-provision in current year	**6,907**	39,743
Income tax expense	**1,314,931**	2,325,090

10. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2013	2012
	HK$	HK$
Amortisation of trademarks	**22,906**	17,528
Auditor's remuneration	**392,478**	412,185
Depreciation	**156,423**	143,551
Directors' emoluments		
– As directors	**—**	—
– For management	**1,367,809**	—
	1,367,809	—
Equity-settled share-based payments for commission	**—**	261,200
Gains on disposals of subsidiaries	**—**	159,022
Net foreign exchange losses	**235,101**	107,652
Operating lease charges – land and buildings	**1,645,167**	1,502,393
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**6,929,376**	4,791,344
– Retirement benefits scheme contributions	**372,660**	146,908
	7,302,036	4,938,252

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment	Total
	HK$	HK$	HK$	HK$	HK$
Cost					
At 1 April 2011	—	4,537	4,814	6,409	15,760
Additions	—	35,568	315,653	366,535	717,756
Disposals	—	(4,537)	(4,814)	(6,409)	(15,760)
At 31 March 2012 and 1 April 2012	—	35,568	315,653	366,535	717,756
Additions	133,300	350	4,269	86,864	224,783
At 31 March 2013	133,300	35,918	319,922	453,399	942,539
Accumulated depreciation					
At 1 April 2011	—	907	1,863	1,282	4,052
Charge for the year	—	7,113	63,131	73,307	143,551
Disposals	—	(907)	(1,863)	(1,282)	(4,052)
At 31 March 2012 and 1 April 2012	—	7,113	63,131	73,307	143,551
Charge for the year	2,222	7,160	63,486	83,555	156,423
At 31 March 2013	2,222	14,273	126,617	156,862	299,974
Carrying amount					
At 31 March 2013	131,078	21,645	193,305	296,537	642,565
At 31 March 2012	—	28,455	252,522	293,228	574,205

12. INTANGIBLE ASSETS

	Trademarks (purchased)
	HK$
Cost	
At 1 April 2011	134,192
Additions	41,084
At 31 March 2012 and 1 April 2012	175,276
Additions	53,783
At 31 March 2013	229,059
Accumulated amortisation and impairment losses	
At 1 April 2011	13,419
Charge for the year	17,528
At 31 March 2012 and 1 April 2012	30,947
Charge for the year	22,906
At 31 March 2013	53,853
Carrying amount	
At 31 March 2013	175,206
At 31 March 2012	144,329

13. TRADE RECEIVABLES

As at 31 March 2013 and 31 March 2012, there were no past due trade receivables.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the amount was a loan of HK$617,615 to a subsidiary's director which is secured by charges over assets of the subsidiary's director and a third party, interest bearing at 9.5% per annum and repayable on demand.

15. DUE FROM A DIRECTOR / A RELATED COMPANY

The amounts due are unsecured, interest-free and have no fixed repayment terms.

16. FINANCE LEASE PAYABLES

	Minimum lease payments		**Present value of minimum lease payments**	
	2013	**2012**	**2013**	**2012**
	HK$	**HK$**	**HK$**	**HK$**
Within one year	**9,325**	121,225	**9,286**	117,762
Less: Future finance charges	**(39)**	(3,463)	**N/A**	N/A
Present value of lease obligations	**9,286**	117,762	**9,286**	117,762

It is the Group's policy to lease certain of its office equipment under finance leases. The lease term will be expired within 1 year. At 31 March 2013, the average effective borrowing rate was 5% (2012: 5%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the office equipment at nominal prices.

All finance lease payables are denominated in Hong Kong dollars.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

17. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Group.

	Tax losses
	HK$
At 1 April 2011, at 31 March 2012 and 1 April 2012	(578,004)
Charge to profit or loss for the year (note 9)	159,000
At 31 March 2013	(419,004)

18. SHARE CAPITAL

	2013	2012
Authorised:		
50,000 ordinary shares of US$1 each	**US$ 50,000**	US$ 50,000
Equivalent to	**HK$390,000**	HK$390,000
Issued and fully paid:		
2,000 (2012: 1) ordinary share of US$1 each	**US$ 2,000**	US$ 1
Equivalent to	**HK$ 15,500**	HK$ 8

Pursuant to a written resolution passed on 9 October 2012 the Company issued 1,999 ordinary shares of US$1 each at par for cash fully paid totalling US$1,999 (HK$15,492) to provide additional working capital.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximum the return to the shareholder through the optimisation of the debt and equity balance.

The Group currently does not have any specific policies and processes for managing capital.

19. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

(b) Share-based payment reserve

In August 2010, the Group has adopted a Share Award Scheme as an incentive to attract and retain successful independent financial advisors or consultants who have rendered services to the Group and contributed to the Group's development.

In August 2011, the Group's management approved the grant of a subsidiary's shares to be awarded to designated consultants under the Share Award Scheme at nil consideration. The fair value of the subsidiary's shares granted was HK$261,200.

The share-based payment reserve represents the fair value of the shares granted to consultants under Share Award Scheme recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(o) to the financial statements.

20. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2013 are as follows:

Name	Place of incorporation/ registration	Issued and paid up/ registered capital	Percentage of ownership interest	Principal activities
			Direct	
Harris Fraser Corporate Services Limited	Hong Kong	500,000 ordinary shares of HK$1 each	100%	Providing corporate services and consulting services in relation to land banking
Harris Fraser (International) Limited	Hong Kong	5,000,000 ordinary shares of HK$1 each	100%	Providing investment advisory services and dealing in unit trust/mutual funds and portfolio/fund management services
HF Partners Limited	Hong Kong	302,612 ordinary shares of HK$1 each	99%	Providing insurance advisory services in Hong Kong
Jamison Services Limited	Hong Kong	1 ordinary share of HK$1 each	100%	Providing nominee director and nominee shareholder services
Capital One Trust Limited	New Zealand	100 ordinary shares of US$1 each	100%	Providing trustee services for family trusts for clients
Harris Fraser (Australia) Pty Limited	Australia	138,000 ordinary shares of AUD1 each	100%	Providing investment advisory services
Harris Fraser Singapore Pte. Limited	Singapore	222,000 ordinary shares of US$1 each	100%	Providing asset management services
Harris Fraser (Asia) Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	Not yet commenced business
晉裕企業管理咨詢(深圳)有限公司	PRC	Registered capital of HK$100,000	100%	Not yet commenced business

21. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Purchase of non-controlling interests

During the year, the Group acquired 749 shares out of 302,612 shares in a subsidiary from the non-controlling shareholders at a cash consideration of HK$17,654. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	HK$
Share of net assets in the subsidiary acquired	**48,789**
Consideration	**17,654**
Gain on acquisition recognised directly in equity	**31,135**

22. LEASE COMMITMENTS

At 31 March 2013 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2013	2012
	HK$	HK$
Within one year	**1,465,483**	1,330,062
In the second to fifth years inclusive	**880,152**	—
	2,345,635	1,330,062

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of two years and rentals are fixed over the lease terms and do not include contingent rentals.

23. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2013	2012
	HK$	HK$
Commission paid to a related company	**52,828**	84,270
Legal and professional fees paid to related companies	**2,217,379**	2,089,600
Purchases of property, plant and equipment from a related company	**—**	406,054
Rental expenses paid to related companies	**2,255,340**	1,325,947

24. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2013.

HARRIS FRASER GROUP LIMITED

(Incorporated in the British Virgin Islands with limited liability)

Report and Financial Statements
For the year ended 31 March 2012

HARRIS FRASER GROUP LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

CONTENTS

RSM
Audit · Tax · Advisory

RSM Nelson Wheeler
29th Floor, Caroline Centre, Lee Gardens Two,
28 Yun Ping Road, Hong Kong
T +852 2598 5123 F +852 2598 7230
E contactus@rsmhk.com
W www.rsmhk.com

中瑞岳華(香港)會計師事務所
香港恩平道二十八號利園二期
嘉蘭中心二十九字樓
電話 +852 2598 5123 傳真 +852 2598 7230
電郵 contactus@rsmhk.com
網址 www.rsmhk.com

INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF HARRIS FRASER GROUP LIMITED
(Incorporated in the British Virgin Islands with limited liability)

We have audited the consolidated financial statements of Harris Fraser Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 28, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF HARRIS FRASER GROUP LIMITED
(Incorporated in the British Virgin Islands with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2012, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Unaudited corresponding figures

Without qualifying our opinion, we draw attention to the fact that the consolidated financial statements for the year ended 31 March 2011, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, were not audited.

"RSM Nelson Wheeler"
Certified Public Accountants
Hong Kong

30 August 2012

HARRIS FRASER GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012	2011
		HK$	HK$ (unaudited)
Revenue	7	**93,505,140**	99,926,484
Cost of service rendered		**(66,066,773)**	(71,879,322)
Gross profit		**27,438,367**	28,047,162
Other income	8	**583,196**	887,582
Administrative expenses		**(12,034,157)**	(14,329,005)
Other operating expenses		**(299,929)**	(482,879)
Losses on disposals of subsidiaries		**—**	(89,472,669)
Profit/(loss) from operations		**15,687,477**	(75,349,809)
Finance costs – finance lease charges		**(7,389)**	(12,907)
Profit/(loss) before tax		**15,680,088**	(75,362,716)
Income tax expense	9	**(2,325,090)**	(438,488)
Profit/(loss) for the year	10	**13,354,998**	(75,801,204)
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**13,354,998**	(75,801,204)
Profit/(loss) and total comprehensive income for the year attributable to:			
Owner of the Company		**13,324,294**	(75,639,137)
Non-controlling interests		**30,704**	(162,067)
		13,354,998	(75,801,204)

HARRIS FRASER GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2012

	Note	2012	2011
		HK$	HK$ (unaudited)
Non-current assets			
Property, plant and equipment	11	**574,205**	11,708
Intangible assets	12	**144,329**	120,773
Deferred tax assets	17	**578,004**	578,004
		1,296,538	710,485
Current assets			
Trade receivables	13	**7,429,968**	4,240,260
Prepayments, deposits and other receivables	14	**1,337,734**	494,255
Due from a director	15	**1,788,920**	—
Due from a related company	15	**93**	93
Bank and cash balances		**43,049,694**	23,738,134
		53,606,409	28,472,742
Current liabilities			
Trade payables		**19,500,785**	5,120,848
Accruals and other payables		**10,703,748**	7,038,142
Due to a director	15	**—**	7,185,890
Finance lease payables	16	**117,762**	—
Current tax liabilities		**1,458,581**	438,488
		31,780,876	19,783,368
Net current assets		**21,825,533**	8,689,374
NET ASSETS		**23,122,071**	9,399,859
Capital and reserves			
Share capital	18	**8**	8
Reserves	19	**22,997,510**	9,435,592
Equity attributable to owner of the Company		**22,997,518**	9,435,600
Non-controlling interests		**124,553**	(35,741)
TOTAL EQUITY		**23,122,071**	9,399,859

Approved by the Board of Directors on 30 August 2012.

"Joseph Frank Attrux"	*"Yuen Yee NG"*
Director	Director

HARRIS FRASER GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	Attributable to owner of the Company					
		Reserves				
	Share capital	Share-based payment reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 April 2010	8	—	85,074,729	85,074,737	126,326	85,201,063
Total comprehensive income for the year	—	—	(75,639,137)	(75,639,137)	(162,067)	(75,801,204)
At 31 March 2011 and 1 April 2011 (unaudited)	8	—	9,435,592	9,435,600	(35,741)	9,399,859
Share-based payments	—	256,356	—	256,356	4,844	261,200
Deemed disposal of partial interests in a subsidiary	—	—	(18,732)	(18,732)	18,732	—
Disposal of a subsidiary	—	—	—	—	106,014	106,014
Total comprehensive income for the year	—	—	13,324,294	13,324,294	30,704	13,354,998
At 31 March 2012	8	256,356	22,741,154	22,997,518	124,553	23,122,071

HARRIS FRASER GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012	2011
		HK$	HK$ (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**15,680,088**	(75,362,716)
Adjustments for:			
Amortisation of intangible assets		**17,528**	13,419
Depreciation		**143,551**	406,455
Finance costs		**7,389**	12,907
(Gains)/losses on disposals of property, plant and equipment		**(562)**	518
Interest income		**(124,745)**	(137,675)
(Gains)/losses on disposals of subsidiaries		**(159,022)**	89,472,669
Equity-settled share-based payments for commission		**261,200**	—
Operating profit before working capital changes		**15,825,427**	14,405,577
Increase in trade receivables		**(3,189,708)**	(3,907,362)
Increase in prepayments, deposits and other receivables		**(885,888)**	(675,117)
Increase in an amount due from a director		**(1,788,920)**	(58,945,152)
Increase in an amount due from a related company		**—**	(93)
Increase in trade payables		**14,379,937**	3,675,116
Increase/(decrease) in accruals and other payables		**3,799,165**	(2,721,258)
(Decrease)/increase in an amount due to a director		**(6,783,783)**	7,185,890
Cash generated from/(used in) operations		**21,356,230**	(40,982,399)
Income taxes paid		**(1,304,997)**	—
Net cash generated from/(used in) operating activities		**20,051,233**	(40,982,399)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals of subsidiaries	21	**(24,107)**	(11,011,510)
Purchases of property, plant and equipment		**(717,756)**	(446,618)
Additions of intangible assets		**(41,084)**	(134,192)
Proceeds from disposals of property, plant and equipment		**12,270**	—
Interest received		**124,745**	137,675
Net cash used in investing activities		**(645,932)**	(11,454,645)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease payables		**(86,352)**	—
Finance lease charges paid		**(7,389)**	(12,907)
Net cash used in financing activities		**(93,741)**	(12,907)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**19,311,560**	(52,449,951)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**23,738,134**	76,188,085
CASH AND CASH EQUIVALENTS AT END OF YEAR		**43,049,694**	23,738,134
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**43,049,694**	23,738,134

HARRIS FRASER GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

1. General Information

The Company was incorporated in the British Virgin Islands with limited liabilities. The address of its registered office is P.O. Box 3444, Road Town, Tortola, British Virgin Islands.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 20 to the financial statements.

2. Basis of Preparation of Financial Statements

On 20 September 2011, the Company acquired interest in 100% of Harris Fraser (International) Limited (the "Acquisition") from the controlling shareholder, Ms. Ng Yuen Yee.

As the Company and Harris Fraser (International) Limited were controlled by Ms. Ng Yuen Yee before and after the Acquisition, the Acquisition was accounted for as a business combination of entities under common control. The financial statements of the Group have been prepared based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants, as if the Acquisition had occurred from the date when the combining entities first came under the control of Ms. Ng Yuen Yee. Comparative figures have been restated accordingly.

Details of accounting policy of merger accounting for business combinations under common control are set out in note 4(b).

3. Adoption of New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") that are relevant to its operations and effective for its accounting year beginning on 1 April 2011. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the financial statements of the Group.

4. Significant Accounting Policies

These financial statements have been prepared in accordance with IFRSs issued by the IASB and under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity.

4. Significant Accounting Policies (cont'd)

(a) Consolidation (cont'd)

Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owner of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owner of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

(b) Merger accounting for business combination under common control

The consolidated financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party.

The consolidated statements of comprehensive income and consolidated statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure as at the completion of the acquisition had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

4. Significant Accounting Policies (cont'd)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at annual rates of 20% which is sufficient to write off their cost over their estimated useful lives on a straight-line basis.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(f) Trademarks

Trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 years.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for

4. Significant Accounting Policies (cont'd)

(h) Trade and other receivables (cont'd)

impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(k) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Commission income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligation

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

4. Significant Accounting Policies (cont'd)

(n) Employee benefits (cont'd)

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Share-based payments

Equity-settled share-based payments to consultants are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(p) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

(q) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

4. Significant Accounting Policies (cont'd)

(q) Related parties (cont'd)

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(r) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets except receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

5. Key Sources of Estimation Uncertainty

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

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives is different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment loss for bad and doubtful debts

The Group assesses impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilites. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables and amount due to a director, included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that services are rendered to customers with an appropriate credit history.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity of the Group's financial liabilities at 31 March 2012 and 31 March 2011 is less than one year.

6. Financial Risk Management (cont'd)

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments at 31 March

	2012	2011
	HK$	HK$ (unaudited)
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**53,435,206**	28,452,215
Financial liabilities:		
Financial liabilities at amortised cost	**30,204,533**	19,344,880

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Revenue

The Group's revenue represents commission income received during the year.

8. Other Income

	2012	2011
	HK$	HK$ (unaudited)
Gains on disposals of a subsidiary	**159,022**	—
Gains on disposals of property, plant and equipment	**562**	—
Interest income	**124,745**	137,675
Net foreign exchange gains	**—**	435,792
Sundry income	**298,867**	314,115
	583,196	887,582

9. Income Tax Expense

	2012	2011
	HK$	HK$ (unaudited)
Current tax – Hong Kong Profits Tax Provision for the year	**2,325,090**	438,488

Hong Kong Profits Tax is provided at 16.5% (2011: 16.5%) based on the assessable profit for the year.

The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2012	2011
	HK$	HK$ (unaudited)
Profit/(loss) before tax	**15,680,088**	(75,362,716)
Tax at the Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	**2,587,217**	(12,434,848)
Tax effect of income that is not taxable	**(515,489)**	(12,971,058)
Tax effect of expenses that are not deductible	**70,048**	25,584,206
Tax effect of temporary differences not recognised	**(76,222)**	15,138
Tax effect of tax losses not recognised	**236,994**	249,452
Tax effect of utilisation of tax losses not previously recognised	**(17,201)**	—
Under/(over)-provision in current year	**39,743**	(4,402)
Income tax expense	**2,325,090**	438,488

10. Profit/(Loss) for the Year

The Group's profit/(loss) for the year is stated after charging/(crediting) the following:

	2012	2011
	HK$	HK$ (unaudited)
Amortisation of trademarks	**17,528**	13,419
Auditor's remuneration	**412,185**	144,000
Depreciation	**143,551**	406,455
Directors' emoluments		
– As directors	**—**	—
– For management	**—**	289,094
	—	289,094
Equity-settled share-based payments for commission	**261,200**	—
(Gains)/losses on disposals of subsidiaries	**159,022**	89,472,669
Net foreign exchange losses/(gains)	**107,652**	(435,792)
Operating lease charges – land and buildings	**1,502,393**	2,658,952
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**4,791,344**	7,114,045
– Retirement benefits scheme contributions	**146,908**	149,380
	4,938,252	7,263,425

11. Property, Plant and Equipment

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment	Total
	HK$	HK$	HK$	HK$	HK$
Cost					
At 1 April 2010	574,165	272,806	152,702	1,019,333	2,019,006
Additions	—	24,959	319,940	101,719	446,618
Written-off	—	—	(1,170)	(15,188)	(16,358)
Disposals of subsidiaries	(574,165)	(293,228)	(466,658)	(1,099,455)	(2,433,506)
At 31 March 2011 and 1 April 2011 (unaudited)	—	4,537	4,814	6,409	15,760
Additions	—	35,568	315,653	366,535	717,756
Disposals	—	(4,537)	(4,814)	(6,409)	(15,760)
At 31 March 2012	—	35,568	315,653	366,535	717,756
Accumulated depreciation					
At 1 April 2010	344,499	233,442	107,696	540,320	1,225,957
Charge for the year	114,833	18,835	85,188	187,599	406,455
Written-off	—	—	(1,170)	(14,670)	(15,840)
Disposals of subsidiaries	(459,332)	(251,370)	(189,851)	(711,967)	(1,612,520)
At 31 March 2011 and 1 April 2011 (unaudited)	—	907	1,863	1,282	4,052
Charge for the year	—	7,113	63,131	73,307	143,551
Disposals	—	(907)	(1,863)	(1,282)	(4,052)
At 31 March 2012	—	7,113	63,131	73,307	143,551
Carrying amount					
At 31 March 2012	—	28,455	252,522	293,228	574,205
At 31 March 2011 (unaudited)	—	3,630	2,951	5,127	11,708

12. Intangible Assets

	Trademarks (purchased)
	HK$
Cost	
Additions, at 31 March 2011 and 1 April 2011 (unaudited)	134,192
Additions	41,084
At 31 March 2012	175,276
Accumulated amortisation and impairment losses	
Charge for the year, at 31 March 2011 and 1 April 2011 (unaudited)	13,419
Charge for the year	17,528
At 31 March 2012	30,947
Carrying amount	
At 31 March 2012	144,329
At 31 March 2011 (unaudited)	120,773

13. Trade Receivables

As at 31 March 2012 and 31 March 2011, there were no past due trade receivables.

14. Prepayments, Deposits and Other Receivables

Included in the amount was a loan of HK$621,570 to a subsidiary's director which is secured by charges over assets of the subsidiary's director and a third party, interest bearing at 9.5% per annum and repayable on demand.

15. Due From / (to) A Director / A Related Company

The amounts due are unsecured, interest-free and have no fixed repayment terms.

16. Finance Lease Payables

	Minimum lease payments		Present value of minimum lease payments	
	2012	**2011**	**2012**	**2011**
	HK$	**HK$** (unaudited)	**HK$**	**HK$** (unaudited)
Within one year	**121,225**	—	**117,762**	—
Less: Future finance charges	**(3,463)**	—	**N/A**	N/A
Present value of lease obligations	**117,762**	—	**117,762**	—

It is the Group's policy to lease certain of its office equipment under finance leases. The lease term will be expired within 1 year. At 31 March 2012, the average effective borrowing rate was 5%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the office equipment at nominal prices.

All finance lease payables are denominated in Hong Kong dollars.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

17. Deferred Tax Assets

The following are the major deferred tax assets recognised by the Group.

	Tax losses
	HK$
At 1 April 2010, 31 March 2011 (unaudited) and 31 March 2012	(578,004)

18. Share Capital

	2012	2011
		(unaudited)
Authorised:		
50,000 ordinary shares of US$1 each	**US$ 50,000**	US$ 50,000
Equivalent to	**HK$390,000**	HK$390,000
Issued and fully paid:		
1 ordinary share of US$1 each	**US$ 1**	US$ 1
Equivalent to	**HK$ 8**	HK$ 8

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximum the return to the shareholder through the optimisation of the debt and equity balance.

The Group currently does not have any specific policies and processes for managing capital.

19. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

(b) Share-based payment reserve

In August 2010, the Group has adopted a Share Award Scheme as an incentive to attract and retain successful independent financial advisors or consultants who have rendered services to the Group and contributed to the Group's development.

In August 2011, the Group's management approved the grant of a subsidiary's shares to be awarded to designated consultants under the Share Award Scheme at nil consideration. The fair value of the subsidiary's shares granted was HK$261,200.

The share-based payment reserve represents the fair value of the shares granted to consultants under Share Award Scheme recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(o) to the financial statements.

20. Investments in Subsidiaries

Particulars of the subsidiaries as at 31 March 2012 are as follows:

Name	Place of incorporation/ registration	Issued and paid up/ registered capital	Percentage of ownership interest	Principal activities
			Direct	
Harris Fraser (International) Limited	Hong Kong	5,000,000 ordinary share of HK$1 each	100%	Providing investment advisory services and dealing in unit trust/mutual funds and portfolio/fund management services
HF Partners Limited	Hong Kong	302,612 ordinary shares of HK$1 each	99%	Providing insurance advisory services in Hong Kong
Harris Fraser Corporate Services Limited	Hong Kong	500,000 ordinary shares of HK$1 each	100%	Providing corporate services and consulting services in relation to land banking
Jamison Services Limited	Hong Kong	1 ordinary share of HK$1 each	100%	Not yet commenced business
Harris Fraser General Partner Limited	Hong Kong	1 ordinary share of HK$1 each	100%(a)	Not yet commenced business
Capital One Trust Limited	New Zealand	100 ordinary share of US$1 each	100%	Not yet commenced business
Harris Fraser (Australia) Pty Limited	Australia	1 ordinary share of AU$1 each	100%	Providing investment advisory services
Harris Fraser Singapore Pte. Limited	Singapore	75,000 ordinary share of US$1 each	100%	Providing asset management services
晉裕企業管理咨詢(深圳)有限公司	PRC	Registered capital of HK$100,000	100%	Not yet commenced business

(a) Deregistered on 26 July 2012

21. Notes to the Consolidated Statement of Cash Flows

On 31 March 2011 the Group had disposed its subsidiaries, Harris Fraser (Hong Kong) Limited, Harris Fraser (Taiwan) Limited, Harris Fraser (Shanghai) Limited and Harris Fraser Global Corporate Services Limited. On 31 March 2012, the Group had disposed its subsidiary, 佛山市晉裕尊貴理財咨詢有限公司.

Net (liabilities)/assets at the date of disposal were as follows:

	2012	2011
	HK$	HK$ (unaudited)
Property, plant and equipment	—	820,986
Trade receivables	—	40,356
Prepayments, deposits and other receivables	42,409	1,300,536
Due from a director	—	91,273,436
Bank and cash balances	24,107	14,011,603
Trade payables	—	(13,942,931)
Accruals and other payables	(133,559)	(1,031,224)
Due to a director	(197,993)	—
Net (liabilities)/assets disposed of	(265,036)	92,472,762
Non-controlling interests	106,014	—
Gains/(losses) on disposals of subsidiaries	159,022	(89,472,669)
Total consideration – satisfied by cash	—	3,000,093
Net cash outflow arising on disposals:		
Cash consideration received	—	3,000,093
Cash and cash equivalents disposed of	(24,107)	(14,011,603)
	(24,107)	(11,011,510)

22. Lease Commitments

At 31 March 2012 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012	2011
	HK$	HK$ (unaudited)
Within one year	1,330,062	—

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of two years and rentals are fixed over the lease terms and do not include contingent rentals.

23. Related Party Transactions

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2012	2011
	HK$	HK$ (unaudited)
Commission paid to a related company	84,270	—
Legal and professional fees paid to related companies	2,089,600	1,430,699
Losses on disposals of subsidiaries arising from subsidiaries sold to a director	—	89,472,669
Purchases of property, plant and equipment from a related company	406,054	—
Rental expenses paid to related companies	1,325,947	1,033,972

24. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 30 August 2012.

HARRIS FRASER GROUP LIMITED
(Formerly known as Harris Fraser Holdings Limited)

(Incorporated in the British Virgin Islands with limited liability)

Report and Financial Statements
For the year ended 31 March 2011

HARRIS FRASER GROUP LIMITED
(FORMERLY KNOWN AS HARRIS FRASER HOLDINGS LIMITED)
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

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RSM Nelson Wheeler
29th Floor, Caroline Centre, Lee Gardens Two,
28 Yun Ping Road, Hong Kong
T +852 2598 5123 F +852 2598 7230
E contactus@rsmhk.com
W www.rsmhk.com

中瑞岳華(香港)會計師事務所
香港恩平道二十八號利園二期
嘉蘭中心二十九字樓
電話 +852 2598 5123 傳真 +852 2598 7230
電郵 contactus@rsmhk.com
網址 www.rsmhk.com

INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF HARRIS FRASER GROUP LIMITED
(FORMERLY KNOWN AS HARRIS FRASER HOLDINGS LIMITED)
(Incorporated in the British Virgin Islands with limited liability)

We have audited the consolidated financial statements of Harris Fraser Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 25, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

RSM
Audit • Tax • Advisory

INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF HARRIS FRASER GROUP LIMITED
(FORMERLY KNOWN AS HARRIS FRASER HOLDINGS LIMITED)
(Incorporated in the British Virgin Islands with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2011, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

"RSM Nelson Wheeler"
Certified Public Accountants
Hong Kong

1 November 2012

HARRIS FRASER GROUP LIMITED
(FORMERLY KNOWN AS HARRIS FRASER HOLDINGS LIMITED)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011	2010
		HK$	HK$
Revenue	7	**99,426,051**	71,387,338
Cost of service rendered		**(70,620,017)**	(46,810,804)
Gross profit		**28,806,034**	24,576,534
Other income	8	**887,582**	4,294,705
Administrative expenses		**(15,081,648)**	(14,430,889)
Other operating expenses		**(482,361)**	(859,048)
Losses on disposals of subsidiaries	18	**(79,039,829)**	—
(Loss)/profit from operations		**(64,910,222)**	13,581,302
Finance costs – finance lease charges		**(12,907)**	—
(Loss)/profit before tax		**(64,923,129)**	13,581,302
Income tax expense	9	**(2,576,488)**	(2,499,103)
(Loss)/profit for the year	10	**(67,499,617)**	11,082,199
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**(67,499,617)**	11,082,199
(Loss)/profit and total comprehensive income for the year attributable to:			
Owner of the Company		**(67,337,551)**	11,197,029
Non-controlling interests		**(162,066)**	(114,830)
		(67,499,617)	11,082,199

HARRIS FRASER GROUP LIMITED
(FORMERLY KNOWN AS HARRIS FRASER HOLDINGS LIMITED)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2011

	Note	2011	2010
		HK$	HK$
Non-current assets			
Property, plant and equipment	11	**11,708**	798,318
Intangible assets	12	**120,773**	—
Deferred tax assets	13	**578,004**	578,004
		710,485	1,376,322
Current assets			
Trade receivables	14	**4,240,260**	373,254
Prepayments, deposits and other receivables		**494,255**	1,680,385
Due from a director	15	**—**	42,025,725
Due from related companies	15	**93**	118,819
Bank and cash balances		**23,738,134**	75,508,555
		28,472,742	119,706,738
Current liabilities			
Trade payables		**5,120,848**	15,388,663
Accruals and other payables		**7,038,142**	10,803,921
Due to a director	15	**7,185,890**	—
Current tax liabilities		**438,488**	17,991,000
		19,783,368	44,183,584
Net current assets		**8,689,374**	75,523,154
NET ASSETS		**9,399,859**	76,899,476
Capital and reserves			
Share capital	16	**8**	8
Retained profits		**9,435,592**	76,773,143
Equity attributable to owner of the Company		**9,435,600**	76,773,151
Non-controlling interests		**(35,741)**	126,325
TOTAL EQUITY		**9,399,859**	76,899,476

Approved by the Board of Directors on 1 November 2012.

"Joseph Frank Attrux"	*"Yuen Yee NG"*
Director	Director

HARRIS FRASER GROUP LIMITED
(FORMERLY KNOWN AS HARRIS FRASER HOLDINGS LIMITED)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	Attributable to owner of the Company				
	Share capital	Retained profits	Total	Non-controlling interests	Total equity
	HK$	HK$	HK$	HK$	HK$
At 1 April 2009 (unaudited)	8	75,576,114	75,576,122	81,893	75,658,015
Total comprehensive income for the year	—	11,197,029	11,197,029	(114,830)	11,082,199
Dividends paid	—	(10,000,000)	(10,000,000)	—	(10,000,000)
Capital contribution from non-controlling interests	—	—	—	159,262	159,262
At 31 March 2010 and 1 April 2010	8	76,773,143	76,773,151	126,325	76,899,476
Total comprehensive income for the year	—	(67,337,551)	(67,337,551)	(162,066)	(67,499,617)
At 31 March 2011	8	9,435,592	9,435,600	(35,741)	9,399,859

HARRIS FRASER GROUP LIMITED
(FORMERLY KNOWN AS HARRIS FRASER HOLDINGS LIMITED)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011	2010
		HK$	HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(64,923,129)**	13,581,302
Adjustments for:			
Amortisation of intangible assets		**13,419**	—
Depreciation		**405,938**	344,330
Finance costs		**12,907**	—
Losses/(gains) on disposals of property, plant and equipment		**517**	(6,053)
Interest income		**(137,675)**	(117,228)
Losses on disposals of subsidiaries		**79,039,829**	—
Operating profit before working capital changes		**14,411,806**	13,802,351
Increase in trade receivables		**(3,907,362)**	(43,586)
(Increase)/decrease in prepayments, deposits and other receivables		**(158,459)**	14,979
(Increase)/decrease in an amount due from a director		**(58,901,300)**	8,062,225
Decrease/(increase) in amounts due from related companies		**118,726**	(14,310)
Increase/(decrease) in trade payables		**3,675,116**	(10,783,952)
(Decrease)/increase in accruals and other payables		**(2,727,286)**	712,898
Increase in an amount due to a director		**7,185,890**	—
Cash (used in)/generated from operations		**(40,302,869)**	11,750,605
Income taxes refunded		—	73,647
Net cash (used in)/generated from operating activities		**(40,302,869)**	11,824,252
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals of subsidiaries	18	**(11,011,510)**	—
Purchases of property, plant and equipment		**(446,618)**	(451,180)
Additions of intangible assets		**(134,192)**	—
Proceeds from disposals of property, plant and equipment		**—**	12,323
Interest received		**137,675**	117,228
Net cash used in investing activities		**(11,454,645)**	(321,629)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling interests		**—**	159,262
Dividends paid		**—**	(10,000,000)
Finance lease charges paid		**(12,907)**	—
Net cash used in financing activities		**(12,907)**	(9,840,738)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(51,770,421)**	1,661,885
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**75,508,555**	73,846,670
CASH AND CASH EQUIVALENTS AT END OF YEAR		**23,738,134**	75,508,555
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**23,738,134**	75,508,555

HARRIS FRASER GROUP LIMITED
(FORMERLY KNOWN AS HARRIS FRASER HOLDINGS LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

1. General Information

The Company was incorporated in the British Virgin Islands with limited liability. The address of its registered office is P.O. Box 3444, Road Town, Tortola, British Virgin Islands.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 17 to the financial statements.

2. Basis of Preparation of Financial Statements

On 20 September 2011, the Company acquired interest in 100% of Harris Fraser (International) Limited (the "Acquisition") from the controlling shareholder, Ms. Ng Yuen Yee.

As the Company and Harris Fraser (International) Limited were controlled by Ms. Ng Yuen Yee before and after the Acquisition, the Acquisition was accounted for as a business combination of entities under common control. The financial statements of the Group have been prepared based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants, as if the Acquisition had occurred from the date when the combining entities first came under the control of Ms. Ng Yuen Yee.

Details of accounting policy of merger accounting for business combinations under common control are set out in note 4(b).

3. Adoption of New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") that are relevant to its operations and effective for its accounting year beginning on 1 April 2010. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the financial statements of the Group.

4. Significant Accounting Policies

These financial statements have been prepared in accordance with IFRSs issued by the IASB and under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. Significant Accounting Policies (cont'd)

(a) Consolidation (cont'd)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owner of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owner of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

(b) Merger accounting for business combination under common control

The consolidated financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party.

The consolidated statements of comprehensive income and consolidated statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure as at the completion of the acquisition had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

4. Significant Accounting Policies (cont'd)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at annual rates of 20% which is sufficient to write off their cost over their estimated useful lives on a straight-line basis.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Trademarks

Trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 years.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

4. Significant Accounting Policies (cont'd)

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(j) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Commission income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligation

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(m) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

4. Significant Accounting Policies (cont'd)

(m) Taxation (cont'd)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

(n) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(o) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets except deferred tax assets and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. Significant Accounting Policies (cont'd)

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

5. Key Sources of Estimation Uncertainty

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

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives is different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilites. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. Financial Risk Management (cont'd)

(b) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables and amount due from a director, included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that services are rendered to customers with an appropriate credit history. Amounts due from related companies are closely monitored by the directors.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity of the Group's financial liabilities at 31 March 2011 and 31 March 2010 is less than one year.

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments at 31 March

	2011	2010
	HK$	HK$
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**28,452,215**	119,629,428
Financial liabilities:		
Financial liabilities at amortised cost	**19,344,880**	26,192,584

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Revenue

The Group's revenue represents commission income received during the year.

8. Other Income

	2011	2010
	HK$	HK$
Gains on disposals of property, plant and equipment	**—**	6,053
Interest income	**137,675**	117,228
Net foreign exchange gains	**435,792**	4,108,099
Sundry income	**314,115**	63,325
	887,582	4,294,705

HARRIS FRASER GROUP LIMITED
(FORMERLY KNOWN AS HARRIS FRASER HOLDINGS LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

9. Income Tax Expense

	2011	2010
	HK$	HK$
Current tax – Hong Kong Profits Tax		
Provision for the year	**2,576,488**	2,713,000
Deferred tax (note 13)	—	(213,897)
	2,576,488	2,499,103

Hong Kong Profits Tax is provided at 16.5% (2010: 16.5%) based on the estimated assessable profit for the year.

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2011	2010
	HK$	HK$
(Loss)/profit before tax	**(64,923,129)**	13,581,302
Tax at the Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	**(10,712,317)**	2,240,915
Tax effect of income that is not taxable	**(65,409)**	(156,873)
Tax effect of expenses that are not deductible	**13,060,775**	1,617
Tax effect of temporary differences not recognised	**15,052**	(30,266)
Tax effect of tax losses not recognised	**314,344**	436,678
Reversal of deferred tax assets recognised in previous years	**—**	44,815
Under-provision in current year	**(35,957)**	(37,783)
Income tax expense	**2,576,488**	2,499,103

10. (Loss)/Profit for the Year

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	2011	2010
	HK$	HK$
Amortisation of trademarks	**13,419**	—
Auditor's remuneration	**149,358**	91,336
Bad debts written-off	**—**	457,357
Depreciation	**405,938**	344,330
Directors' emoluments		
– As directors	**—**	—
– For management	**1,153,094**	1,533,582
	1,153,094	1,533,582
Losses on disposals of subsidiaries	**79,039,829**	—
Net foreign exchange gains	**(435,792)**	(4,108,099)
Operating lease charges – land and buildings	**2,658,952**	2,750,296
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**8,090,793**	6,926,810
Retirement benefits scheme contributions	**303,185**	244,130
	8,393,978	7,170,940

11. Property, Plant and Equipment

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment	Total
	HK$	HK$	HK$	HK$	HK$
Cost					
At 1 April 2009 (unaudited)	574,165	244,422	157,524	604,717	1,580,828
Additions	—	28,384	5,630	417,166	451,180
Disposals	—	—	(10,452)	—	(10,452)
Written-off	—	—	—	(2,550)	(2,550)
At 31 March 2010 and 1 April 2010	574,165	272,806	152,702	1,019,333	2,019,006
Additions	—	24,959	319,940	101,719	446,618
Written-off	—	—	(1,170)	(15,188)	(16,358)
Disposals of subsidiaries	(574,165)	(293,228)	(466,658)	(1,099,455)	(2,433,506)
At 31 March 2011	—	4,537	4,814	6,409	15,760
Accumulated depreciation					
At 1 April 2009 (unaudited)	229,666	199,133	90,424	363,867	883,090
Charge for the year	114,833	34,309	21,454	173,734	344,330
Disposals	—	—	(4,182)	—	(4,182)
Written-off	—	—	—	(2,550)	(2,550)
At 31 March 2010 and 1 April 2010	344,499	233,442	107,696	535,051	1,220,688
Charge for the year	114,833	18,835	85,188	187,082	405,938
Written-off	—	—	(1,170)	(14,670)	(15,840)
Disposals of subsidiaries	(459,332)	(251,370)	(189,851)	(706,181)	(1,606,734)
At 31 March 2011	—	907	1,863	1,282	4,052
Carrying amount					
At 31 March 2011	—	3,630	2,951	5,127	11,708
At 31 March 2010	229,666	39,364	45,006	484,282	798,318

12. Intangible Assets

	Trademarks (purchased)
	HK$
Cost	
Additions and at 31 March 2011	134,192
Accumulated amortisation and impairment losses	
Charge for the year and at 31 March 2011	13,419
At 31 March 2011	120,773

13. Deferred Tax Assets

The following are the major deferred tax assets recognised by the Group.

	Tax losses
	HK$
At 1 April 2009 (unaudited)	(364,107)
Credit to profit or loss for the year (note 9)	(213,897)
At 31 March 2010 and 31 March 2011	(578,004)

14. Trade Receivables

As at 31 March 2011 and 31 March 2010, there were no past due trade receivables.

15. Due From / (to) A Director / Related Companies

The amounts due are unsecured, interest-free and have no fixed repayment terms.

16. Share Capital

	2011	2010
Authorised:		
50,000 ordinary shares of US$1 each	**US$ 50,000**	US$ 50,000
Equivalent to	**HK$390,000**	HK$390,000
Issued and fully paid:		
1 ordinary share of US$1 each	US$ 1	US$ 1
Equivalent to	**HK$ 8**	HK$ 8

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximum the return to the shareholder through the optimisation of the debt and equity balance.

The Group currently does not have any specific policies and processes for managing capital.

17. Investments in Subsidiaries

Particulars of the subsidiaries as at 31 March 2011 are as follows:

Name	Place of incorporation/ registration	Issued and paid up/ registered capital	Percentage of ownership interest		Principal activities
			Direct	Indirect	
Harris Fraser (International) Limited	Hong Kong	5,000,000 ordinary shares of HK$1 each	100%	—	Providing investment advisory services and dealing in unit trust/ mutual funds and portfolio/fund management services
HF Partners Limited	Hong Kong	300,000 ordinary shares of HK$1 each	100%	—	Providing insurance advisory services in Hong Kong
Harris Fraser Corporate Services Limited	Hong Kong	500,000 ordinary shares of HK$1 each	100%	—	Providing corporate services and consulting services in relation to land banking
Jamison Services Limited	Hong Kong	1 ordinary share of HK$1 each	100%	—	Not yet commenced business
Capital One Trust Limited	New Zealand	100 ordinary shares of US$1 each	100%	—	Not yet commenced business
Harris Fraser (Australia) Pty Limited	Australia	1 ordinary share of AU$1 each	100%	—	Providing investment advisory services
Harris Fraser Singapore Pte. Limited	Singapore	75,000 ordinary shares of US$1 each	100%	—	Providing asset management services
晉裕企業管理咨詢(深圳)有限公司	PRC	Registered capital of HK$100,000	100%	—	Not yet commenced business
佛山市晉裕尊貴理財咨詢有限公司	PRC	Registered capital of RMB1,000,000	—	60%	Providing insurance advisory services in the PRC

18. Notes to the Consolidated Statement of Cash Flows

On 31 March 2011 the Group had disposed its subsidiaries, Harris Fraser (Hong Kong) Limited, Harris Fraser (Taiwan) Limited, Harris Fraser (Shanghai) Limited and Harris Fraser Global Corporate Services Limited.

Net assets at the date of disposal were as follows:

	HK$
Property, plant and equipment	**826,772**
Trade receivables	**40,356**
Prepayments, deposits and other receivables	**3,265,931**
Due from a director	**100,927,025**
Bank and cash balances	**14,011,603**
Trade payables	**(13,942,931)**
Accruals and other payables	**(2,959,834)**
Current tax liabilities	**(20,129,000)**
Net assets disposed of	**82,039,922**
Losses on disposals of subsidiaries	**(79,039,829)**
Total consideration – satisfied by cash	**3,000,093**
Net cash outflow arising on disposals:	
Cash consideration received	**3,000,093**
Cash and cash equivalents disposed of	**(14,011,603)**
	(11,011,510)

19. Lease Commitments

At 31 March 2011 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011	2010
	HK$	**HK$**
Within one year	**—**	1,283,189

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of two years and rentals are fixed over the lease terms and do not include contingent rentals.

20. Related Party Transactions

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2011	2010
	HK$	**HK$**
Legal and professional fees paid to related companies	**2,072,919**	1,092,368
Losses on disposals of a subsidiary arising from subsidiaries sold to a related company	**78,824,333**	—
Losses on disposals of subsidiaries arising from subsidiaries sold to a director	**215,496**	—
Rental expenses paid to related companies	**1,033,972**	1,057,603

21. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 1 November 2012.

Condensed Consolidated Interim Financial Statements of

LEAGUE IGW Real Estate Investment Trust

For the three months ended March 31, 2013 and 2012
(unaudited)

LEAGUE IGW Real Estate Investment Trust

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As at and for the three months ended March 31, 2013 and 2012

LEAGUE IGW REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Financial Position

(Unaudited)

As at	March 31, 2013	December 31, 2012
ASSETS		
Current assets		
Properties held for sale (note 4)	**$ 24,591,445**	$ 30,643,729
Other assets and receivables	**21,888,552**	19,459,559
Accounts receivable	**527,532**	261,830
Cash	**3,834,263**	2,732,539
	50,841,792	53,097,657
Non-current assets		
Income producing properties (note 5)	**121,317,326**	121,366,090
Long-term investments (note 6)	**31,251,449**	33,777,168
Loans receivable from related parties (note 7)	**105,969,001**	101,819,753
Loans receivable	**—**	700,000
	258,537,776	257,663,011
Total assets	**309,379,568**	310,760,668
Unitholders' equity		
Non-controlling interest	**37,295**	41,339
LIABILITIES		
Current liabilities		
Mortgages payable (note 8)	**19,930,974**	20,037,549
Mortgages payable on properties held for sale (note 4)	**11,798,271**	14,566,454
Income priority units (note 9)	**22,387,589**	20,404,872
Loans payable (note 10)	**11,144,552**	9,773,308
Loans payable to related parties (note 7)	**131,182**	582,218
Other liabilities	**571,747**	579,516
Accounts payable	**13,446,142**	17,737,575
	79,410,457	83,681,492
Non-current liabilities		
Mortgages payable (note 8)	**67,684,555**	70,287,599
Income priority units (note 9)	**100,640,802**	93,727,918
Loans payable (note 10)	**19,415,016**	15,569,535
Other liabilities	**1,370,412**	1,389,032
Total liabilities (excluding net assets attributable to unitholders)	**268,521,242**	264,655,576
Net assets attributable to unitholders	**$ 40,821,033**	$ 46,063,753

Commitments and contingencies (note 12)
Subsequent events (note 14)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

LEAGUE IGW REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

For the three months ended March 31	2013	2012
Revenues from income producing properties	**$ 4,528,424**	$ 3,877,650
Interest and other income	**3,594,467**	2,912,515
	8,122,891	6,790,165
Property operating expenses	**1,048,557**	964,893
Realty taxes	**758,895**	668,660
Property management fees	**115,463**	173,526
	1,922,915	1,807,079
Financing costs	**2,541,058**	2,277,115
General and administrative expenses	**782,188**	886,172
	3,323,246	3,163,287
Income from operations	**2,876,730**	1,819,799
Equity income in non-consolidated entities	**1,005,785**	635,700
Losses on disposal of properties	**(38,527)**	(24,734)
Gains (losses) on investments	**1,040,302**	(1,072,999)
Fair value gains	**45,984**	60,757
	2,053,544	(401,276)
Income before impairment losses and distributions to unitholders	**4,930,274**	1,418,523
Impairment loss on loans to related parties (note 7)	**(800,000)**	—
Income before distributions to unitholders	**4,130,274**	1,418,523
Distributions on income priority units and amortization of issuance costs	**(2,796,586)**	(1,228,156)
Distributions to unitholders of IGW REIT Limited Partnership	**—**	(369,720)
Distributions to unitholders of LEAGUE IGW Real Estate Investment Trust	**(4,351)**	(1,835,725)
Common unit issuance costs	**—**	(373,106)
Net income (loss)	**$ 1,329,337**	$(2,388,184)
Other comprehensive income (loss)		
Change in fair value of available-for-sale financial assets	**(3,825,007)**	—
Total comprehensive loss	**$(2,495,670)**	$(2,388,184)
Income (loss) attributable to:		
Common unitholders	**$ 1,151,030**	$(1,987,448)
IGW REIT Limited Partnership	**181,445**	(405,991)
Non-controlling interest	**(3,138)**	5,255
	$ 1,329,337	$(2,388,184)
Total comprehensive loss attributable to:		
Common unitholders	**$(2,153,121)**	$(1,987,448)
IGW REIT Limited Partnership	**(339,411)**	(405,991)
Non-controlling interest	**(3,138)**	5,255
Net loss and comprehensive loss	**$(2,495,670)**	$(2,388,184)

The accompanying notes are an integral part of these condensed consolidated financial statements

LEAGUE IGW REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Changes in Net Assets

(Unaudited)

For the three months ended March 31	2013	2012
Units in LEAGUE IGW Real Estate Investment Trust and IGW REIT Limited Partnership (note 11)		
Balance, beginning of period	**$108,634,862**	$116,886,729
Proceeds of unit offering	**68,003**	7,346,707
Issuance of units under distribution reinvestment plan	**—**	972,343
Redemption of units	**(2,818,192)**	(1,027,878)
Units cancelled	**—**	(45,059)
Balance, end of period	**105,884,673**	124,132,842
Deficit and Accumulated Other Comprehensive Loss		
Balance, beginning of period	**(62,571,108)**	(26,916,631)
Net loss and comprehensive loss	**(2,492,532)**	(2,393,439)
Non-controlling interest	**—**	—
Balance, end of period	**(65,063,640)**	(29,310,070)
Total net assets attributable to unitholders	**$ 40,821,033**	$ 94,822,772
Non-controlling interests		
Balance, beginning of period	**$ 41,339**	$ 86,842
Income (loss) for the year attributable to non-controlling interests	**(3,138)**	5,255
Distributions to non-controlling interests	**(906)**	(3,134)
Acquisition of non-controlling interests	**—**	(12,971)
Balance, end of period	**$ 37,295**	$ 75,992

The accompanying notes are an integral part of these condensed consolidated financial statements.

LEAGUE IGW REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows

(Unaudited)

For the three months ended March 31	2013	2012
Net income (loss)	**$ 1,329,337**	$ (2,388,184)
Adjustments for non-cash items:		
Fair value losses	**(45,984)**	(60,757)
Amortization of deferred financing fees	**465,947**	420,819
Losses on disposal of properties	**38,527**	24,734
(Gains) losses on investments	**(1,328,071)**	1,223,917
Equity income in non-consolidated entities	**(1,005,785)**	(788,864)
Impairment losses on loans to related partes	**800,000**	—
Distributions on income priority units and amortization of unit issuance costs	**2,796,586**	1,228,156
Distributions to unitholders	**4,351**	2,205,445
Changes in non-cash working capital:		
Accounts receivable	**(265,702)**	(458,611)
Other assets and receivables	**(2,428,993)**	1,371,958
Accounts payable and accrued liabilities	**(4,291,433)**	(11,150,460)
Other liabilities	**41,608**	(13,679)
Cash flow used in operating activities	**(3,889,612)**	(8,385,526)
Cash flows from financing activities		
Proceeds from mortgages	**3,727,449**	162,340
Repayments of mortgages	**(9,504,127)**	(1,302,200)
Deferred financing costs	**(221,590)**	(411,108)
Repayments of loan payables	**—**	(1,144,873)
Proceeds of loan payables	**5,271,245**	488,638
Issuance of trust units	**20,453**	6,523,802
Redemption of trust units	**(2,804,442)**	(1,027,878)
Distributions to NCI	**(906)**	(3,134)
Distributions to Limited Partners	**(4,351)**	(1,233,102)
Unit issuance costs	**(430,797)**	(345,818)
Issuance of income priority units	**10,401,677**	7,788,089
Maturity of income priority units	**(1,286,037)**	(1,905,928)
Distributions on income priority units	**(2,552,028)**	(1,228,156)
Repayment of capital lease obligation	**(67,997)**	(62,365)
Advances to related parties	**(451,036)**	(655,492)
Acquisition of NCI	**—**	(12,971)
Cash flow provided by financing activities	**2,097,514**	5,629,844
Cash flows from investing activities		
Purchase of Partners REIT	**(5,351,815)**	—
Sale of Summit REIT	**5,898,304**	—
Distributions from Partners REIT	**485,054**	512,450
Distributions from Summit REIT	**3,025**	—
Proceeds from disposals of properties held for sale	**6,463,646**	1,039,860
Fees on disposals of properties	**(355,144)**	(34,978)
Advances to related parties	**(4,949,248)**	(628,457)
Loans receivable	**700,000**	—
Cash flow provided by investing activities	**2,895,822**	888,875
Increase (decrease) in cash	**1,101,724**	(1,866,806)
Cash, beginning of period	**2,732,539**	4,421,285
Cash, end of period	**$ 3,834,263**	$ 2,554,479
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	**$ 2,220,111**	$ 1,506,978
Acquisition of control of Londondale Shopping Centre Limited Partnership through issuance of limited partnership units		21,600
Issuance of limited partnership units under distribution reinvestment plan		972,343
Convertible income priority units converted to common units	**$ 33,800**	$ 777,847

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. ORGANIZATION OF THE TRUST

LEAGUE IGW Real Estate Investment Trust (the "REIT" or the "Trust") was formed on January 31, 2007, in conjunction with the formation on the same date of IGW REIT Limited Partnership (the "REIT LP"). All of the funds raised by the REIT, except for reserves established to fund redemptions of units, are invested in limited partnership units ("REIT LP units") of the REIT LP. The business of the REIT LP involves the acquisition, development and redevelopment, expansion, improvement, refurbishing, holding, and operating of mid-sized commercial, industrial and multi-family residential properties in Canada. The REIT LP also provides financing to related real estate limited partnerships for the acquisition, development and redevelopment of commercial and residential properties in Canada. The address of the REIT's registered office and principal place of business is 200 – 710 Redbrick Street, Victoria, British Columbia, Canada, V8T 5J3.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34-*Interim Financial Reporting* ("IAS 34") as issued by the International Financial Accounting Standards Board "IASB" using the accounting policies the REIT adopted in its consolidated financial statements as at and for the year ended December 31, 2012, and with additional accounting policies as disclosed below (collectively the "accounting policies"). These statements represent a condensed set of financial statements and accordingly do not include all of the information required for annual financial statements. The accounting policies are based on the International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that were applicable at that time. These accounting policies have been applied consistently to all periods presented in these condensed consolidated financial statements, and have been applied consistently throughout the consolidated entities.

These condensed consolidated financial statements are presented in Canadian dollars, which is the REIT's functional and presentation currency. These condensed consolidated financial statements should be read in conjunction with the REIT's 2012 annual consolidated financial statements.

These condensed consolidated financial statements have been prepared on a going concern basis. The condensed consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of income producing properties and certain financial instruments, which are carried at fair value. The accounting policies set out below have been applied consistently in all material respects.

Effective January 1, 2013, the REIT adopted the following new or amended accounting standards as issued by the IASB: IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements), IFRS 12 (Disclosure of Interests in Other Entities), IFRS 13 (Fair Value Measurement), IAS 19 (Employee Benefits), and the amendments to IAS 1 (Presentation of Financial Instruments) and IFRS 7 (Financial Instruments – Disclosures). The adoption of these standards and amendments did not have a material impact on the condensed consolidated interim financial statements.

The preparation of these condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the REIT's accounting policies. The areas involving a high degree of judgment or complexity are areas where assumptions and estimates are significant to these condensed consolidated financial statements. The critical accounting estimates and judgments have been set out in the REIT's audited consolidated financial statements for the year ended December 31, 2012.

3. ACQUISITION OF CONTROL AND CONSOLIDATION OF IGW REIT LIMITED PARTNERSHIP

Effective July 1, 2008, all of the issued share capital of IGW REIT GP Inc., the general partner of the REIT LP were transferred to the REIT thereby causing a change in control of the REIT LP. As a result, the financial statements of the REIT LP have been consolidated with the REIT effective July 1, 2008.

Purchases of the REIT LP units subsequent to the acquisition of control are accounted for as step acquisitions of the REIT's interest in the REIT LP. As at March 31, 2013, the REIT held an 86% investment in the REIT LP (December 31, 2012 – 86%).

4. PROPERTIES HELD FOR SALE

As of March 31, 2013, the REIT classified the following properties as held for sale because the REIT is committed to a plan to sell these properties in the next twelve months as part of a strategy to exit out of the market of small retail and commercial properties.

- Sobey's Centre, 4820 66th Street, Camrose, Alberta
- Carlton Court, 2805 6th Avenue, Prince Albert, Saskatchewan
- Londondale Shopping Centre, 7604 144th Avenue, Edmonton, Alberta
- Westwinds Shopping Centre, 6200 & 6400 46th Avenue, Taber, Alberta

The condensed consolidated statements of financial position contain the following assets and liabilities related to assets held for sale:

As at	March 31, 2013	December 31, 2012
Income producing properties	**$24,591,445**	$30,643,729
Mortgages payable on properties held for sale	**11,798,271**	14,566,454

5. INCOME PRODUCING PROPERTIES

As at	March 31, 2013	December 31, 2012
Balance, beginning of period	**$121,366,090**	$131,777,606
Reclassified to properties held for sale	**—**	(16,505,659)
Additions to income producing properties	**—**	21,651,635
Disposals of income producing properties	**—**	(7,155,520)
Improvements to income producing properties	**24,975**	301,314
Expenditures of tenant incentives and direct leasing costs	**17,128**	170,589
Amortization of tenant incentives and direct leasing costs	**(78,400)**	(270,703)
Recognition of straight-line rent	**(34,037)**	84,825
Fair value gain (loss)	**21,570**	(8,687,997)
Balance, end of period	**$121,317,326**	$121,366,090

During the three months ended March 31, 2013, no external appraisals were obtained for the REIT's properties. During the year ended December 31, 2012, external appraisals were obtained for 4 of the REIT's properties, with an aggregate fair value of $56,816,000, representing 37% of the fair value of the income producing property portfolio.

The fair values for these properties were determined by applying a capitalization rate to the stabilized net operating income of each property, as determined by the Appraisers. When an appraisal report is not available, the capitalization rates chosen by management were consistent with the range of rates suggested by the Appraisers, with the REIT selecting the appropriate rates based on property type and geographical area. The value of the remainder of the income producing property portfolio was determined internally using the REIT's estimate of stabilized net operating income and capitalization rates, based on guidance of the Appraisers for the properties that were appraised.

Management uses its judgment in determining the extent and frequency of utilizing independent, third-party appraisals to measure the fair value of the REIT's investment property. When appraisals are not performed, the value of income producing properties is determined internally by the REIT using the same assumptions and valuation techniques used by the Appraisers. The value of income producing properties may also be determined based upon recent listing prices or offers received from third parties if management believes these amounts represent reasonable estimates of the fair value of the properties.

The aggregate cost of tenant incentives and direct leasing costs included in income producing properties are recognized as a reduction of rental income over the lease term, on a straight-line basis. As at March 31, 2013, income producing properties included $592,907 (December 31, 2012 – $647,948) of net straight-line rent receivables arising from the recognition of rental revenue on a straight-line basis over the lease term.

2013 dispositions

On January 31, 2013, the REIT completed the sale of the Arbutus Industrial Park, Parksville, British Columbia for a sale price of $2,050,000, realizing a net loss of $55,205 after selling costs of $226,467.

On March 15, 2013, the REIT completed the sale of Seaway Village, Cornwall, Ontario for a sale price of $4,345,000, realizing a net gain of $16,678 after selling costs of $164,378.

6. LONG-TERM INVESTMENTS

As at	March 31, 2013	December 31, 2012
Investments in significantly influenced entities are as follows:		
Partners Real Estate Investment Trust, 3,872,863 units (2012 – 3,196,963) representing a 15.1% interest (2012 – 15.0%)	**$23,801,392**	$18,129,256
Investment transaction costs	**1,668,325**	1,659,823
Gain (loss) on dilution of investment	**(705,859)**	(541,448)
Equity share of accumulated income	**11,518,411**	10,512,626
Distributions received	**(5,684,273)**	(5,196,193)
	30,597,996	24,564,064
Investments in other entities are as follows:		
Summit Industrial Income REIT, 49,140 units (2012 – 8,888,889 units) representing a 0.3% interest (2012 – 13.4%)	**329,238**	8,888,889
Colwood City Centre Limited Partnership, 578,500 units (2012 – 578,500 units) representing a 2.3% interest (2012 – 2.3%)	**204,215**	204,215
Fort St. John Retail Limited Partnership, 60,000 units (2012 – 60,000 units) representing a 2.0% interest (2012 – 2.0%)	**60,000**	60,000
Living Forest One Limited Partnership, 50,000 units (2012 – 50,000 units)	**50,000**	50,000
Eagle Landing Retail Limited Partnership, 10,000 units (2012 – 10,000) representing a 0.1% interest (2012 – 0.1%)	**10,000**	10,000
	653,453	9,213,104
	$31,251,449	$33,777,168

Partners Real Estate Investment Trust ("Partners REIT") is a publicly traded real estate investment trust listed on the Toronto Stock Exchange. The fair value of the REIT LP's investment at March 31, 2013 was $30,208,331 (December 2012 – $24,776,463).

7. LOANS RECEIVABLE FROM (PAYABLE TO) RELATED PARTIES

Loans receivable from related parties consist of the following balances:

As at	Interest Rate	March 31, 2013	December 31, 2012
Colwood City Centre Limited Partnership	11%	**$ 59,887,473**	$ 54,606,032
Colwood City Centre Limited Partnership	10%	**17,682,362**	17,682,362
IGW Residential Capital Limited Partnership	9%	**18,271,744**	18,271,744
IGW Residential Capital Limited Partnership	11%	**11,283,589**	13,297,039
Redux Duncan City Centre Limited Partnership	11%	**20,845,901**	20,025,301
Fort St. John Retail Limited Partnership	11%	**5,446,080**	5,213,386
North Vernon Properties Limited Partnership	11%	**3,854,780**	3,523,889
IGW Mortgage Investment Corporation	8%	**297,072**	—
Impairment loss provision		**(31,600,000)**	(30,800,000)
		$105,969,001	$101,819,753

The parties are related due to common management. The impairment loss was determined based on the present value of estimated future cash flows to be received by the REIT from the related parties, using a weighted average of the original effective interest rates on the loans.

Loans payable to related parties consist of the following balances:

As at	Interest Rate	March 31, 2013	December 31, 2012
IGW Mortgage Investment Corporation	8%	**$ —**	$456,189
Tsawwassen Retail Limited Partnership	8%	**107,458**	126,029
Cygnet Apartments Limited Partnership	10%	**23,724**	—
		$131,182	$582,218

8. MORTGAGES PAYABLE

As at	March 31, 2013	December 31, 2012
Mortgages	**$100,630,861**	$106,407,538
Deferred financing costs, net of accumulated amortization of $ 898,641 (2012 – $ 1,618,215)	**(1,217,061)**	(1,515,936)
	$ 99,413,800	$104,891,602
Non-current	**$ 67,684,555**	$ 70,287,599
Current	**19,930,974**	20,037,549
Held for sale	**11,798,271**	14,566,454
	$ 99,413,800	$104,891,602

Future principal payments on the mortgage payable are as follows:

	At Maturity	Annual Payments	Total
Held for sale	$10,250,037	$1,548,234	$ 11,798,271
Within 1 year	18,049,570	1,881,405	19,930,975
Within 1 – 2 years	49,751,367	1,265,751	51,017,118
Within 2 – 3 years	—	1,117,354	1,117,354
Within 3 – 4 years	16,174,159	592,984	16,767,143
Thereafter	—	—	—
	$94,225,133	$6,405,728	$100,630,861

The mortgages payable are secured by the income producing properties to which they relate. In addition, certain individual guarantees have been provided by the Directors of League Assets Corp. Mortgages payable bear interest at a weighted average interest rate of 6.93% (December 31, 2012 – 6.97%), excluding the deferred financing costs, and range from 2% to 10.5% (December 31, 2012 – 2% to 10.5%). Mortgages payable mature at various dates between 2013 and 2017.

9. INCOME PRIORITY UNITS

	March 31, 2013	December 31, 2012
Class I units, fixed distribution rates from 6% to 10% per annum, maturing 1 to 7 years after issuance	**$ 37,075,241**	$ 35,708,612
Class II units, fixed distribution rates from 4.5% to 9.25% per annum, maturing 1 to 7 years after issuance	**52,744,749**	53,395,628
Class III units, fixed distribution rates from 4.25% to 8.25% per annum, maturing 1 to 7 years after issuance	**731,423**	645,099
Class IV units, fixed distribution rates from 4% to 8% per annum, maturing 1 to 7 years after issuance	**20,264,824**	18,113,781
	110,816,237	107,863,120
Convertible units, fixed distributions from 3.5% to 10% per annum, convertible to Class AAAA units or Class II income priority units 6 months after issuance	**15,443,552**	9,314,829
	126,259,789	117,177,949
Issue costs, net of accumulated amortization of $3,427,456 (2012 – $3,182,898)	**(3,231,398)**	(3,045,159)
	$123,028,391	$114,132,790
Non-current	**$100,640,802**	$ 93,727,918
Current	**22,387,589**	20,404,872
	$123,028,391	$114,132,790

The price at which a convertible unit is converted into Class AAAA units is the lowest issuance price offered within the last six months. The price at which a convertible unit is converted into Class II or Class IV income priority units is $1.00 per unit.

As a result of the maturity feature associated with the income priority units, they have been presented as a liability on the REIT's condensed consolidated statements of financial position. The following is a schedule of maturity dates of income priority units based on the contractual maturity date:

	Unit Maturities	Unit Conversions	Total
Matured	$ 17,056,827	$ —	$ 17,056,827
Within 1 year	5,330,762	15,443,552	20,774,314
Within 1 – 2 years	17,216,334	—	17,216,334
Within 2 – 3 years	5,760,629	—	5,760,629
Within 3 – 4 years	6,507,173	—	6,507,173
Within 4 – 5 years	16,569,472	—	16,569,472
Thereafter	42,375,040	—	42,375,040
	$110,816,237	$15,443,552	$126,259,789

For each fiscal year, from the cash available for distribution by the REIT, the REIT distributes the fixed distribution to the income priority unitholders. An income priority unitholder may give a retraction notice to the REIT whereupon the REIT will redeem the income priority unit for an amount equal to the issue price, less a 5% penalty if the retraction notice is received more than one month prior to maturity, plus any accrued but undistributed fixed distribution payable.

10. LOANS PAYABLE

As at	March 31, 2013	December 31, 2012
Loans payable	**$19,900,000**	$16,000,000
Limited partnership notes	**10,231,333**	8,886,333
Investor promissory notes	**913,219**	886,975
	31,044,552	25,773,308
Debt issuance costs on loans payable, net of accumulated amortization of $167,821 (2012 – $94,060)	**(484,984)**	(430,465)
	$30,559,568	$25,342,843
Non-current	**$19,415,016**	$15,569,535
Current	**11,144,552**	9,773,308
	$30,559,568	$25,342,843

Loans payable

On September 4, 2012 the REIT secured new debt financing with a third party lender for the purpose of refinancing outstanding loans and mortgages. The first advance of $14,000,000 (Facility A) is interest only, bearing interest at the greater of 9% per annum and prime plus 5% per annum. The second advance of $2,000,000 (Facility B) was advanced on September 27, 2012, is interest only, bearing interest at the greater of 9.75% per annum and prime plus 5.75% per annum. The loan matures 23 months from the first advance. The loan is secured by a pledge of investments in Partners REIT and Summit REIT units. Facility B was repaid in full on April 30, 2013.

On February 13, 2013, the REIT secured further debt financing of $3,900,000 from the same third party lender for the purpose of purchasing additional units of Partners REIT. The loan is interest only, bearing interest at the greater of 9% per annum and prime plus 4% per annum. The loan matures February 13, 2015. The loan is secured by units of Partners REIT.

Limited partnership notes

The limited partnership notes bear interest at 6% per annum and are due six months after issuance.

Investor promissory notes

The investor promissory notes bears interest at 12%, compounded quarterly, and are due on demand.

11. UNITS

(a) Authorized units

The REIT is authorized to issue an unlimited number of Class A, Class AA, Class AAA and Class AAAA units, with each unit representing an equal fractional undivided beneficial interest in the net assets of the REIT. While the REIT may issue additional Class A, Class AA or Class AAA units under the conversion rights within certain income priority units, it does not anticipate accepting any further subscriptions.

All units are of the same characteristics with equal rights and privileges, with the exception of the timing of cash redemptions. All units are redeemable at any time at the option of the holders at a defined retraction price.

Class A units and Class AA units can be redeemed at 100% of the retraction price without penalty after 36 months, or at 95% of the retraction price if redeemed before 36 months from the original subscription date. After a retraction notice is received, holders of Class A units are to receive a cash payment no later than 45 days, and holders of Class AA units no later than 90 days. Class AAA and Class AAAA units can be redeemed at the retraction price without penalty after 60 months, or at 95% of the retraction price if redeemed before 36 months, and 97% between the 37th and 60th month, from the original subscription date. After a retraction notice is received, holders of Class AAA units are to receive a cash payment no later than 90 days.

(b) Distribution reinvestment plan

The REIT has a distribution reinvestment plan that allows unitholders to use the monthly cash distributions paid on their existing units to purchase additional units in each respective class. Participants in the distribution reinvestment plan purchase their units at a 3% discount off of the current net asset value per unit.

(c) Outstanding units

A summary of units outstanding at March 31, 2013 is as follows:

Summary	Units	Amount
Class A	46,087,650	$ 50,954,837
Class AA	14,172,173	14,276,874
Class AAA	28,473,840	28,547,339
Class AAAA	2,828,217	2,269,861
	91,561,880	96,048,911
Non-controlling interest, unitholders of the REIT LP	14,450,420	12,435,762
	106,012,300	$108,484,673
Pending Retractions	(2,476,190)	(2,600,000)
	103,536,110	$105,884,673

A summary of unit transactions for all classes of units is as follows:

Class A, AA, AAA, AAAA	Units	Amount
Balance, December 31, 2012	93,685,070	$98,107,133
Unit offering	118,600	68,002
Redemptions of units	(2,241,790)	(2,126,224)
Balance, March 31, 2013	91,561,880	$96,048,911

Non-controlling interest, unitholders of the REIT LP	Units	Amount
Balance, December 31, 2012	15,182,853	$13,127,729
Redemptions of units	(732,433)	(691,967)
Balance, March 31, 2013	14,450,420	$12,435,762

As at March 31, 2013, the REIT had retraction requests from common unitholders for 19,823,936 units with a retraction value of $19,045,331. These retraction requests may be withdrawn by the unitholders at any time. Under the terms of the trust deed, the unitholders are eligible to receive between 93% and 100% of the net asset value per unit (NAV per unit) in effect as at the date of receipt of the retraction request by the REIT.

On a monthly basis, the REIT is required to pay up to a maximum retraction amount determined by taking 0.25% of the net assets, as adjusted in accordance with the terms of the Declaration of Trust, in effect as at the first day of the month. Any amount in excess of this monthly maximum is at the discretion of the Trustees. Management of the REIT has been given the discretion by the Trustees to pay amounts in excess of the maximum, subject to satisfaction of the ongoing working capital requirements of the REIT. Included within other current liabilities at March 31, 2013 is $2,600,000 for the estimated maximum contractual obligation of the REIT over next 12 months.

12. COMMITMENTS AND CONTINGENCIES

(a) *Commitments*

The REIT has guaranteed mortgages on the properties for the following related entities:

- Redux Duncan City Centre Limited Partnership
- Fort St. John Retail Limited Partnership
- IGW Residential Capital Limited Partnership
- Colwood City Centre Limited Partnership
- Wesbrooke Retirement Limited Partnership
- Eagle Landing Development Limited Partnership

These guarantees will remain until the mortgages mature or the properties are purchased by the REIT.

Credit risks arise in the event that the borrowers default on repayment of their debt. To mitigate the risk of default, the REIT has recourse against the borrowers and would thereby have a claim against the underlying property. The estimated amount of debt guaranteed by the REIT, and therefore the maximum exposure to credit risk, is $96,150,000 (December 31, 2012 – $96,900,000). The weighted average remaining term of the guarantees is 13 months (December 31, 2012 – 12 months).

The REIT has also provided a guarantee for $850,000 lease financing for an energy retrofit and metering system and building for the Cowichan District Financial Centre Limited Partnership. This guarantee expires in December 2016, concurrent with the term of the lease.

On October 31, 2012, League Assets Corporation and the REIT provided a guarantee for up to $25 million in respect to promissory notes issued by League Opportunity Fund Ltd, a related party. Both parties to the guarantee are jointly and severally liable for any breach in the terms. As at June 30, 2013, a total of $13.5 million in notes have been issued and further issuances are closed. The guarantee expires in March 2014 concurrent with the maturity of the promissory notes. The guarantee includes a condition requiring the REIT to maintain a minimum net asset balance, as defined within the guarantee, of $145 million. As at the issuance date of the financial statements, the terms of the guarantee, in particular the definition of the minimum net asset balance, are being modified to exclude income priority units.

(b) Contingencies

The REIT is involved in litigation and claims in relation to the income producing properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial position of the REIT.

13. RELATED PARTY TRANSACTIONS

IAS 24 – *Related Party Disclosures* requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. Balances and transactions between the REIT and its subsidiaries, which are related parties of the REIT, have been eliminated on consolidation and are not disclosed in this note.

The REIT has retained League Assets Corp., which is under common control with the General Partner, to provide advisory, asset management, and administration services to the REIT.

(a) *Management agreement*

Under the terms of the management agreement, the REIT has incurred the following fees:

For the three months ended March 31	**2013**	**2012**
Administrative service fees	**$1,219,804**	$ 907,234
Incentive fees	**86,107**	—
Capital appreciation fees	**104,085**	—
Acquisition fees	**390,430**	106,250
Organization and set-up fees	**493,297**	1,226,205
Legal reimbursements	**65,308**	7,623
Transaction fees	**32,925**	—
Expense reimbursements	**61,002**	115,398
	$2,452,958	$2,362,710

Administrative service fees, incentive fees, capital appreciation fees and expense reimbursements are included in profit or loss; acquisition fees are capitalized to income producing properties; organization and set-up fees are capitalized as unit issuance costs; and legal services fees and transaction fees are capitalized as unit issuance costs or expensed as general and administrative fees depending on their nature.

(b) *Related party balances*

The following related party balances have been included in other assets and receivables and (accounts payable):

As at	March 31, 2013	December 31, 2012
Accrued interest on loans receivable from related parties	**$11,589,680**	$ 10,748,194
IGW Capital Ltd.	**3,087,178**	3,052,278
IGW Diversified Redevelopment Fund LP	**1,625,202**	1,480,699
Residences at Quadra Village Limited Partnership	**1,628,199**	1,575,875
Cowichan District Financial Centre Limited Partnership	**224,439**	210,739
League Investment Services Inc	**5,888**	2,374
Place Trans Canadienne Commercial Limited Partnership	**123,297**	122,661
Wesbrooke Retirement Limited Partnership	**—**	48,202
Qwantlen Centre LP	**19,925**	19,925
Channel Crossing LP	**14,640**	14,640
Gatineau Centre Development LP	**128,407**	128,407
League Assets LP	**1,026**	—
League Holding Corp.	**2,455**	—
	$18,450,336	$ 17,403,994
IGW Investments 2 Ltd.	**$ (2,159,206)**	$ (2,129,306)
Eagle Landing Retail Limited Partnership	**(1,529,441)**	(1,529,441)
League Assets Corp.	**(1,398,982)**	(5,674,566)
Member Partners Solar Energy Limited Partnership	**(1,129,652)**	(1,129,652)
IGW Investments Ltd.	**(817,528)**	(805,028)
Wesbrooke Retirement Limited Partnership	**(281,298)**	—
IGW Energy Capital Limited Partnership	**(166,000)**	(250,000)
80 Aberdeen Office Investment Limited Partnership	**(103,000)**	—
	$ (7,585,107)	$(11,517,993)
	$10,865,229	$ 5,886,001

The balances are non-interest bearing and are due on demand. The parties are related due to common management. In the three months ended March 31, 2013, the REIT recorded interest income of $3,558,796 (March 31, 2012 – $2,848,237) on loans receivable from related parties (note 7), which is included in interest and other income.

14. SUBSEQUENT EVENTS

Sales of income producing properties

On April 15, 2013, the REIT completed the sale of Londondale Shopping Centre, Edmonton, Alberta for a sale price of $7,202,218, realizing a net loss of $606 after selling costs of $247,745.

On May 15, 2013, the REIT completed the sale of Sobey's Centre, Camrose, Alberta for a sale price of $7,679,155, realizing a net gain of $36,808 after selling costs of $638,546.

On May 15, 2013, the REIT completed the sale of Carlton Court, Prince Albert, Saskatchewan for a sale price of $4,889,800, realizing a net gain of $25,900 after selling costs of $227,556.

On May 15, 2013, the REIT completed the sale of Westwinds Shopping Centre, Taber, Alberta for a sale price of $6,306,902, realizing a net gain of $54,547 after selling costs of $297,382.

On June 25, 2013, the REIT completed the sale of 1948-1950 Merivale Road, Nepean, Ontario, for a sale price of $3,550,000, realizing a net loss of $263,090 after selling costs of $275,427.

From April through July 2013, the REIT completed the sale of six residential properties in Grande Prairie, Alberta, for total sales proceeds of $927,900, realizing a net loss of $11,332 after selling costs of $44,032.

Substantially all of the proceeds from the disposals listed above were used to repay outstanding mortgage balances, totaling $28,900,000.

LEAGUE group re-organization

Subsequent to March 31, 2013, League Financial Partners Inc. ("LFP") will be facilitating a re-organization and recapitalization of a group of businesses which are directly or indirectly controlled or managed by League Assets Limited Partnership ("LALP"). As part of the re-organization transactions, League Assets Corporation, League Investment Services Inc., League Capital Markets Ltd., and League Opportunity Fund Ltd. will become wholly owned subsidiaries of LFP. LFP will also issue securities to the holders of common and income priority units issued by the REIT and the REIT LP.

A preliminary non-offering prospectus (the "Prospectus") is being filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, to enable LFP to become a reporting issuer pursuant to applicable securities legislation in each of the provinces and territories of Canada, except Québec.

Amounts due from Colwood City Centre LP

On January 30, 2013, Oriana Resource Corporation and Colwood City Centre GP Inc. entered in a letter of intent to pursue a transaction to combine the businesses into a new publicly listed company on the TSX Venture exchange. As part of this transaction, it is expected that the loan receivable from Colwood City Centre Limited Partnership to REIT LP will be exchanged into a fixed number of common and preferred securities in the combined entity. The actual number of shares will be dependent on the negotiation of an Arrangement Agreement between the parties, and the value of the loan outstanding on the closing date. As a result of this transaction, it is expected that REIT LP will hold a controlling stake in the new publicly listed company and, as a result, may be required to consolidate the entity.

League Investment Fund Ltd. Guarantee

On April 30, 2013, League Assets Corp. and the REIT provided a guarantee relating to $1.6 million of promissory notes issued by League Investment Fund Ltd., a related party. Both parties to the guarantee are jointly and severally liable for any breach in the terms.

Consolidated Financial Statements of

LEAGUE IGW Real Estate Investment Trust

For the years ended December 31, 2012, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Trustees of LEAGUE IGW Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of LEAGUE IGW Real Estate Investment Trust, which consolidated comprise the statements of financial position as at December 31, 2012, 2011 and 2010, the consolidated statements of comprehensive loss, changes in net assets and cash flows for each of the years in the three-year period ended December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of LEAGUE IGW Real Estate Investment Trust as at December 31, 2012, 2011, and 2010, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended December 31, 2012 in accordance with International Financial Reporting Standards.

Chartered Accountants
July *, 2013
Victoria, Canada

LEAGUE IGW Real Estate Investment Trust

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For the years ended December 31, 2012, 2011 and 2010

LEAGUE IGW Real Estate Investment Trust

Consolidated Statements of Financial Position

As at December 31	Note	2012	2011	2010
ASSETS				
Current assets				
Properties held for sale	5	**$ 30,643,729**	$ 19,740,410	$ 9,650,898
Other assets and receivables	6	**19,459,559**	11,643,568	20,546,785
Accounts receivable	7	**261,830**	774,940	1,489,022
Cash		**2,732,539**	4,421,285	2,846,511
		53,097,657	36,580,203	34,533,216
Non-current assets				
Income producing properties	8	**121,366,090**	131,777,606	137,860,539
Long-term investments	9	**33,777,168**	23,590,404	22,955,074
Loans receivable from related parties	10	**101,819,753**	99,518,703	85,214,463
Loans receivable	11	**700,000**	900,000	—
		257,663,011	255,786,713	246,030,076
Total assets		**310,760,668**	292,366,916	280,563,292
PARTNERS' EQUITY				
Non-controlling interest		**41,339**	116,735	86,842
LIABILITIES				
Current liabilities				
Mortgages payable	12	**20,037,549**	14,396,013	36,339,357
Mortgages payable on properties held for sale	5	**14,566,454**	9,887,407	4,436,775
Income priority units	13	**20,404,872**	19,655,219	19,585,975
Loans payable	14	**9,773,308**	17,314,281	18,023,421
Loans payable to related parties	10	**582,218**	655,492	2,577,643
Other liabilities	15	**579,516**	420,423	551,658
Accounts payable	16	**17,737,575**	13,581,726	10,674,072
		83,681,492	75,910,561	92,188,901
Non-current liabilities				
Mortgages payable	12	**70,287,599**	58,634,543	52,621,758
Income priority units	13	**93,727,918**	62,085,794	43,477,274
Loans payable	14	**15,569,535**	4,000,000	—
Other liabilities	15	**1,389,032**	1,649,185	1,667,248
		180,974,084	126,369,522	97,766,280
Total liabilities (excluding net assets attributable to unitholders)		**264,655,576**	202,280,083	189,955,181
Net assets attributable to unitholders		**$ 46,063,753**	$ 89,970,098	$ 90,521,269

Commitments and contingencies	24
Subsequent events	26

Approved on the behalf of League IGW Real Estate Investment Trust, by the Directors of IGW REIT GP Inc., the General Partner:

LEAGUE IGW Real Estate Investment Trust

Consolidated Statements of Comprehensive Loss

For the years ended December 31	Note	2012	2011 (restated note 27)	2010 (restated note 27)
Revenues from income producing properties	18	**$ 17,288,600**	$15,746,637	$17,013,978
Interest and other income		**12,611,415**	12,006,787	10,772,438
		29,900,015	27,753,424	27,786,416
Property operating expenses		**4,020,549**	3,552,927	3,690,429
Realty taxes		**2,822,368**	3,131,922	3,391,842
Property management fees		**720,768**	778,343	761,140
		7,563,685	7,463,192	7,843,411
Financing costs	19	**10,736,722**	11,155,163	9,006,779
General and administrative expenses		**4,952,286**	4,724,774	3,054,248
		15,689,008	15,879,937	12,061,027
Income from operations		**6,647,322**	4,410,295	7,881,978
Equity income (loss) in non-consolidated entities		**4,348,540**	2,979,107	(666,907)
Gains (losses) on disposal of properties		**(583,950)**	(912,865)	(2,328,674)
Gains (losses) on investments		**(993,265)**	(218,940)	5,424,486
Fair value gains (losses)	20	**(11,315,156)**	9,978,678	(1,141,169)
		(8,543,831)	11,825,980	1,287,736
Income before impairment losses and distributions		**(1,896,509)**	16,236,275	9,169,714
Impairment losses on loans to related parties	10	**(23,800,000)**	(7,000,000)	—
		(25,696,509)	9,236,275	9,169,714
Distributions on income priority units and amortization of issuance costs		**(9,282,958)**	(7,800,739)	(4,935,575)
Distributions to unitholders of IGW REIT Limited Partnership		**(605,427)**	(1,675,477)	(1,570,019)
Distributions to unitholders of LEAGUE IGW Real Estate Investment Trust		**(3,133,552)**	(6,703,440)	(5,866,189)
Common unit issuance costs		**(774,465)**	(826,297)	(772,012)
Net loss for the year		**$(39,492,911)**	$ (7,769,678)	$ (3,974,081)
Other comprehensive income (loss) in the year				
Change in fair value of available-for-sale financial assets	9	**3,888,889**	—	—
Total comprehensive loss for the year		**$(35,604,022)**	$ (7,769,678)	$ (3,974,081)
Loss attributable to:				
Common unitholders		**$(32,871,629)**	$ (6,419,240)	$ (3,301,502)
IGW REIT Limited Partnership		**(6,637,668)**	(1,392,867)	(751,085)
Non-controlling interest		**16,386**	42,429	78,506
		$(39,492,911)	$ (7,769,678)	$ (3,974,081)
Total comprehensive loss attributable to:				
Common unitholders		**$(29,636,084)**	$ (6,419,240)	$ (3,301,502)
IGW REIT Limited Partnership		**(5,984,324)**	(1,392,867)	(751,085)
Non-controlling interest		**16,386**	42,429	78,506
		$(35,604,022)	$ (7,769,678)	$ (3,974,081)

LEAGUE IGW Real Estate Investment Trust

Consolidated Statements of Changes in Net Assets

For the years ended December 31	Note	2012	2011 (restated note 27)	2010 (restated note 27)
Units of LEAGUE IGW Real Estate Investment Trust and IGW REIT Limited Partnership	17			
Balance, beginning of year		**$116,886,729**	$109,625,793	$108,614,526
Proceeds of unit offering		**16,199,483**	19,694,791	10,496,808
Issuance of units under distribution reinvestment plan		**1,646,121**	3,440,476	2,743,577
Redemption of units		**(25,892,037)**	(15,738,031)	(11,579,719)
Units cancelled		**(205,434)**	(136,300)	(649,399)
Balance, end of year		**108,634,862**	116,886,729	109,625,793
Deficit and Accumulated Other Comprehensive Loss				
Balance, beginning of year		**(26,916,631)**	(19,104,524)	(15,051,937)
Net loss and comprehensive loss		**(35,620,408)**	(7,812,107)	(4,052,587)
Premium paid on acquisition of non-controlling interests		**(34,070)**	—	—
Balance, end of year		**(62,571,109)**	(26,916,631)	(19,104,524)
Total net assets attributable to unitholders		**$ 46,063,753**	$ 89,970,098	$ 90,521,269
Non-controlling interests				
Balance, beginning of year		**$ 116,735**	$ 86,842	$ 126,124
Profit (loss) for the year attributable to non-controlling interests		**16,386**	42,429	78,506
Distributions to non-controlling interests		**(5,852)**	(12,536)	(12,620)
Acquisition of non-controlling interests		**(85,930)**	—	(105,168)
Balance, end of year		**$ 41,339**	$ 116,735	$ 86,842

LEAGUE IGW Real Estate Investment Trust

Consolidated Statements of Cash Flows

For the years ended December 31	2012	2011	2010
Cash flows from operating activities:			
Net loss	**$(39,492,911)**	$ (7,769,678)	$ (3,974,081)
Adjustments for non-cash items:			
Fair value losses (gains)	**10,867,104**	(10,605,959)	584,189
Amortization of deferred financing fees	**2,186,559**	1,067,696	868,440
Losses on disposal of properties	**358,147**	607,528	269,981
Loss (gain) on properties held for sale	**(693)**	932,618	2,615,673
Losses on investments	**963,137**	218,940	(5,638,108)
Equity (income) in non-consolidated entities	**(4,348,540)**	(2,979,107)	666,907
Unrealized loss (gain) and accreted interest on derivatives	**(301,764)**	505,811	213,622
Impairment losses on loans to related parties	**23,800,000**	7,000,000	—
Distributions on income priority units and issuance costs	**9,282,958**	7,800,739	4,935,575
Distributions to limited partners	**3,738,979**	8,378,917	7,436,209
Other net finance costs	**(199,379)**	—	—
Changes in non-cash working capital:			
Accounts receivable	**513,110**	714,082	4,386
Other assets and receivables	**(7,815,991)**	329,423	(202,020)
Accounts payable and accrued liabilities	**4,155,849**	(2,138,965)	1,016,458
Other liabilities	**156,592**	(134,376)	1,752,792
Cash flow provided by operating activities	**3,863,157**	3,927,669	10,550,023
Cash flows from financing activities:			
Bank indebtedness	**(1,421,344)**	(354,066)	973,405
Proceeds from mortgages	**41,875,589**	23,150,000	22,650,000
Repayments of mortgages	**(19,705,843)**	(32,762,805)	(32,571,344)
Deferred financing costs	**(2,576,790)**	(1,893,429)	(771,459)
Repayments of loan payable	**(30,834,247)**	(12,603,363)	(100,000)
Proceeds from loan payable	**37,779,420**	15,701,087	14,598,121
Issuance of limited partnership units	**7,704,109**	10,958,295	8,990,121
Redemption of limited partnership units	**(24,797,887)**	(12,769,319)	(11,584,470)
Distributions to non-controlling interests	**(5,852)**	(12,536)	(12,620)
Distributions to limited partners	**(2,092,859)**	(4,938,441)	(4,959,812)
Unit issuance costs	**(1,820,394)**	(2,033,627)	(1,184,789)
Issuance of income priority units	**48,013,716**	37,996,821	31,228,986
Maturity of income priority units	**(6,268,746)**	(9,979,496)	(1,988,255)
Distributions on income priority units	**(8,645,817)**	(6,444,963)	(3,986,407)
Repayment of finance lease obligation	**(257,652)**	(14,922)	(341,240)
Advances from and repayments to related parties	**(73,274)**	19,456	5,708,414
Cash flow provided by financing activities	**36,872,129**	4,018,692	26,648,651
Cash flows from investing activities:			
Purchase of long-term investments	**(4,953,750)**	(40,000)	(21,076,139)
Distributions from long-term investments	**2,041,277**	2,145,775	1,423,206
Additions to income producing properties	**(21,654,116)**	(1,240,077)	(1,276,665)
Proceeds from disposals of properties	**9,137,784**	13,040,400	9,939,500
Fees on disposals of properties	**(294,177)**	(861,737)	(1,558,772)
Advances to related parties	**(26,901,050)**	(22,590,317)	(26,027,547)
Proceeds from restricted investments	**—**	4,074,369	—
Loans receivable	**200,000**	(900,000)	2,862,077
Cash acquired on acquisition of limited partnership units	**—**	—	167,149
Cash flow used in investing activities	**(42,424,032)**	(6,371,587)	(35,547,191)
Change in cash	**(1,688,746)**	1,574,774	1,651,483
Cash, beginning of period	**4,421,285**	2,846,511	1,195,028
Cash, end of period	**$ 2,732,539**	$ 4,421,285	$ 2,846,511
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	**$ 8,650,565**	$ 8,152,361	$ 7,484,187
Acquisition of control of Londondale Shopping Centre Limited Partnership through issuance of limited partnership units	**21,600**	46,785	156,683
Acquisition of control of 473 Albert St. Office Limited Partnership through issuance of limited partnership units	**—**	—	1,350,004
Issuance of trust units under distribution reinvestment plan	**1,646,121**	3,440,476	2,743,577
Convertible income priority units converted to common units	**$ 8,289,941**	$ 8,689,709	$ —

LEAGUE IGW Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2012, 2011, 2010

1. Organization of the Trust

LEAGUE IGW Real Estate Investment Trust (the "REIT" or the "Trust") was formed on January 31, 2007, in conjunction with the formation on the same date of IGW REIT Limited Partnership (the "REIT LP"). All of the funds raised by the REIT, except for reserves established to fund redemptions of units, are invested in limited partnership units ("REIT LP units") of the REIT LP. The business of the REIT LP involves the acquisition, development and redevelopment, expansion, improvement, refurbishing, holding, and operating of mid-sized commercial, industrial and multi-family residential properties in Canada. The REIT LP also provides financing to related real estate limited partnerships for the acquisition, development and redevelopment of commercial and residential properties in Canada. The address of the REIT's registered office and principal place of business is 200 – 710 Redbrick Street, Victoria, British Columbia, Canada, V8T 5J3.

2. Significant Accounting Policies

The following is a summary of significant accounting policies that are used in the preparation of these consolidated financial statements:

(a) Basis of presentation

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and have been presented in Canadian dollars. The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of income producing properties, assets held for sale and certain financial instruments, which were prepared under the fair value model (as discussed in Note 2(h)). The accounting policies set out below have been applied consistently in all material respects. Standards and guidelines not effective for the current accounting period are described in Note 3.

(b) Basis of consolidation

Subsidiaries are all entities over which the REIT has the power to govern the financial and operating policies generally accompanying an ownership of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is obtained by the REIT. They are deconsolidated from the date that control ceases.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive loss from the effective date of acquisition, and up to the effective date of disposal, as appropriate.

All intercompany transactions, balances, income and expenses have been eliminated, in full, upon consolidation.

(c) Income producing properties

Income producing properties are considered investment properties and consist of land and buildings held primarily to earn rental income, properties that are being constructed, developed, or redeveloped for future use as income producing properties, and for capital appreciation, but are not for sale in the ordinary course of business.

Management determines whether the acquisition of property through the purchase of a corporate vehicle, or directly should be accounted for as an asset purchase or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business; being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the unitholders. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided. Where there are no such items, the transaction is treated as an asset acquisition.

Income producing properties are measured initially at cost. Cost includes all amounts relating to the acquisition, including transaction costs (except transaction costs related to a business combination), and improvement of the properties. All costs associated with upgrading and extending the economic life of the existing facilities, other than ordinary repairs and maintenance, are capitalized to income producing properties. Costs that are directly attributable to income producing properties under development or redevelopment are capitalized. These costs include direct development costs, realty taxes and other costs directly attributable to the development.

Subsequent to initial recognition, income producing properties are measured at fair value, estimated by management and supported by valuations performed by third-party appraisers or available market evidence. Gains or losses arising from changes in fair value of income producing properties are included in profit or loss in the period in which they arise.

The carrying value of income producing properties includes straight-line rent receivable, tenant incentives and direct leasing costs, since these amounts are incorporated in the appraised values of income producing properties.

An income producing property is derecognized upon disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on the derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is included in profit or loss in the period in which the property is derecognized.

Income producing properties are reclassified to assets held for sale when criteria set out below are met.

(d) *Properties held for sale and discontinued operations*

Properties, assets or disposal groups held for sale

Non-current assets and groups of assets and liabilities, which comprise disposal groups, are categorized as assets held for sale where the asset is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be any changes to the plan. Where an asset is acquired with a view to resale, it is classified as a current asset held for sale if the disposal is expected to take place within one year of the acquisition and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition. Retrospective application is not required; therefore, comparative figures will not be adjusted to reflect non-current assets held for sale. The gains or losses arising on a sale of assets (or disposal groups) that does not meet the definition of discontinued operations will be recognized as part of continuing operations while the gains or losses arising on a sale of assets (or disposal groups) that meet the definition of discontinued operations will be reported as part of discontinued operations in the consolidated statements of comprehensive loss.

Discontinued operations

An asset or group of assets will be classified as a discontinued operation when it is a component of an entity that has either been disposed of or is classified as held for sale and represents a separate major line of business, it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or it is a subsidiary acquired exclusively with a view to resell. Gains or losses related to the disposal of discontinued operations are measured based on fair value less cost to sell or on the disposal of the assets. In addition, retrospective application is required; therefore, comparative figures will be changed to reflect discontinued operations.

(e) *Long-term investments*

An associate is an entity over which the REIT has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale. Under the equity method, an investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the REIT's share of the profit or loss and other comprehensive income of the associate. When the REIT's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the REIT's net investment in the associate), the REIT discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the REIT has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the REIT's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the REIT's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in profit or loss.

Investments in associates are tested for impairment when management has determined that indicators of impairment exist. When necessary, the entire carrying amount of an investment in associates (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a subsidiary of the REIT transacts with its associates, profits and losses resulting from the transactions with the associate are recognized in the REIT's consolidated financial statements only to the extent of interests in the associate that are not related to the REIT.

Investments that the REIT does not control or have significant influence are recorded at cost if not quoted in an active market.

(f) *Income taxes*

The REIT is subject to tax under Part I of the Income Tax Act on its income for tax purposes for the period, including net realizable taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the period to the REIT unitholders. The Trustees intend to distribute all taxable income to unitholders and to deduct such distributions for Canadian income tax purposes. Therefore, no provision for income taxes is required on income earned by the Trust.

(g) Revenue recognition

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The REIT has retained substantially all of the risks and rewards of ownership of its income producing properties and therefore, accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased assets. Generally, this occurs on the lease inception date or, when the REIT is required to make additions to the property in the form of tenant improvements which enhances the value of the property, when substantially complete. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. A straight-line rent receivable is included in the carrying amount of the income producing property and is recorded for the difference between the rental revenue recorded and the contractual amount received. Deducted from revenues are the amortization of tenant incentives and direct leasing costs.

Rental revenue also includes percentage participating rents and recoveries of operating expenses, including realty taxes. Percentage participating rents are recognized when tenants' specified sales targets have been met. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the REIT and the amount of income can be measured reliably. Interest income is accrued as it is earned (until such time as the financial asset is classified as non-performing) by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. When a financial asset is identified as non-performing, the accrual of interest is discontinued.

(h) Financial instruments

Financial assets and financial liabilities are recognized when the REIT becomes a party to the contractual provisions of the instrument. Financial instruments and derivatives are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"); 'held to maturity' investments; 'available-for-sale' financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The following table summarizes the REIT's classification and measurement of its financial assets:

Financial asset	**Classification**	**Measurement**
Long-term investments	Available for sale	Amortized cost & fair value
Loans receivable from related parties	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Other assets and receivables	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost

The REIT derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity. Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Generally, the carrying amount of the financial asset is reduced by the impairment loss.

i. Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the REIT manages such investments and makes purchases and sales decisions based on their fair value in accordance with the REIT's risk management or investment strategy.

ii. Available for sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables; (b) held-to-maturity investments; or (c) financial assets at FVTPL. AFS financial assets are measured at fair value through other comprehensive income, except investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

iii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including accounts receivable, cash, and other assets including deposits and amounts held in escrow) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

iv. Effective interest method

The effective interest method is a method of calculating the amortized cost of an instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities and equity instruments

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'. The Trust has no instruments that meet the definition of equity and all liabilities are classified as other financial liabilities, other than embedded derivatives, which are classified as FVTPL.

i. Other financial liabilities

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

(i) Provisions

Provisions are recognized when the REIT has a present obligation (legal or constructive) as a result of a past event, it is probable that the REIT will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(j) Critical judgment in applying accounting policies

i. Income producing properties

In applying the accounting policy relating to income producing properties, judgment is applied in determining the extent and frequency of utilizing independent, third-party appraisals to support management's estimate of the fair value of the REIT's income producing properties.

Third party appraisals are prepared by qualified external valuation professionals who are part of an independent valuation firm not related to the REIT, who employ valuation professionals that are members of the Appraisal Institute of Canada and the Ordre des evaluateurs agrees du Quebec, and who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

When appraisals are not performed, the value of income producing properties is determined internally by the REIT using the similar assumptions and valuation techniques, or other relevant indicators of fair value including recent offers to purchase from third parties or listing prices.

ii. Leases

The REIT makes judgments in determining whether certain leases, in particular tenant leases, are operating or finance leases. The REIT has determined that all of its leases are operating leases.

iii. Financial instruments

The critical judgments inherent in the REIT's accounting policies relating to financial instruments relate to the initial designation of financial instruments into categories (FVTPL, etc.) and to determine the identification of embedded derivatives in certain hybrid instruments that are subject to fair value measurement.

(k) Key accounting estimates and assumptions

The REIT makes estimates and assumptions that affect carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of net loss for the year. Actual results could materially differ from estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the financial statements relate to the following:

i. Income producing properties

The carrying value of income producing properties is impacted by the choice of valuation method used to determine the fair value and the critical estimates and assumptions selected. Significant estimates used in determining the fair value of the REIT's income producing properties includes capitalization rates and net operating income (which is influenced by inflation rates, vacancy rates and standard costs). A change to any one of these inputs could significantly alter the fair value of an income producing property.

ii. Loans receivable from related parties

The valuation of loans receivable from related parties contains significant estimates and assumptions. The related parties' ability to repay the loans contains estimates of the time horizons of the respective projects, ability to secure financing, expenditures required to complete development, pricing and market absorption.

3. Future Accounting Policies

From time to time, the International Accounting Standards Board ("IASB") issues new accounting standards and revises existing accounting standards. The following standards, not yet effective as at the date of these consolidated financial statements and accordingly not applied to these consolidated financial statements, may have a future impact:

Financial instruments

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 and contains requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains or losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010, and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss would generally be recorded in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The REIT is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

Consolidated Financial Statements

IFRS 10 – *Consolidated Financial Statements* ("IFRS 10") builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. IFRS 10 will not have any impact on the REIT's consolidated financial statements.

Joint Arrangements

IFRS 11 – *Joint Arrangements* ("IFRS 11") establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. IFRS 11 will not have any impact on the REIT's consolidated financial statements.

Disclosure of Interests in Other Entities

IFRS 12 – *Disclosure of Interests in Other Entities* ("IFRS 12") provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. IFRS 12 will result in some additional disclosures in the REIT's consolidated financial statements.

Fair Value Measurement

IFRS 13 – *Fair Value Measurement* ("IFRS 13") defines fair value, requires disclosure of fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. IFRS 13 will have no impact on the measurement of the REIT's assets and liabilities; however, additional disclosure will be required.

Employee Benefits

IAS 19 – Employee Benefits ("IAS 19") eliminates the corridor approach, with all changes to the defined benefit obligation and plan assets recognized when they occur. Retrospective application is required with certain exceptions. IAS 19 is effective for annual periods beginning on or after January 1, 2013. IAS 19 will not have any impact on the REIT's consolidated financial statements.

Separate Financial Statements

IAS 27 – *Separate Financial Statements* ("IAS 27") provides guidance on the accounting and disclosure requirements for subsidiaries, jointly controlled entities, and associates in separate, or unconsolidated, financial statements. IAS 27 is effective for annual periods beginning on or after January 1, 2013. IAS 27 will not have any impact on the REIT's consolidated financial statements.

Investments in Associates and Joint Ventures

IAS 28 – *Investments in Associates and Joint Ventures* ("IAS 28") is a revision of the existing standard and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. IAS 28 will not have any impact on the REIT's consolidated financial statements.

4. Acquisition of Control and Consolidation of IGW REIT Limited Partnership

Effective July 1, 2008, all of the issued share capital of IGW REIT GP Inc., the general partner of the REIT LP were transferred to the REIT thereby causing a change in control of the REIT LP. As a result, the financial statements of the REIT LP have been consolidated with the REIT effective July 1, 2008.

Purchases of the REIT LP units subsequent to the acquisition of control are accounted for as step acquisitions of the REIT's interest in the REIT LP. As at December 31, 2012, the REIT held an 86% investment in the REIT LP (2011 – 82%; 2010 – 77%).

5. Properties Held for Sale

As of December 31, 2012, the REIT classified the following properties as held for sale because the REIT is committed to a plan to sell these properties in 2013.

- Arbutus Industrial Park, 1485 Huntley Road, Parksville, British Columbia
- Sobey's Centre, 4820 66th Street, Camrose, Alberta
- Carlton Court, 2805 6th Avenue, Prince Albert, Saskatchewan
- Londondale Shopping Centre, 7604 144th Avenue, Edmonton, Alberta
- Seaway Village, 700-720 14th Street West, Cornwall, Ontario
- Westwinds Shopping Centre, 6200 & 6400 46th Avenue, Taber, Alberta

The consolidated statements of financial position contain the following assets and liabilities related to assets held for sale:

As at December 31	2012	2011	2010
Income producing properties	**$30,643,729**	$19,502,409	$9,650,898
Investment in Cygnet Apartments Limited Partnership	**—**	238,001	—
Properties and investments in associates held for sale	**30,643,729**	19,740,410	9,650,898
Mortgages payable on properties held for sale	**14,566,454**	9,887,407	4,436,775

At December 31, 2011, the investment in Cygnet Apartments Limited Partnership, in which the REIT has a 17.5% interest, was classified as held for sale. Cygnet Apartments Limited Partnership entered into an agreement to dispose of the property, which was completed on January 11, 2012.

6. Other Assets and Receivables

The major components of other assets and receivables are as follows:

As at December 31	2012	2011	2010
Other receivables	**$ 1,160,685**	$ 1,099,409	$ 7,472,879
Due from related parties (note 25)	**17,403,994**	9,268,066	7,967,490
HST/GST receivables	**28,712**	101,643	259,646
Deposits	**258,669**	210,830	151,192
Prepaid expenses	**318,017**	229,713	54,035
Restricted cash	**289,482**	733,907	50,000
Restricted investments	**—**	—	4,591,543
	$19,459,559	$11,643,568	$20,546,785

The restricted investments represented a portfolio of assets held for the repayment of principal and interest amounts on a mortgage payable to Commercial Mortgage Origination Company of Canada. The investments were held by Computershare and were held in securities issued and guaranteed by the federal or provincial governments.

7. Accounts Receivable

As at December 31	2012	2011	2010
Rents receivable	**$ 734,585**	$1,135,359	$ 2,751,916
Accrued operating recoveries (overcharges)	**(65,098)**	95,777	49,979
	669,487	1,231,136	2,801,895
Allowance for doubtful accounts	**(407,657)**	(456,196)	(1,312,873)
	$ 261,830	$ 774,940	$ 1,489,022

The following is an aging analysis of gross rents receivable:

As at December 31	2012	2011	2010
Less than 30 days	**$143,459**	$ 35,955	$ 228,338
Between 31 and 60 days	**41,896**	158,403	124,431
Between 61 and 90 days	**44,561**	12,198	112,857
More than 90 days	**504,669**	928,803	2,286,290
	$734,585	$1,135,359	$2,751,916

The REIT records an allowance for doubtful accounts on tenant rent receivables on a tenant-by-tenant basis and on an individual basis for other receivables, using specific, known facts and circumstances that exist at the time of the analysis.

The changes in the allowance for doubtful accounts were as follows:

As at December 31	2012	2011	2010
Balance, beginning of year	**$ 456,196**	$ 1,312,873	$ 689,445
Bad debt expense, net of recovery	**70,000**	265,876	624,724
Amounts written off	**(118,539)**	(1,122,553)	(1,296)
Balance, end of year	**$ 407,657**	$ 456,196	$1,312,873

8. Income Producing Properties

As at December 31	2012	2011	2010
Balance, beginning of year	**$131,777,606**	$137,860,539	$140,315,360
Reclassified to properties held for sale	**(16,505,659)**	(14,536,000)	(10,410,082)
Additions to income producing properties	**21,651,635**	358,503	24,259,353
Disposals of income producing properties	**(7,155,520)**	(2,225,000)	(16,410,000)
Improvements to income producing properties	**301,314**	13,154	187,898
Expenditures of tenant incentives and direct leasing costs	**170,589**	110,039	457,032
Amortization of tenant incentives and direct leasing costs	**(270,703)**	(294,395)	(242,423)
Recognition of straight-line rent	**84,825**	(115,194)	117,011
Far value gain (loss)	**(8,687,997)**	10,605,960	(413,610)
Balance, end of year	**$121,366,090**	$131,777,606	$137,860,539

During the years ended December 31, 2012 and 2011, external appraisals were obtained for four and six of the REIT's properties, with aggregate fair values of $56,816,000 and $41,025,000, representing 37% and 27% of the fair value of the income producing property portfolio, respectively. During the year ended December 21, 2010 external appraisals were obtained for all of the REIT's income producing properties. The following table outlines the range and weighted average of the capitalization rates used to determine stabilized net operating income for the REIT's properties:

As at December 31	2012	2011	2010
Capitalization rates			
Maximum	**8.75%**	9.25%	9.25%
Minimum	**5.50%**	5.00%	5.00%
Weighted average	**6.81%**	6.83%	7.03%

At December 31, 2012, a 0.50% increase in capitalization rates for income producing properties would decrease fair value by $7.5 million (2011 – $10.6 million; 2010 – $10.1 million) and a 0.50% decrease in capitalization rates would increase fair value by $8.8 million (2011 – $12.3 million; 2010 – $11.7 million.)

The aggregate cost of tenant incentives and direct leasing costs included in income producing properties are recognized as a reduction of rental income over the lease term, on a straight-line basis. As at December 31, 2012, income producing properties included $647,948 (2011 – $1,051,900; 2010 – $1,167,094) of net straight-line rent receivables arising from the recognition of rental revenue on a straight-line basis over the lease term.

2012 dispositions

On January 11, 2012, the General Partner of Cygnet Apartments Limited Partnership sold the income producing property. The REIT had a 17.5% equity ownership interest in this partnership. The remaining assets were distributed to the partners first as a return of capital and secondarily as a distribution, in proportion to their contributed capital.

On April 30, 2012, the REIT completed the sale of a multi-tenant retail development in Brandon, Manitoba for a sale price of $3,850,000. The REIT realized a net loss of $123,779, including selling costs of $130,615.

On July 31, 2012, the REIT completed the sale of the Empire Building, Hamilton, Ontario for a sale price of $1,325,000, realizing a net loss of $74,894 on the sale after selling costs of $65,730.

On December 4, 2012, the REIT completed the sale of the Tiffany Apartments, Victoria, British Columbia for a sale price of $2,650,000, realizing a net loss of $262,640 on the sale after selling costs of $14,932.

During 2012, the REIT disposed of its 100% interest in seven residential properties in Grande Prairie, Alberta for total sale proceeds of $1,905,650. The REIT realized a net loss of $152,346 after selling costs of $92,997.

2011 dispositions

On March 31, 2011, the REIT completed the sale of 843 King Street West, Oshawa, Ontario for a sale price of $4,500,000. The REIT realized a net loss of $611,709, including transaction costs of $551,709, on this transaction. The property was classified as held for sale as at December 31, 2010.

On December 30, 2011, the REIT disposed of its 100% interest in the Fort Saskatchewan Industrial Lands for a sale price of $1,335,500. The REIT realized a net gain of $326,761, including transaction costs of $138,739, on this transaction.

During 2011, the REIT disposed of its 100% interest in six residential properties in Grande Prairie, Alberta for total sale proceeds of $1,404,900. The REIT realized a net loss of $20,389, including transaction costs of $70,289, on these transactions.

2010 dispositions

On July 26, 2010, the REIT disposed of its 100% interest in 1916 Dundas Street, Whitby, Ontario for a sale price of $4,305,000. The REIT realized a net loss of $411,927 including transaction costs of $256,927 on this transaction.

On December 29, 2010, the REIT disposed of its 100% interest in Kensington Centre, 12630 132 Avenue NW, Edmonton, Alberta for a sale price of $10,812,500. The REIT realized a net loss of $1,767,151, including transaction costs of $1,249,651, on this transaction.

During 2010, the REIT disposed of its 100% interest in three residential properties in Grande Prairie, Alberta for total sale proceeds of $622,000. The REIT realized a net loss of $50,194, including transaction costs of $52,194, on these transactions.

2012 acquisitions

On August 2, 2012, a newly established wholly owned limited partnership, IGW Industrial Limited Partnership ("IGW Industrial LP"), purchased an industrial property in LaSalle, Quebec for a purchase price of $15,700,000. On September 27, 2012, IGW Industrial LP purchased an industrial property in Mississauga, Ontario for a purchase price of $4,650,000.

9. Long-term Investments

As at December 31	2012	2011	2010
Investments in significantly influenced entities are as follows:			
Partners REIT, 3,196,963 units (2011 – 3,203,215; 2010 – 3,203,215) representing a 14.3% interest (2011 – 41.3%; 2010 – 41.5%)	**$18,129,256**	$18,172,701	$18,172,701
Investment transaction costs	**1,659,823**	1,659,823	1,659,823
Gain (loss) on dilution of investment	**(541,448)**	425,067	425,067
Equity share of accumulated income	**10,512,626**	6,163,523	3,172,903
Distributions received	**(5,196,193)**	(3,154,925)	(1,105,380)
	$24,564,064	$23,266,189	$22,325,114
Investments in other entities are as follows:			
Cygnet Apartments Limited Partnership, nil, representing 0.0% ownership (2011 – 185,997 units; 2010 – 185,997 units)	**—**	—	345,744
Colwood City Centre Limited Partnership, 578,500 units, representing 2.3% ownership (2011 – 556,000 units; 2010 – 526,000 units)	**204,215**	204,215	174,216
Fort St. John Retail Limited Partnership, 60,000 units, representing 2.0% ownership (2011 – 60,000 units; 2010 – 60,000 units)	**60,000**	60,000	60,000
Living Forest One Limited Partnership, 50,000 units (2011 – 50,000 units; 2010 – 50,000 units)	**50,000**	50,000	50,000
Eagle Landing Retail Limited Partnership, 10,000 units, representing 0.1% ownership (2011 – 10,000; 2010 – nil)	**10,000**	10,000	—
Summit Industrial Income REIT, 11,110,000 units, representing 13.4% ownership (2011 – nil; 2010 – nil)	**8,888,889**	—	—
	9,213,104	324,215	629,960
	$33,777,168	$23,590,404	$22,955,074

On September 27, 2012, a subsidiary of the REIT subscribed to 11,110,000 newly issued units of Summit Industrial Income REIT ("Summit REIT") for a total cost of $5,023,015 inclusive of transaction costs. These shares were subject to trading restrictions and are pledged as security against certain loans. These shares are classified as available for sale and are carried at fair value with changes in fair value recognized in other comprehensive income. As at December 31, 2012, the REIT recognized a gain of $3,888,889 in comprehensive income. On January 28, 2013, Summit REIT consolidated the outstanding units on the basis of a consolidation ratio of one new unit for each 12 pre-consolidation units. Subsequent to the year end, the REIT disposed of the units for total receipts of $6,156,208, and the related $2,000,000 loan was repaid (note 14).

Partners Real Estate Investment Trust ("Partners REIT") is a publicly traded real estate investment trust listed on the Toronto Stock Exchange. On February 10, 2012, Partners REIT obtained approval to consolidate its units on a one for four basis. The number of units presented above reflects post-consolidation units. The fair value of the REIT LP's investment at December 31, 2012 was $24,776,463 (2011 – $23,191,277; 2010 – $22,038,119).

Summarized financial information in respect of the Partners REIT is set out below.

As at and for the year ended December 31	2012	2011	2010
Ownership percentage	**14.3%**	41.3%	41.5%
Total Assets	**$479,068,788**	$265,748,040	$166,405,845
Total Liabilities	**$309,004,264**	$209,341,666	$112,545,497
Revenues	**$ 43,045,555**	$ 28,196,153	$ 19,324,511
Expenses	**$ (15,221,577)**	$ (20,942,723)	$ (14,620,676)
Profit	**$ 27,823,978**	$ 7,253,430	$ 4,703,835

All other investments are carried at cost.

10. Loans Receivable From or Payable To Related Parties

Loans receivable from related parties consist of the following balances:

As at December 31	Interest Rate	2012	2011	2010
Colwood City Centre Limited Partnership	11%	**$ 54,606,032**	$39,049,882	$26,206,548
Colwood City Centre Limited Partnership	10%	**17,682,362**	17,682,362	18,432,362
IGW Residential Capital Limited Partnership	9%	**18,271,744**	18,271,744	18,271,744
IGW Residential Capital Limited Partnership	11%	**13,297,039**	9,385,815	4,020,118
Redux Duncan City Centre Limited Partnership	11%	**20,025,301**	15,172,014	12,938,911
Fort St. John Retail Limited Partnership	11%	**5,213,386**	4,293,229	3,197,557
North Vernon Properties Limited Partnership	11%	**3,523,889**	2,491,086	2,108,792
80 Aberdeen Office Investment Limited Partnership	11%	**—**	15,888	38,431
Miracle Mile Limited Partnership	6%	**—**	156,683	—
Impairment loss provision		**(30,800,000)**	(7,000,000)	—
		$101,819,753	$99,518,703	$85,214,463

The parties are related due to common management. At December 31, 2012, the REIT recorded an impairment loss of $30,800,000 (2011 – $7,000,000; 2010 – $nil), predominantly on the loans receivable from IGW Residential Capital Limited Partnership and Redux Duncan City Centre Limited Partnership. This amount has been recorded on the statement of comprehensive loss as an impairment loss on loans receivable from related parties. The impairment loss was determined based on the present value of estimated future cash flows to be received by the REIT from the related parties, using a weighted average of the original effective interest rates on the loans.

Loans payable to related parties consist of the following balances:

As at December 31	Interest Rate	2012	2011	2010
IGW Mortgage Investment Corporation	8%	**$456,189**	$562,542	$ 518,963
Tsawwassen Retail Limited Partnership	8%	**126,029**	—	—
Cygnet Apartments Limited Partnership	10%	**—**	92,950	331,696
Miracle Mile Limited Partnership	6%	**—**	—	1,726,984
		$582,218	$655,492	$2,577,643

11. Loans Receivable

At December 31, 2012, the REIT LP had a loan receivable of $700,000 (2011 – $900,000; 2010 – $nil) in respect to a vendor take-back mortgage on the sale of 843 King Street to 2267774 Ontario Limited on March 31, 2011. The terms of the loan are interest-only payments, payable monthly at 6%. The full repayment of the principal amount of the loan was received in January 2013.

12. Mortgages Payable

As at December 31	2012	2011	2010
Mortgages	**$106,407,538**	$84,237,793	$93,850,596
Deferred financing costs, net of accumulated amortization of $1,618,215 (2011 – $829,664)	**(1,515,936)**	(1,319,830)	(452,706)
	$104,891,602	$82,917,963	$93,397,890
Non-current	**$ 70,287,599**	$58,634,543	$52,621,758
Current	**20,037,549**	14,396,013	36,339,357
Held for sale	**14,566,454**	9,887,407	4,436,775
	$104,891,602	$82,917,963	$93,397,890

Future principal payments on the mortgage payable are as follows:

	Payments on Maturity	Annual Payments	Total
Held for sale	**$12,829,689**	$1,736,766	$ 14,566,454
2013	**18,049,356**	1,988,193	20,037,549
2014	**52,222,571**	1,423,741	53,646,311
2015	**—**	1,104,383	1,104,383
2016	**13,933,524**	851,533	14,785,058
2017	**2,240,144**	27,639	2,267,783
Thereafter	**—**	—	—
	$99,275,284	$7,132,255	$106,407,538

The mortgages payable are secured by the income producing properties to which they relate. In addition, certain individual guarantees have been provided by the Directors of League Assets Corp. Mortgages payable bear interest at a weighted average interest rate of 6.97% (2011 – 7.31%; 2010 – 6.49%), excluding the deferred financing costs, and range from 2% to 10.5% (2011 – 4.5% to 12%; 2010 – 2.15% to 12%). Mortgages payable mature at various dates between 2013 and 2017.

13. Income Priority Units

As at December 31	2012	2011	2010
Class I units, fixed distribution rates from 6% to 10% per annum, maturing 1 to 7 years after issuance	**$ 35,708,612**	$37,109,733	$39,130,160
Class II units, fixed distribution rates from 4.5% to 9.25% per annum, maturing 1 to 7 years after issuance	**53,395,628**	29,672,811	9,123,358
Class III units, fixed distribution rates from 4.25% to 8.25% per annum, maturing 1 to 7 years after issuance	**645,099**	—	—
Class IV units, fixed distribution rates from 4% to 8% per annum, maturing 1 to 7 years after issuance	**18,113,781**	—	—
PSUs, fixed distribution rate of 11% per annum, maturing July 28, 2011	**—**	—	2,662,050
	107,863,120	66,782,544	50,915,568
Convertible units, fixed distributions from 3.5% to 10% per annum, convertible to Class AAA units or Class II income priority units 6 months after issuance	**9,314,829**	16,940,376	13,439,199
	117,177,949	83,722,920	64,354,767
Issue costs, net of accumulated amortization of $3,182,898 (2011 – $2,545,757; 2010 – $1,189,981)	**(3,045,159)**	(1,981,907)	(1,291,518)
	$114,132,790	$81,741,013	$63,063,249
Non-current	**$ 93,727,918**	$62,085,794	$43,477,274
Current	**20,404,872**	19,655,219	19,585,975
	$114,132,790	$81,741,013	$63,063,249

For each fiscal year, from the cash available for distribution by the REIT, the REIT distributes the fixed distribution to the income priority unitholders. An income priority unitholder may give redemption notice to the REIT whereupon the REIT will redeem the income priority unit for an amount equal to the issue price, less a 5% penalty if the redemption notice is received more than one month prior to maturity, plus any accrued but undistributed fixed distribution payable. Unless and until a redemption notice is given to the REIT, the income priority unit will continue in effect.

The price at which a convertible unit is converted into Class AAA units is the lowest issuance price offered within the last six months. The price at which a convertible unit is converted into Class II income priority units is $1.00 per unit.

As a result of the maturity feature associated with the income priority units, they have been presented as a liability on the REIT's consolidated statements of financial position.

Assuming that there are no early redemptions, the following is a schedule of maturity dates of income priority units:

	Unit Maturities	Unit Conversions	Total
Matured	$ 16,865,995	$ —	$ 16,865,995
2013	3,538,877	9,314,829	12,853,706
2014	16,449,600	—	16,449,600
2015	6,385,784	—	6,385,784
2016	5,334,353	—	5,334,353
2017	16,027,847	—	16,027,847
Thereafter	43,260,664	—	43,260,664
	$107,863,120	$9,314,829	$117,177,949

14. Loans Payable

As at December 31	2012	2011	2010
Loans payable	**$16,000,000**	$12,196,000	$12,242,363
Limited partnership notes	**8,886,333**	2,793,786	—
Credit facility	**—**	1,421,344	1,775,409
Investor promissory note	**886,975**	4,410,138	4,065,728
	25,773,308	20,821,268	18,083,500
Debt issuance costs on loan payable, net of accumulated amortization of $94,060 (2011 – $88,284; 2010 – $297,573)	**(430,465)**	(232,311)	(273,701)
Allocation to embedded derivatives	**—**	(130,850)	(130,850)
Accreted interest	**—**	81,174	75,283
Fair value of embedded derivatives	**—**	775,000	269,189
	$25,342,843	$21,314,281	$18,023,421
Non-current	**$15,569,535**	$ 4,000,000	$ —
Current	**9,773,308**	17,314,281	18,023,421
	$25,342,843	$21,314,281	$18,023,421

Loans payable

On September 4, 2012 the REIT secured new debt financing with a third party lender for the purpose of refinancing outstanding loans and mortgages. The first advance, Facility A, is $14,000,000, interest only, bearing interest at the greater of 9% per annum and prime plus 5% per annum. The second advance, Facility B, was advanced on September 27, 2012, is $2,000,000, interest only, bearing interest at the greater of 9.75% per annum and prime plus 5.75% per annum. The loan matures 23 months from the first advance. The loan is secured by a pledge of investments in Partners REIT and Summit REIT units.

Limited partnership notes

The limited partnership notes bear interest at 6% per annum and are due six months after issuance.

Credit facility

During the year ended December 31, 2012, the REIT's credit facility was repaid in full. The REIT had previously entered into a credit facility with a Canadian chartered bank, providing a maximum amount of up to $1,800,000 consisting of a term loan facility of up to $1,600,000 bearing interest at the bank's prime rate plus 3.95% and a revolving line of credit of up to $200,000 bearing interest at the bank's prime plus 5.00%. The credit facility was secured by a mortgage on one of the REIT's income producing properties. The balance of the term loan at December 31, 2011 was $1,221,344 (2010 – $1,575,409) and the balance of the revolving line of credit at December 31, 2011 was $200,000 (2010 – $200,000).

Investor promissory notes

The investor promissory note bears interest at 12%, compounded quarterly, and is due on demand.

Certain of the investor promissory notes outstanding at December 31, 2011 and 2010 had embedded derivative features whereby the REIT agreed to pay an amount equal to the current market price of Partners REIT's units as of the loan maturity date, less the base price per unit multiplied by the number of Partners REIT units pledged less the total interest paid on the loan. The embedded derivative was classified as a financial liability at FVTPL. At the issuance date, the fair value of the embedded derivative was determined by applying a Monte Carlo option model. The model incorporated the share price at the valuation date of $7.04 post-consolidation and incorporated stock volatility and distribution yield.

The embedded derivatives were not designated as hedging instruments, and as such, the value of the embedded derivative was included in liabilities in the consolidated statements of financial position and changes in fair value were recognized in profit or loss. IAS 39 required the embedded derivative to be revalued at each reporting period.

These loans payable were initially reduced by an amount equal to the fair value of the embedded derivative. The initial amount of the embedded derivative was expensed using the effective interest rate method, with the offsetting amount recorded to financing costs.

15. Other Liabilities

As at December 31	2012	2011	2010
Capital lease obligations	**$1,360,917**	$1,618,569	$1,541,651
Prepaid rents	**298,724**	162,860	335,328
Security deposits	**308,907**	288,179	341,927
	$1,968,548	$2,069,608	$2,218,906
Non-current	**$1,389,032**	$1,649,185	$1,667,248
Current	**579,516**	420,423	551,658
	$1,968,548	$2,069,608	$2,218,906

Capital lease obligations are payable as follows:

As at December 31	2012		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**$ 392,176**	**$111,384**	**$ 280,792**
Between one and five years	**1,245,721**	**165,595**	**1,080,125**
More than five years	**—**	**—**	**—**
	$1,637,897	**$276,979**	**$1,360,917**

As at December 31	2011		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 386,697	$129,045	$ 257,652
Between one and five years	1,612,521	251,604	1,360,917
More than five years	—	—	—
	$1,999,218	$380,649	$1,618,569

As at December 31	2010		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 360,047	$143,717	$ 216,330
Between one and five years	1,705,970	380,649	1,325,321
More than five years		—	—
	$2,066,017	$524,366	$1,541,651

During the year ended December 31, 2011, the REIT entered into capital lease obligations to acquire energy meters at four of its properties. The leases are each for five year terms with varying monthly payments.

16. Accounts Payable

As at December 31	2012	2011	2010
Accounts payable and accrued liabilities	**$ 3,619,582**	$ 3,064,181	$ 5,203,146
Due to related parties (note 25)	**11,517,993**	7,412,533	5,470,926
Redemptions payable	**2,600,000**	3,105,012	—
	$17,737,575	$13,581,726	$10,674,072

17. Units

Authorized units

The REIT is authorized to issue an unlimited number of Class A, Class AA, Class AAA and Class AAAA units, with each unit representing an equal fractional undivided beneficial interest in any distributions from the REIT. While the REIT may issue additional Class A, Class AA or Class AAA units under the conversion rights within certain income priority units, it does not anticipate accepting any further subscriptions.

All units are of the same characteristics with equal rights and privileges, with the exception of the timing of cash redemptions. All units are redeemable at any time at the option of the holders at a defined retraction price. On a monthly basis, the REIT is required to pay up to a maximum retraction amount determined by taking 0.25% of the net assets, as adjusted in accordance with the terms of the Declaration of Trust, in effect as at the first day of the month. Class A units and Class AA units can be redeemed at 100% of the retraction price without penalty after 36 months, or at 95% of the retraction price if redeemed before 36 months from the original subscription date. After a retraction notice is received, holders of Class A units are to receive a cash payment no later than 45 days, and holders of Class AA units no later than 90 days. Class AAA and Class AAAA units can be redeemed at the retraction price without penalty after 60 months, or at 95% of the retraction price if redeemed before 36 months, and 97% between the 37^{th} and 60^{th} month, from the original subscription date. After a retraction notice is received, holders of Class AAA units are to receive a cash payment no later than 90 days.

As at December 31, 2012, the REIT had retraction requests from common unit holders for 21,151,062 units with a retraction value of $20,358,887.

Distribution reinvestment plan

The REIT has a distribution reinvestment plan that allows unitholders to use the monthly cash distributions paid on their existing units to purchase additional units in each respective class. Participants in the distribution reinvestment plan purchase their units at a 3% discount off of the current net asset value per unit.

Outstanding units

A summary of units outstanding at December 31, 2012 is as follows:

Summary	Units	Amount
Class A	47,310,595	$ 52,126,813
Class AA	14,410,969	14,500,774
Class AAA	29,177,194	29,244,885
Class AAAA	2,786,312	2,234,661
	93,685,070	98,107,133
Non-controlling interest, unitholders of the REIT LP	15,182,857	13,127,729
Total outstanding	108,867,927	$111,234,862
Pending retractions	(2,476,190)	(2,600,000)
Total after pending retractions	106,391,737	$108,634,862

A summary of unit transactions for all classes of units is as follows:

Class A, AA, AAA & AAAA	Units	Amount
Balance, January 1, 2010	76,998,053	$ 81,923,432
Unit offering	8,954,082	8,990,121
Issuance of units under distribution reinvestment plan	2,773,625	2,743,577
Redemptions of units	(5,618,791)	(5,556,778)
Units cancelled	(315,883)	(324,952)
Balance, January 1, 2011	82,791,086	87,775,400
Unit offering	18,971,528	19,639,410
Issuance of units under distribution reinvestment plan	3,369,121	3,440,476
Redemptions of units	(11,979,267)	(12,444,927)
Units cancelled	(34,946)	(36,461)
Balance, December 31, 2011	93,117,522	98,373,898
Unit offering	17,545,505	16,177,883
Issuance of units under distribution reinvestment plan	1,604,731	1,646,121
Redemptions of units	(18,476,885)	(17,980,376)
Units cancelled	(105,803)	(110,393)
Balance, December 31, 2012	93,685,070	$ 98,107,133

Non-controlling interest, unitholders of REIT LP	Units	Amount
Balance, January 1, 2010	28,852,222	$26,691,094
Issuance of units as part of a unit exchange	1,462,269	1,506,687
Redemptions of units	(6,055,470)	(6,022,941)
Units cancelled	(339,212)	(324,447)
Balance, January 1, 2011	23,919,809	$21,850,393
Issuance of units as part of a unit exchange	53,390	55,381
Redemptions of units	(3,142,389)	(3,293,104)
Units cancelled	(103,478)	(99,839)
Balance, December 31, 2011	20,727,332	18,512,831
Issuance of units as part of a unit exchange	20,571	21,600
Redemptions of units	(5,467,286)	(5,311,661)
Units cancelled	(97,760)	(95,041)
Balance, December 31, 2012	15,182,857	$13,127,729

18. Revenues from Income Producing Properties

The REIT leases commercial properties under operating leases generally with lease terms of between one and fifteen years. Included in revenues from income producing properties are recoveries from tenants for the year ended December 31, 2012 of $4,330,240 (December 31, 2011 – $4,273,776; December 31, 2010 – $4,908,309), which represents the recovery of common area maintenance costs, realty taxes, insurance, and other permissible recoverable costs. Deducted from revenues are the amortization of tenant incentives and direct leasing costs.

As at December 31, 2012, the REIT is entitled under its non-cancellable tenant operating leases to the following minimum future receipts:

	Within 12 months	2 to 5 years	Beyond 5 years
Operating lease revenue	**$12,159,443**	$33,927,849	$12,930,406

19. Financing Costs

The components of financing costs are as follows:

For the year ended December 31	2012	2011	2010
Contractual interest on mortgages payable	**$ 6,537,459**	$ 6,273,960	$6,788,493
Contractual interest on loans payable	**2,113,106**	2,742,621	1,202,457
Loans fees	**201,361**	519,683	37,656
Fair value changes on embedded derivatives	**(301,764)**	553,811	75,283
Amortization of deferred financing fees and debt issuances	**2,186,560**	1,065,088	902,890
	$10,736,722	$11,155,163	$9,006,779

20. Fair Value Gains (Losses)

The components of fair value gains (losses) are as follows:

For the year ended December 31	2012	2011	2010
Income producing properties and properties held for sale	**$(11,315,156)**	$9,978,678	$ (970,590)
Land impairment	**—**	—	(170,579)
	$(11,315,156)	$9,978,678	$(1,141,169)

21. Capital Management

The REIT defines capital as the aggregate of net assets attributable to unitholders and funded debt. During the year ended December 31, 2012, the REIT's objective (which was unchanged from 2011) was to manage capital to maintain a balance between the following:

- Maintain and improve productive capacity to fund business strategies;
- Ensure stability in distributions;
- Maintain an appropriate debt level so that there are no financial constraints on the use of capital; and
- Safeguard the REIT's ability to continue as a going concern.

The REIT manages its capital structure and makes adjustments to it in light of changes in economic conditions and the productive capacity maintenance requirements of the underlying real estate assets. In order to maintain or modify the capital structure, the REIT may arrange new debt, replace existing debt with new debt of differing characteristics, or issue new units.

The following table outlines the REIT's Debt to Gross Book Value ratio:

As at December 31	2012	2011	2010
Debt			
Mortgages payable	**$104,891,602**	$ 82,917,963	$ 93,397,890
Loans payable	**25,342,843**	21,314,281	18,023,421
Loans from related parties	**582,218**	655,492	2,577,643
Capital lease	**1,360,917**	1,618,569	1,541,651
Total debt	**132,177,580**	106,506,305	115,540,605
Income priority units	**114,132,790**	81,741,013	63,063,249
Total debt and income priority units	**$246,310,370**	$188,247,318	$178,603,854
Gross Book Value of Assets			
Original cost of income producing properties	**$140,621,615**	$112,203,770	$129,227,870
Book value of all other assets	**158,750,849**	160,589,310	142,702,754
Deferred financing fees and debt issuance costs	**1,946,401**	1,552,141	726,407
Total gross book value of assets	**$301,318,865**	$274,345,221	$272,657,031
Debt-to-Gross Book Value (excluding income priority units)	**43.9%**	38.8%	42.4%
Debt-to-Gross Book Value (including income priority units)	**81.7%**	68.6%	65.5%

Original cost of income producing properties represents the historical costs incurred to acquire the REIT's properties.

The REIT has externally imposed capital requirements with a number of lenders. The REIT monitors these requirements as required under the lending agreements to ensure continuing compliance. As at December 31, 2012, the REIT complied with all financial covenants.

22. Financial Instruments

Financial instruments measured at fair value in the statements of financial position are classified based on a three-level hierarchy that reflects the significance of the inputs used when determining the fair value as follows:

Level 1: Determined by reference to quoted prices in active markets for identical assets and liabilities;

Level 2: Determined by using inputs other than the quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3: Determined using inputs that are not based on observable market data.

Fair value is the amount that arm's length parties are willing to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair values of the REIT's financial instruments were determined as follows:

(a) Short-term financial assets and liabilities

The carrying amounts for cash, accounts receivable, other assets and receivables, accounts payable, and the current portion of loans payable and other liabilities approximate their fair values due to the short-term nature of these items.

(b) Long-term investments

The REIT's investment in Summit REIT was recorded using Level 1 inputs. There are no other investments carried at fair value.

(c) Mortgages and loans payable

The fair value of the REIT's mortgages payable was determined by discounting the future cash flows of these obligations using year-end market rates for debt with similar terms and conditions. At December 31, 2012, the fair value of mortgages payable before the effect of deferred financing costs was $96,495,694 (2011 – $80,310,355; 2010 – $92,776,594). The carrying value of the non-current portion of loans payable cannot be determined due to limited market information.

(d) Embedded derivatives

The additional interest component of certain loans payable is an embedded derivative and is classified as a financial liability at FVTPL. The related loans were paid out during the year. The fair value of the embedded derivatives, included in the Level 2 category, is $nil for the year ended December 31, 2012 (2011 – $775,000; 2010 – $269,189).

(e) Loans receivable from (payable to) related parties

The fair value of loans receivable from, and payable to, related parties are not determinable due to limited market information.

23. Risk Management

In the normal course of business, the REIT is exposed to a number of risks that can materially affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Interest rate risk

The REIT is exposed to interest rate risk on its borrowings. The REIT utilizes mortgage and other financing with varying rates and maturities. Interest rates on mortgage renewals and borrowing activities may be significantly different than current rates. The REIT structures its fixed rate financing so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations.

From time-to-time, the REIT may enter into interest rate swap contracts to modify the interest rate profile of its outstanding debt. No such contracts were in place at December 31, 2012.

There is interest rate risk associated with the REIT's revolving credit facility since the interest rate is impacted by changes in the bank rate. There is also interest rate risk associated with the REIT's fixed interest rate and fixed term mortgages due to the requirement to refinance this debt in the year of maturity. The following table outlines the impact of the REIT's annual net income if interest rates at December 31, 2012 would have been 100 basis points higher or lower, calculated on all debts maturing over the next 24 months, with all other variables held constant.

	Impact on Net Income
Mortgages coming due	$ 794,270
Loans payable coming due	257,733
	$1,052,003

Credit risk

The REIT is exposed to credit risk as a lender of financing in the event that a borrower is unable to make the contracted payments. Such risk is mitigated through careful evaluation of the worth of the underlying assets held as security. As at December 31, 2012, the total credit risk related to loans receivable from related parties was $119,223,747 (2011 – $108,786,769; 2010 – $93,181,954).

Credit risk also arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, by ensuring that its tenant mix is diversified, and by limiting its exposure to any one tenant. The maximum credit risk exposure relates to the carrying value of the accounts receivable balance without taking into account any collateral held or other credit enhancements. Collateral held on certain leases are letters of credit or security deposits from the tenants.

For cash, accounts receivable, and restricted cash and investments, the REIT's credit risk is limited to the carrying value on the consolidated statements of financial position. To reduce credit risk, cash and restricted cash and investments are only held at major financial institutions.

Liquidity risk

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they become due. The REIT's approach to managing its obligations is to maintain sufficient resources to meet its obligations when due without undue risk to the REIT.

The REIT's principle liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, planned funding of maintenance and improvements, leasing costs, distributions to unitholders, and property acquisition funding requirements.

These liquidity needs are funded from cash flows from operations, with the exception of debt repayment obligations, property acquisition funding requirements and, in part, distributions to unitholders. These may be funded from refinancing the REIT's maturing debt or obtaining second mortgages on specific properties. The particular features and quality of the underlying properties being financed or refinanced and the debt market parameters existing at the time will affect the success of this strategy. If required, other sources of funding may include disposing of specific properties.

The REIT's financial condition and results of operations would be adversely affected if it were unable to obtain financing/refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

The REIT attempts to mitigate its liquidity risk by staggering the maturities of its debt. As well, the REIT doesn't enter into property acquisitions unless it has secured, or knows that it can secure, the appropriate capital (debt and equity) to fund the particular acquisition.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and the perceived desirability of, such investments. Such illiquidity may limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were required to liquidate a real property investment, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

The following table shows the contractual cash flows (including principal and interest) on all of the REIT's non-derivative financial liabilities as at December 31, 2012:

	2013	2014	2015	2016	Thereafter	Total
Mortgage payable						
Interest	$ 7,071,790	$ 4,289,965	$1,146,429	$ 826,166	$ 43,159	$ 13,377,509
Principal payments	2,590,408	1,840,040	1,428,139	1,188,837	84,901	7,132,325
Balances due on maturity	23,834,511	55,592,522	—	13,933,524	5,914,726	99,275,283
Debentures	—	—	—	—	—	
Interest	1,440,000	1,080,000	—	—	—	2,520,000
Balances due on maturity	—	16,000,000	—	—	—	16,000,000
Accounts and distributions payable	—	—	—	—	—	
and other liabilities	19,706,123	—	—	—	—	19,706,123
Limited partnership notes	9,773,308	—	—	—	—	9,773,308
Income priority units	20,404,872	16,449,600	6,385,784	5,334,353	59,288,511	107,863,120
Total	$84,821,012	$95,252,127	$8,960,352	$21,282,880	$65,331,297	$275,647,668

Industry risk

The REIT operates in the Canadian commercial and residential real estate markets, and is dependent on access to financing. Fluctuations in real estate market values and general industry and economic circumstances affect the amount that can be borrowed, and the terms and conditions under which funds are available. This may limit the REIT's ability to execute its operating and growth plans. The REIT manages this risk by maintaining sufficient resources to meet its obligations without undue risk to the REIT.

Currency risk

The REIT does not have significant foreign currency risk.

24. Commitments and Contingencies

Guarantees

The REIT has guaranteed mortgages on the properties for the following related entities:

- Redux Duncan City Centre Limited Partnership
- Fort St. John Retail Limited Partnership
- IGW Residential Capital Limited Partnership
- Colwood City Centre Limited Partnership
- Wesbrooke Limited Partnership
- Eagle Landing Development Limited Partnership

These guarantees will remain until the mortgages mature or the properties are purchased by the REIT.

Credit risks arise in the event that the borrowers default on repayment of their debt. To mitigate the risk of default, the REIT has recourse against the borrowers and would thereby have a claim against the underlying property. The estimated amount of debt guaranteed by the REIT, and therefore the maximum exposure to credit risk, is $96,900,000 (2011 – $54,550,000; 2010 – $15,700,000). The weighted average remaining term of the guarantees is twelve months (2011 – nine months; 2010 – eleven months).

During the year, the REIT provided a guarantee for $850,000 lease financing for an Enerpro energy retrofit and metering system and building for the Cowichan District Financial Centre Limited Partnership. The initial lease term is 60 months.

On October 31, 2012, League Assets Corp. and the REIT provided a guarantee for up to $25 million in respect to promissory notes issued by League Opportunity Fund Ltd, a related party. Both parties to the guarantee are jointly and severally liable for any breach in the terms. As at June 30, 2013, a total of $13.5 million in notes have been issued and further issuances are closed. The guarantee expires in March 2014 concurrent with the maturity of the promissory notes. The guarantee includes a condition requiring the REIT to maintain a minimum net asset balance, as defined within the guarantee, of $145 million. As at the issuance date of the financial statements, the terms of the guarantee, in particular the definition of the minimum net asset balance, are being modified to exclude income priority units.

Contingencies

The REIT is involved in litigation and claims in relation to the income producing properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial position of the REIT.

25. Related Party Transactions

Balances and transactions between the REIT and its subsidiaries, which are related parties of the REIT, have been eliminated on consolidation and are not disclosed in this note.

The REIT has retained League Assets Corp., which is under common control with the General Partner, to provide advisory, asset management, and administration services to the REIT.

(a) Management agreement

Under the terms of the management agreement, the REIT has incurred the following fees:

For the year ended December 31	2012	2011	2010
Administrative service fees	**$3,579,392**	$2,673,013	$1,911,162
Incentive fees	**145,039**	144,982	2,561,438
Capital appreciation fees	**—**	189,564	—
Renovation management fees	**—**	—	26,000
Acquisition fees	**—**	—	229,258
Organization and set-up fees	**2,147,304**	2,669,680	1,780,606
Legal reimbursements	**113,967**	146,687	413,549
Transaction fees	**106,200**	146,550	—
Expense reimbursements	**464,533**	295,560	113,986
	$6,556,435	$6,266,036	$7,035,999

Administrative services fees, incentive fees, capital appreciation fees and expense reimbursements are included in profit or loss; acquisition fees and renovation management fees are capitalized to income producing properties; organization and set-up fees are capitalized as unit issuance costs; and legal services fees and transaction fees are capitalized as unit issuance costs or expensed as general and administrative fees depending on their nature.

(b) Related party balances

The following related party balances have been included in other assets and receivables and (accounts payable):

As at December 31	2012	2011	2010
Accrued interest on loans receivable from related parties	**$ 10,748,194**	$ 7,326,151	$ 4,004,909
IGW Capital Ltd.	**3,052,278**	1,941,915	1,791,975
IGW Diversified Redevelopment Fund LP	**1,480,699**	—	—
Residences at Quadra Village Limited Partnership	**1,575,875**	—	—
Cowichan District Financial Centre Limited Partnership	**210,739**	—	132,500
League Assets Corp.	**—**	—	2,009,693
League Assets Limited Partnership	**—**	—	—
League Investment Services Inc	**2,374**	—	—
Place Trans Canadienne Commercial Limited Partnership	**122,661**	—	—
Wesbrooke Retirement Limited Partnership	**48,202**	—	28,413
Qwantlen Centre LP	**19,925**	—	—
Channel Crossing LP	**14,640**	—	—
Gatineau Centre Development LP	**128,407**	—	—
	$ 17,403,994	$ 9,268,066	$ 7,967,490
IGW Investments 2 Ltd.	**$ (2,129,306)**	$(1,128,746)	$(1,222,895)
Eagle Landing Retail Limited Partnership	**(1,529,441)**	(1,312,942)	(1,365,847)
League Assets Corp.	**(5,674,566)**	(1,355,226)	—
Member Partners Solar Energy Limited Partnership	**(1,129,652)**	(268,949)	—
IGW Investments Ltd.	**(805,028)**	(635,952)	(508,483)
IGW Energy Capital Limited Partnership	**(250,000)**	(516,547)	(241,204)
Tsawwassen Retail Limited Partnership	**—**	(850,000)	—
Cowichan District Financial Centre Limited Partnership	**—**	(62,500)	—
League Assets Limited Partnership	**—**	—	(1,995,894)
League Investment Services Inc	**—**	—	—
Place Trans Canadienne Commercial Limited Partnership	**—**	(748,260)	(121,260)
Wesbrooke Retirement Limited Partnership	**—**	(515,858)	—
Other	**—**	(17,553)	(15,343)
	$(11,517,993)	$(7,412,533)	$(5,470,926)
	$ 5,886,001	$ 1,855,533	$ 2,496,564

The balances are non-interest bearing and are due on demand. The parties are related due to common management.

The REIT recorded interest income of $12,395,851 (2011 – $11,566,714; 2010 – $9,715,955) on loans receivable from related parties (note 10), which is included in interest and other income.

26. Subsequent Events

Sales of income producing properties

On January 31, 2013, the REIT completed the sale of the Arbutus Industrial Park, Parksville, British Columbia for a sale price of $2,050,000, realizing a net loss of $55,205 after selling costs of $226,467.

On March 15, 2013, the REIT completed the sale of Seaway Village, Cornwall, Ontario for a sale price of $4,345,000, realizing a net gain of $16,678 after selling costs of $164,378.

On April 15, 2013, the REIT completed the sale of Londondale Shopping Centre, Edmonton, Alberta for a sale price of $7,202,218, realizing a net loss of $606 after selling costs of $247,745.

On May 15, 2013, the REIT completed the sale of Sobey's Centre, Camrose, Alberta for a sale price of $7,679,155, realizing a net gain of $36,808 after selling costs of $638,546.

On May 15, 2013, the REIT completed the sale of Carlton Court, Prince Albert, Saskatchewan for a sale price of $4,889,800, realizing a net gain of $25,900 after selling costs of $227,556.

On May 15, 2013, the REIT completed the sale of Westwinds Shopping Centre, Taber, Alberta for a sale price of $6,306,902, realizing a net gain of $54,547 after selling costs of $297,382.

On June 25, 2013, the REIT completed the sale of 1948-1950 Merivale Road, Nepean, Ontario, for a sale price of $3,550,000, realizing a net loss of $263,090 after selling costs of $275,427.

From April through July 2013, the REIT completed the sale of six residential properties in Grande Prairie, Alberta, for total sales proceeds of $927,900, realizing a net loss of $11,322 after selling costs of $44,032.

Substantially all of the net proceeds from the disposals listed above were used to repay outstanding mortgage balances, totaling $34,800,000.

LEAGUE group re-organization

Subsequent to December 31, 2012, League Financial Partners Inc. ("LFP") will be facilitating a re-organization and recapitalization of a group of businesses which are directly or indirectly controlled or managed by League Assets Limited Partnership ("LALP"). As part of the re-organization transactions, League Assets Corporation, League Investment Services Inc., League Capital Markets Ltd., and League Opportunity Fund Ltd. will become wholly owned subsidiaries of LFP. LFP will also issue securities to the holders of common and income priority units issued by the REIT and the REIT LP. A preliminary non-offering prospectus (the "Prospectus") is being filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, to enable LFP to become a reporting issuer pursuant to applicable securities legislation in each of the provinces and territories of Canada, except Québec.

Amounts due from Colwood City Centre LP

On January 30, 2013, Oriana Resource Corporation and Colwood City Centre GP Inc. entered in a letter of intent to pursue a transaction to combine the businesses into a new publicly listed company on the TSX Venture exchange. As part of this transaction, it is expected that the loan receivable from Colwood City Centre Limited Partnership to REIT LP will be exchanged into a fixed number of common and preferred securities in the combined entity. The actual number of shares will be dependent on the negotiation of an Arrangement Agreement between the parties, and the value of the loan outstanding on the closing date. As a result of this transaction, it is expected that REIT LP will hold a controlling stake in the new publicly listed company and, as a result, may be required to consolidate the entity.

League Investment Fund Ltd. Guarantee

On April 30, 2013, League Assets Corp. and the REIT provided a guarantee relating to $1.6 million of promissory notes issued by League Investment Fund Ltd., a related party. Both parties to the guarantee are jointly and severally liable for any breach in the terms.

27. Restatement of Prior Periods

Restated as a result of correction of an error

The REIT previously accounted for common trust unit issuance costs as a reduction to proceeds of unit offerings as presented on the consolidated statements of changes in net assets. As these costs relate to the issuance of common trust units, which are classified as liabilities, the issuance costs should have been recognized in profit or loss.

The following table summarizes the adjustments made to the consolidated statements of comprehensive loss on correction of this error.

	Restated		Previously reported		Effect of correction of an error	
For the years ended December 31	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Common trust unit issuance costs	$ (826,297)	$ (772,012)	$ —	$ —	$(826,297)	$(772,012)
Net loss and comprehensive loss	$(7,620,977)	$(4,090,997)	$(6,794,680)	$(3,318,985)	$(826,297)	$(772,012)

The adjustments made to the consolidated statement of changes in net assets were as follows:

	Restated		Previously reported		Effect of correction of an error	
For the years ended December 31	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Trust Units:						
Unit issuance costs	$ —	$ —	$ (826,297)	$ (772,012)	$ 826,297	$ 772,012
Deficit and Accumulated Other Comprehensive Loss:						
Net loss and comprehensive loss	(7,620,977)	(4,090,997)	(6,794,680)	(3,318,985)	(826,297)	(772,012)
Total net assets attributable to unitholders	$89,970,098	$90,521,269	$89,970,098	$90,521,269	$ —	$ —

Re-presented

The REIT determined that properties previously presented as discontinued operations in 2011 no longer meet the required criteria. As a result, certain line items have been restated in the statement of comprehensive loss, and the related notes to the financial statements. The items restated were as follows:

	Restated		Previously reported		Effect of reclassifications	
For the years ended December 31	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Revenues from income producing properties	$15,746,637	$17,013,978	$13,252,026	$12,214,528	$2,494,611	$ 4,799,450
Interest and other income	12,006,787	10,772,438	12,005,586	10,765,553	1,201	6,885
	27,753,424	27,786,416	25,257,612	22,980,081	2,495,812	4,806,335
Property operating expenses	3,552,927	3,690,429	2,736,168	1,769,129	816,759	1,921,300
Realty taxes	3,131,922	3,391,842	2,642,936	2,576,278	488,986	815,564
Property management fees	778,343	761,140	623,639	539,071	154,704	222,069
	7,463,192	7,843,411	6,002,743	4,884,478	1,460,449	2,958,933
Financing costs	11,155,163	9,006,779	10,290,943	7,806,135	864,220	1,200,644
General and administrative expenses	4,724,774	3,054,248	4,609,885	2,686,081	114,889	368,167
	15,879,937	12,061,027	14,900,828	10,492,216	979,109	1,568,811
Income from operations	4,410,295	7,881,978	4,354,041	7,603,387	56,254	278,591
Equity income (loss) in non-consolidated entities	2,979,107	(666,907)	2,979,107	(666,907)	—	—
Discontinued operations	—	—	(876,364)	(2,337,082)	876,364	2,337,082
Gains (losses) on disposal of properties	(912,865)	(2,328,674)	(607,528)	(269,981)	(305,337)	(2,058,693)
Gains (losses) on investments	(70,239)	5,307,570	(70,239)	5,307,570	—	—
Fair value gains (losses)	9,978,678	(1,141,169)	10,605,959	(584,189)	(627,281)	(556,980)
	11,974,681	1,170,820	12,030,935	1,449,411	(56,254)	(278,591)
Income before impairment losses and distributions	$16,384,976	$ 9,052,798	$16,384,976	$ 9,052,798	$ —	$ —

The REIT has also identified an immaterial adjustment necessary to correct the accounting for non-controlling interest. The REIT has adjusted the gains (losses) on investments and premium paid on acquisition of non-controlling interest for all of the periods presented in these financial statements in order to make this adjustment. Further, a reconciliation of non-controlling interest has been added to the statement of changes in net assets. The correction of these balances did not have any material impact on the REIT's financial statements for current or prior periods.

Condensed Interim Carve-Out Financial Statements of

COLWOOD CITY CENTRE DEVELOPMENT

For the Three Months ended March 31, 2013 and 2012
(unaudited)

COLWOOD CITY CENTRE DEVELOPMENT
FOR THE THREE MONTHS ENDED MARCH 31, 2013
(UNAUDITED)

CONTENTS

COLWOOD CITY CENTRE DEVELOPMENT

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

unaudited (Cdn$)

As at	March 31, 2013	December 31, 2012
ASSETS		
Non-current		
Property under development (Note 2)	**$126,642,376**	$118,065,943
Sales and presentation centre	**1,217,630**	1,238,745
	127,860,006	119,304,688
Current		
Trade and other receivables	**929,297**	1,109,654
Prepaid expenses and deposits	**703,846**	649,954
Cash and cash equivalents	**73,608**	249,077
Restricted cash	**83,740**	70,240
	1,790,491	2,078,925
	$129,650,497	$121,383,613
LIABILITIES AND NET ASSETS		
Liabilities		
Non-current		
Mortgages payable (Note 3)	**$ 350,877**	$ 352,761
Loans payable (Note 4)	**25,140,123**	26,907,833
	25,491,000	27,260,594
Current		
Mortgages payable (Note 3)	**10,527,398**	10,522,848
Loans payable (Note 4)	**6,940,416**	4,263,916
Loans payable to related parties (Note 5)	**74,589,577**	69,298,749
Trade payables and other accrued liabilities	**7,928,217**	5,289,991
Sales deposits	**83,740**	70,240
	100,069,348	89,445,744
	125,560,348	116,706,338
Net Assets	**4,090,149**	4,677,275
	$129,650,497	$121,383,613

Subsequent events (note 8)

The accompanying notes are an integral part of these carve-out financial statements.

APPROVED ON BEHALF OF THE BOARD

COLWOOD CITY CENTRE DEVELOPMENT

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

unaudited (Cdn$)

	For the Three Months Ended March 31,	
	2013	2012
Revenues		
Incidental rental revenues from property under development	**$ 276,131**	$ 192,817
Incidental rental operating expenses from property under development	**(175,796)**	(247,478)
	100,335	(54,661)
Expenses		
General and administrative expenses	**364,103**	236,238
Depreciation expense (sales and presentation centre)	**21,115**	—
	385,218	236,238
Net loss and comprehensive loss	**$(284,883)**	$(290,899)

The accompanying notes are an integral part of these carve-out financial statements.

COLWOOD CITY CENTRE DEVELOPMENT

CONDENSED INTERIM CARVE-OUT STATEMENTS OF CHANGES IN NET ASSETS

unaudited (Cdn$)

	For the Three Months Ended March 31,	
	2013	2012
NET ASSETS		
Balance, beginning of period	**$4,677,275**	$ (921,133)
Net loss and comprehensive loss	**(284,883)**	(290,899)
Net equity changes outside of the Capital City Centre development project (Note 1)	**(302,243)**	(3,305,803)
BALANCE, MARCH 31	**$4,090,149**	$(4,517,835)

The accompanying notes are an integral part of these carve-out financial statements.

COLWOOD CITY CENTRE DEVELOPMENT

CONDENSED INTERIM CARVE-OUT STATEMENT OF CASH FLOWS

unaudited (Cdn$)

	For the Three Months Ended March 31,	
	2013	2012
OPERATING ACTIVITIES		
Net loss and comprehensive loss	**$ (284,883)**	$ (290,899)
Items not affecting cash:		
Amortization of deferred debt issuance costs	**33,104**	140,033
Amortization of sales and presentation centre	**21,115**	—
Net change in non-cash working capital items:		
Trade and other receivables	**180,357**	76,821
Prepaid expenses and deposits	**(53,892)**	105,215
Trade payables and other accrued liabilities	**1,241,341**	1,525,123
Sales deposits	**13,500**	—
Cash flow provided by operating activities	**1,150,642**	1,556,293
FINANCING ACTIVITIES		
Repayment of (proceeds from) mortgages payable	**(1,915)**	9,207,205
Net proceeds from loans payable	**894,925**	4,782,300
Net proceeds from related parties	**5,290,828**	2,377,174
Deferred financing costs	**(14,658)**	(177,255)
Net cash (used by) provided by Limited Partnership	**(302,243)**	(3,305,803)
	5,866,937	12,883,621
INVESTING ACTIVITIES		
Expenditures on property under development	**(7,179,548)**	(14,751,601)
Increase in restricted cash	**(13,500)**	—
	(7,193,048)	(14,751,601)
Change in cash and cash equivalents	**(175,469)**	(311,687)
Cash and cash equivalents, beginning of period	**249,077**	542,099
Cash and cash equivalents, end of period	**$ 73,608**	$ 230,412

Supplemental cash flow information (Note 6)

The accompanying notes are an integral part of these carve-out financial statements.

1. Background and Nature of Operations

Colwood City Centre Limited Partnership (the “Partnership”) is a British Columbia limited partnership formed on January 19, 2007, in which Colwood City Centre GP Inc. is the General Partner. The registered office of the Partnership is located at 200—710 Redbrick Street, Victoria, British Columbia, Canada, V8T 5J3. The principal activity of the Partnership is the construction of the Capital City Centre Development (the “Development”), a multi-phase mixed-use project in the City of Colwood, British Columbia.

Basis and Purpose of preparation

These carve-out financial statements have been prepared solely for the purpose of inclusion in an information circular or prospectus document as part of a recapitalization initiative. Readers are cautioned that these financial statements may not be appropriate for their purposes.

These financial statements have been prepared in accordance to and comply with International Accounting Standards 34-*Interim Financial Reporting* (IAS 34) as issued by the International Financial Accounting Standards Board (IASB) using the same accounting policies the Development adopted in its financial statements as at and for the year ended December 31, 2012. These statements represent a condensed set of financial statements and accordingly do not include all of the information required for annual financial statements. These accounting policies have been applied consistently to all periods presented in these condensed financial statements.

These condensed financial statements are prepared on a going concern basis and are presented in Canadian dollars. The condensed financial statements have been prepared on the historical cost basis. These condensed financial statements should be read in conjunction with the Development’s 2012 annual financial statements.

The preparation of these condensed financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Development’s accounting policies. The areas involving a high degree of judgment or complexity are areas where assumptions and estimates are significant to these condensed financial statements. The critical accounting estimates and judgments have been set out in Note 2 to the Development’s audited financial statements for the year ended December 31, 2012.

Approach and basis for any allocations

These financial statements include only those assets, liabilities, revenues and expenses and cash flows that form part of the Partnership’s Capital City Centre Development project. Any assets, liabilities, revenues and expenses and cash flows that do not form part of the Development are excluded from these financial statements.

In preparing these financial statements, the allocation of assets, liabilities, revenues and expenses to the Development was completed using the specific identification method; with one exception. All cash balances have been included in these financial statements due to their general nature. The net impact of any changes in cash balances with respect to assets, liabilities, revenue and expenses that are excluded from the Development are presented on the statement of changes in net assets as a single line item. The net assets represent the residual of assets that remain after deducting the liabilities.

These financial statements are not necessarily indicative of the results that would be attained if the Development had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results.

Development and financing risks:

During 2007, the Partnership acquired several properties in the City of Colwood, British Columbia, for development. From 2008 to the present time, the Partnership proceeded with pre-development activities including project design, budgeting and applying for zoning changes. The Partnerships ability to recover its investment in property under development is dependent on management’s ability to execute its business plan, which includes the successful financing, development and profitable sale of the project in several phases currently planned through to 2021.

These financial statements have been prepared using International Financial Reporting Standards applicable to an active development property, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations.

The conditions and events necessary for the Development to execute its business plan, including matters described below, involve risk proportional to the size of each phase of the project and the length of the development period. The Development’s ability to continue with its active development project is dependent on managements ability, in the short term to:

- raise sufficient equity;
- obtain the necessary funding to continue development of the first phase of its development project;

- successfully obtain construction financing at reasonable rates to further fund the first phase of its development project through to completion; and
- successfully generate profitable sales of the Phase I completed units and timely receipt of funds to allow the Development to both repay existing debt and continue its development activities.

A significant portion of the financing for this project is currently being provided by IGW REIT Limited Partnership ("IGW REIT LP").

The Development believes it will be successful in raising the funding required for the project through a recapitalization program which includes additional equity and debt offerings, construction financing, proceeds from the sale of constructed residential units, or by securing other sources of funding in sufficient amounts at reasonable rates to complete its planned development activities. The long-term nature of the project means that it will be exposed to more than one business cycle and this market risk will need to be managed accordingly. To date, the Partnership and Development have met all of its financing requirements.

The General Partner has proposed a transaction to transfer the Development's real estate assets and associated debt into a capital pool corporation ("CPC") for share consideration. Mortgages will be assumed by the CPC, and the Development's debt (refer to Notes 5 and 6) will either be assumed by the CPC or converted into the CPC's common and preferred shares. Related party loans (Note 7) payable to IGW REIT LP will be converted equally between preferred shares and common shares. Additional common shares will be issued to the Partnership for the Development's net asset value. The proposed transaction is subject to regulatory approval.

There is significant development and financing risk because the Development is required to obtain further financing, including senior construction financing, in order to complete construction of the first phase of its development project, and accordingly there is significant uncertainty about the ability of the Development to continue with its property development activities. These financial statements do not include any adjustments to the carrying value of the assets and liabilities that would be necessary if the active development assumption were not appropriate.

Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning January 1, 2013. The Development adopted these policies effective January 1, 2013 with no material impact to the financial statements

Financial Instruments

IFRS 9 – *Financial Instruments* ("IFRS") was issued by the IASB in November 2009 and contains requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investments; however, other gains or losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010, and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss would generally be recorded in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The development is currently evaluating the impact of IFRS 9 on its financial statements.

2. Property Under Development

Property under development is the Partnership's Capital City Centre Development project, which is located in the City of Colwood, British Columbia. Over the next 20 years Capital City Centre will be developed in multiple phases on nearly 14 acres of land and has zoning approval for up to 3.8 million square feet of mixed-use space upon completed build out.

Property under development includes land acquisition costs, all direct development and construction costs, interest on debt, and directly related expenses of the Development. Incidental revenue and expense during the development and construction phases is recognized as incidental revenue and expenses through profit or loss. Property under development includes:

As at	March 31, 2013	December 31, 2012
Land	**$ 34,754,408**	$ 34,754,408
Direct costs	**47,537,585**	41,972,081
Interest	**41,490,979**	38,570,967
Property taxes	**2,859,404**	2,768,487
Balance, end of period	**$126,642,376**	$118,065,943

The property under development has been pledged as security for mortgage financing, as described in Note 5.

During the period ended March 31, 2013, the Development incurred $2,920,012 (March 31, 2012: $2,272,961) of interest on mortgages and loans which has been capitalized to property under development.

3. Mortgages Payable

The mortgages are secured by charges against individual parcels comprising property under development and shareholders of the Partnership's General Partner have provided certain repayment guarantees.

As at	March 31, 2013	December 31, 2012
Mortgage payable, 12.0% (2012: 8%), due on demand, interest only monthly installments, representing a 1st and 2nd charge	**$ 7,271,671**	$ 7,271,671
Mortgage payable, 2.75% over prime (minimum 5.5%), due on September 1, 2013 , interest only, monthly installments, representing a 1st and 2nd charge	**3,263,991**	3,264,083
Mortgage payable, 3.29% maturing April 20, 2017, monthly installments of principal plus interest, representing a 1st charge	**358,323**	360,147
Deferred financing costs, net of accumulated amortization	**(15,710)**	(20,292)
	$ 10,878,275	$ 10,875,609

Mortgages payable are comprised as follows:	March 31, 2013	December 31, 2012
Non-current mortgages payable	**$ 350,877**	$ 352,761
Current mortgages payable	**10,527,398**	10,522,848
	$ 10,878,275	$ 10,875,609

As at March 31, 2013, the Development was in arrears on certain of its property tax obligations and, as such, is in default of the covenants on certain of its mortgages payable, making them payable on demand.

4. Loans Payable

During the three months ended March 31, 2013, $894,925 (March 31, 2012: $5,291,500) of debentures payable were issued by the Partnership on behalf of the Development with interest rates varying from 11% to 12% and terms of 18 months to 36 months. During the three months ended March 31, 2013, $287,000 (March 31,2012 – $706,500) of debentures matured and were repaid.

As at	March 31, 2013	December 31, 2012
Term notes, 12.0%, 18 month term	**$ 2,971,416**	$ 3,408,416
Class B, 11.0%, 36 month term	**11,959,505**	11,718,580
Class I, 11.5%, 18 month term	**1,837,000**	1,627,000
Class II, 12.0%, 24 month term	**11,990,146**	11,109,146
Class M, 11.0%, 30 month term	**3,500,000**	3,500,000
	32,258,067	31,363,142
Less: current portion	**(6,940,416)**	(4,263,916)
Less: deferred finance charges	**(177,528)**	(191,393)
	$25,140,123	$26,907,833

The Term notes, Class I and Class II notes rank pari passu with each other but rank subordinate in priority to the mortgages and other security securing mortgages described in Note 5 and the Class B and M notes. The Class B and M notes rank subordinate in priority to the mortgages and other collateral securing the mortgages described in Note 5. The Partnership maintains the right to repay all of the above term notes without premium or penalty on any date after the first anniversary date of the issue date of the related term note.

The Class B, Class I and Class II notes include a right to apply the principal, including accrued and unpaid interest, to the purchase price of a residential condominium unit upon the consummation of a sale, in the event the holder buys a unit. This feature provides that the noteholder will receive $1.10 towards their deposit on the condominium unit for each $1.00 of principal and accrued interest. Interest will no longer accrue from the date of the purchase and sale agreement in the event of conversion. No such conversion rights have been exercised.

5. Loans Payable and Transactions with Related Parties

League Assets Corp.

The Partnership has retained League Assets Corp. ("League"), a company under common control with the Partnership's General Partner, to provide advisory, asset management, and administration services. The balance payable to League representing the fees payable is unsecured, without stated repayment terms and bears interest at prime plus 4.0%. Under the terms of the Partnership's existing management agreement, League is entitled to receive from the Partnership an annual administrative services fee equal to 1.0% of the aggregate amount of the capital contributions for the Class A common units and proceeds from issued debentures, an organization and set-up fee (unit issue costs) equal to 6.5% of the aggregate amount of capital contributions during the period for the Class A units, and a loan fee equal to 6.5% of the aggregate amount of debentures raised during the period. Upon completion of the transaction with the CPC, the Development will be subject to a new administration and development agreement with League for similar services.

In addition, League is entitled to incentive management fees being, in general, 20%, rising to 50% after specified returns have been made to the limited partners, of amounts paid to the limited partners, in excess of the original capital contributions and a 10% per annum return thereon. No incentive fees were earned during the period ended March 31, 2013.

The Development incurred the following fees for services provided by League:

For the three months ended	March 31, 2013	March 31, 2012
Administrative services fees	**$252,241**	$206,883
Loan fees	**91,049**	225,879
Development management fees	**395,215**	287,429
	$738,505	$720,191

Included in trade payables and accrued liabilities at March 31, 2013 is $1,158,612 (December 31, 2012: $329,823) due to League.

Loan fees are included in the calculation of the effective interest rate and generally capitalized to the property under development; interest charged on outstanding invoices are included in profit or loss; development management fees are capitalized to property under development; administrative services fees are allocated to profit or loss and property under development based on the services provided; organization and set up fees are capitalized as unit issuance costs or expensed as general and administrative fees depending on their nature

IGW REIT Limited Partnership

The amounts advanced from IGW REIT LP are unsecured, interest bearing at 10% and 11% and have no specified terms of repayment. The parties are related due to common management.

Included in loans payable to related parties are amounts due to IGW REIT LP and other related entities. These amounts are unsecured and consist of the following:

As at	March 31, 2013	December 31, 2012
IGW REIT LP, 11.0%, no stated terms of repayment	**$50,643,363**	$45,582,755
IGW REIT LP, 10.0%, no stated terms of repayment	**23,515,621**	23,079,618
League Assets Corporation	**445,626**	651,409
Colwood Triump LP	**(10,033)**	(10,033)
IGW Mortgage Investment Corporation	**(5,000)**	(5,000)
	$74,589,577	$69,298,749

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

6. Supplemental Cash Flow Information

The following table outlines the supplemental cash flow information of the Development:

Period ended	March 31, 2013	March 31, 2012
Cash interest paid	**$1,204,481**	$1,862,329

7. Financial Instruments

The carrying values of cash and cash equivalents, trade and other receivables, and trade payables and accrued liabilities, approximate their fair values due to the relatively short periods to maturity of these items.

It is not practical to determine the fair value of loans payable to related parties as comparative market information is not readily available.

The carrying values of the Development's mortgages payable and loans payable approximate their fair values due to the relatively short periods to maturity or demand nature of these items, or because they were recently obtained and reflect current market conditions.

The following table shows the contractual cash flows (including principal and interest) on all of the Developments non-derivative financial liabilities:

March 31, 2013	Contractual Cash Flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years
Financial liabilities					
Mortgages payable	$ 10,895,901	$10,539,117	$ 3,723	$ 7,631	$ 345,431
Loans payable	32,258,067	3,343,916	3,596,500	19,077,754	6,239,897
Loans payable to related parties	74,589,577	74,589,577	—	—	—
Interest on debt	56,872,513	6,745,427	6,559,707	11,908,096	31,659,283
Total	$174,616,058	$95,218,037	$10,159,930	$30,993,481	$38,244,611

8. Subsequent Events

(a) *Issuance of term notes payable*

Subsequent to March 31, 2013, the Development issued the following term notes:

Class I, 11.5%, 18 month term	**$ 5,000**
Class II, 12.0%, 24 month term	**1,776,500**
Total	**$1,781,500**

Carve-Out Financial Statements of

COLWOOD CITY CENTRE DEVELOPMENT

For the years ended December 31, 2012, 2011 and 2010.

COLWOOD CITY CENTRE DEVELOPMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

CONTENTS

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the General Partner of Colwood City Centre Limited Partnership

We have audited the accompanying carve-out financial statements of Colwood City Centre Limited Partnership, which comprise the carve-out statements of financial position as at December 31, 2012, 2011 and 2010, the carve-out statements of comprehensive loss, changes in net assets (deficiency) and cash flows for each of the years in the three-year period ended December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the carve-out financial position of Colwood City Centre Limited Partnership as at December 31, 2012, 2011, and 2010, and its carve-out financial performance and its carve-out cash flows for each of the years in the three-year period ended December 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the carve-out financial statements which describes the key milestones and risks the Partnership faces before generating revenue from the sale of its development property. These conditions, along with other matters as set forth in Note 1, indicate the existence of significant uncertainty about the Partnership's ability to continue with its property development activities.

Without modifying our opinion, we draw attention to Note 1 to the carve-out financial statements which describes the basis of presentation used in preparing these carve-out financial statements. The carve-out financial statements are prepared solely for the purposes of inclusion in an information circular and a prospectus document as part of a recapitalization process.

Chartered Accountants
July 8, 2013
Victoria, Canada

COLWOOD CITY CENTRE DEVELOPMENT

CARVE-OUT STATEMENTS OF FINANCIAL POSITION

As at	December 31, 2012	December 31, 2011	December 31, 2010
ASSETS			
Non-current			
Property under development (Note 5)	**$118,065,943**	$91,280,409	$74,810,408
Sales and presentation centre (Note 4)	**1,238,745**	—	—
Current			
Trade and other receivables (Note 6)	**1,109,654**	874,559	887,177
Prepaid expenses and deposits	**649,954**	384,519	177,211
Cash and cash equivalents	**249,077**	542,099	406,693
Restricted cash	**70,240**	—	—
	2,078,925	1,801,177	1,471,081
	$121,383,613	$93,081,586	$76,281,489
LIABILITIES			
Non-current			
Mortgages payable (Note 7)	**$ 352,761**	$ —	$ 353,500
Loans payable (Note 8)	**26,907,833**	4,137,608	6,683,416
	27,260,594	4,137,608	7,036,916
Current			
Mortgages payable (Note 7)	**10,522,848**	14,532,624	21,486,324
Loans payable (Note 8)	**4,263,916**	12,722,416	—
Loans payable to related parties (Note 9)	**69,298,749**	60,913,246	46,477,999
Trade payables and other accrued liabilities	**5,289,991**	1,696,825	1,975,612
Sales deposits	**70,240**	—	—
	89,445,744	89,865,111	69,939,935
	116,706,338	94,002,719	76,976,851
NET ASSETS (DEFICIENCY)	**4,677,275**	(921,133)	(695,362)
	$121,383,613	$93,081,586	$76,281,489

Subsequent events (Note 15)

The accompanying notes are an integral part of these carve-out financial statements.

APPROVED ON BEHALF OF THE BOARD

COLWOOD CITY CENTRE DEVELOPMENT

CARVE-OUT STATEMENT OF COMPREHENSIVE LOSS

	For the years ended		
	December 31, 2012	**December 31, 2011**	**December 31, 2010**
Incidental rental revenues from property under development	**$ 979,762**	$1,515,664	$ 1,585,600
Incidental rental operating expenses from property under development	**(629,994)**	(969,902)	(941,770)
	349,768	545,762	643,830
Expenses			
General and administrative expenses	**1,897,278**	317,762	276,913
Interest expense	**25,685**	—	—
Depreciation expense (sales centre)	**28,153**	—	—
	1,951,116	317,762	276,913
Income (loss) before conversion of Class B units	**(1,601,348)**	228,000	366,917
Loss on conversion of Class B units to a related party loan in excess of issue price (Note 9)	**—**	—	(7,784,609)
Net income (loss) and comprehensive income (loss)	**$(1,601,348)**	$ 228,000	$(7,417,692)

The accompanying notes are an integral part of these carve-out financial statements.

COLWOOD CITY CENTRE DEVELOPMENT

CARVE-OUT STATEMENTS OF CHANGES IN NET ASSETS (DEFICIENCY)

	For the years ended		
	December 31, 2012	December 31, 2011	December 31, 2010
NET ASSETS (DEFICIENCY)			
Balance, beginning of year	**$ (921,133)**	$(695,362)	$ 4,842,583
Net income (loss) and comprehensive income (loss)	**(1,601,348)**	228,000	(7,417,692)
Net equity changes outside of the Capital City Centre development project (Note 1)	**7,199,756**	(453,771)	1,879,747
Balance, end of year	**$ 4,677,275**	$(921,133)	$ (695,362)

The accompanying notes are an integral part of these carve-out financial statements.

COLWOOD CITY CENTRE DEVELOPMENT

CARVE-OUT STATEMENT OF CASH FLOWS

	For the years ended		
	December 31, 2012	December 31, 2011	December 31, 2010
OPERATING ACTIVITIES			
Net (loss) income	**$ (1,601,348)**	$ 228,000	$ (7,417,692)
Items not affecting cash:			
Non-cash loss on conversion of Class B units to a related party loan	**—**	—	7,784,609
Amortization of deferred debt issuance costs	**137,426**	270,949	—
Depreciation of sales and presentation centre	**28,153**		
Net change in non-cash working capital items:			
Trade and other receivables	**(235,095)**	12,618	(533,506)
Prepaid expenses and deposits	**(265,435)**	(207,308)	(40,637)
Trade payables and other accrued liabilities	**1,963,518**	(278,787)	(3,161,081)
Sales deposits	**(70,240)**	—	—
Cash flow provided by (used in) operating activities	**(43,021)**	25,472	(3,368,307)
FINANCING ACTIVITIES			
Repayment of mortgages payable	**(3,673,075)**	(7,478,868)	(2,797,398)
Proceeds from loans payable	**14,503,118**	10,176,608	5,683,416
Proceeds from loans payable to related parties	**8,385,503**	14,435,247	11,753,452
Deferred financing costs	**(312,759)**	(99,281)	(545,169)
Net cash (used by) provided by Limited Partnership	**7,199,756**	(453,771)	1,879,747
	26,102,543	16,579,935	15,974,048
INVESTING ACTIVITIES			
Expenditures on property under development	**(25,155,887)**	(16,470,001)	(12,709,047)
Expenditures on sales and presentation centre	**(1,266,898)**	—	—
Increase in restricted cash	**70,240**	—	—
	(26,352,545)	(16,470,001)	(12,709,047)
Change in cash and cash equivalents	**(293,022)**	135,406	(103,306)
Cash and cash equivalents, beginning of year	**542,099**	406,693	509,999
Cash and cash equivalents, end of year	**$ 249,077**	$ 542,099	$ 406,693

Supplemental cash flow information (Note 10)

The accompanying notes are an integral part of these carve-out financial statements.

NOTES TO CARVE-OUT FINANCIAL STATEMENTS

As at and for the years ending December 31, 2012, 2011, 2010

1. Background and Nature of Operations

Colwood City Centre Limited Partnership (the "Partnership") is a British Columbia limited partnership formed on January 19, 2007, in which Colwood City Centre GP Inc. is the General Partner. The registered office of the Partnership is located at 200 — 710 Redbrick Street, Victoria, British Columbia, Canada, V8T 5J3. The principal activity of the Partnership is the development of a multi-phase mixed-use project in the City of Colwood, British Columbia.

Basis and purpose of preparation

These carve-out financial statements have been prepared solely for the purpose of inclusion in an information circular or prospectus document as part of a recapitalization initiative. Readers are cautioned that these financial statements may not be appropriate for their purposes. These carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on a going concern basis and have been presented in Canadian dollars under the historical cost convention. The accounting policies set out below have been applied consistently in all material respects.

Approach and basis for any allocations

These financial statements include only those assets, liabilities, revenues and expenses and cash flows that form part of the Partnership's Capital City Centre Development project (the "Development"). Any assets, liabilities, revenues and expenses and cash flows that do not form part of the Development are excluded from these financial statements.

In preparing these financial statements, the allocation of assets, liabilities, revenues and expenses to the Development was completed using the specific identification method; with one exception. All cash balances have been included in these financial statements due to their general nature. The net impact of any changes in cash balances in respect to assets, liabilities, revenue and expenses that are excluded from the Development are presented on the statement of changes in net assets (deficiency) as a single line item. The net assets (deficiency) represent the residual of assets that remain after deducting the liabilities.

These financial statements are not necessarily indicative of the results that would be attained if the Development had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results.

Development and financing risks:

During 2007, the Partnership acquired several properties in the City of Colwood, British Columbia, for development. From 2008 to the present time, the Partnership proceeded with pre-development activities including project design, budgeting and applying for zoning changes. The Partnership's ability to recover its investment in property under development is dependent on management's ability to execute its business plan, which includes the successful financing, development and profitable sale of the project in several phases currently planned through to 2021.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to an active development property, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations.

The conditions and events necessary for the Development to execute its business plan including matters described below involve risk proportional to the size of each phase of the project and the length of the development period. The Development's ability to continue with its active development project is dependent on management's ability, in the short term to:

- raise sufficient equity;
- obtain the necessary funding to continue development of the first phase of its development project;
- successfully obtain construction financing at reasonable rates to further fund the first phase of its development project through to completion; and
- successfully generate profitable sales of the Phase I completed units and timely receipt of funds to allow the Development to both repay existing debt and continue its development activities.

A significant portion of the financing for this project is currently being provided by IGW REIT Limited Partnership ("IGW REIT LP").

The Development believes it will be successful in raising the funding required for the project through a recapitalization program which includes additional equity and debt offerings, construction financing, proceeds from the sale of constructed residential units, or by securing other sources of funding in sufficient amounts at reasonable rates to complete its planned development activities. The long-term nature of the project means that it will be exposed to more than one business cycle and this market risk will need to be managed accordingly. To date, the Partnership and Development have met all of its financing requirements.

The General Partner has proposed a transaction to transfer the Development's real estate assets and associated debt into a capital pool corporation ("CPC") for share consideration. Mortgages will be assumed by the CPC, and the Development's debt (refer to Notes 6 and 7) will either be assumed by the CPC or converted into the CPC's common and preferred shares. Related party loans (Note 8) payable to IGW REIT LP will be converted equally between preferred shares and common shares. Additional common shares will be issued to the Partnership for the Developments net asset value. Subject to regulatory approval, it is expected that the shares in the CPC will be publicly traded.

There is significant development and financing risk because the Development is required to obtain further financing including senior construction financing in order to complete construction of the first phase of its development project and accordingly there is significant uncertainty about the ability of the Development to continue with its property development activities. These financial statements do not include any adjustments to the carrying value of the assets and liabilities that would be necessary if the active development assumption were not appropriate.

2. Significant Accounting Policies

(a) Property under development

Inventory property includes finished assets held for sale in the ordinary course of business and property under development intended for eventual sale in the ordinary course of business.

Property under development is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the necessary costs required to complete the sale. Any write-down to net realizable value is recognized in profit or loss when it occurs.

Property under development includes the property, or components thereof, that will undergo activities that will take a substantial period of time to complete in order to prepare the property for their use as either an income producing property or inventory property.

The cost of a development property that is an asset acquisition is comprised of the amount of cash, or the fair value of the other consideration, given to acquire the property, including transaction costs.

Subsequent to acquisition, the cost of a property under development includes third party and direct internal development costs, directly related general and administrative costs incurred, property taxes, and interest on both specific and general debt.

Direct and indirect borrowing costs, direct internal development costs, and property taxes are capitalized when development activities that change the property's condition occur.

Capitalization of costs to property under development continues until all the activities necessary to prepare the property for sale are complete.

(b) Capital assets

Capital assets are measured at cost less accumulated amortization, and impairment, if any. Cost includes expenditure directly attributable to acquisition of the asset. Amortization is applied to write off the cost less estimated salvage value of the assets over their estimated useful lives, as follows:

Asset	Basis	Rate
Presentation centre	straight-line	15 years

Amortization rates, estimated salvage values, and estimated useful lives are reviewed at each financial year end and adjusted if appropriate.

(c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash and investments that are highly liquid in nature and have original maturity dates of three months or less.

(d) Revenue recognition

Revenue from the sale of properties is recorded when title has been conveyed to the purchaser, they are entitled to occupancy, and collection of the sales proceeds is reasonably assured.

Revenue from property under development also includes rent earned from tenants under lease agreements, property tax and operating cost recoveries and other incidental income and is recognized as incidental rental revenue from property under development. Since the Development retains substantially all of the risks and benefits of ownership, the Development accounts for the leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased assets. Generally, this occurs on the lease inception date or, when the Development is required to make additions to the property in the form of tenant improvements which enhances the value of the property when substantially complete. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease.

(e) Financial instruments

Financial assets and financial liabilities are recognized when the Development becomes a party to the contractual provisions of the instrument.

Financial instruments and derivatives are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at ‘fair value through profit or loss’ (“FVTPL”); ‘held to maturity’ investments; ‘available-for-sale’ financial assets; and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All of the Development’s financial assets are classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including accounts receivables, cash, and other assets including deposits on potential acquisitions and amounts held in escrow) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortized cost of an instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities and equity instruments

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Debt instruments are classified either as FVTPL or as other financial liabilities.

All of the Development’s financial liabilities are classified as other financial liabilities.

Other financial liabilities

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

The Development derecognizes a financial liability when, and only when, the Development's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(f) Income taxes

Provision has not been made for income taxes as the Development is owned by a limited partnership which is not a taxable entity. Income taxes, if any, are liabilities of the partners.

(g) Provisions

Provisions are recognized when the Development has a present obligation (legal or constructive) as a result of a past event, it is probable that the Development will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(h) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 2(a) – *Property under development.*

Judgments

(i) Properties under development and predevelopment costs:

The Partnership accounts for its properties under development and predevelopment costs under *IAS 2, Inventories* which is consistent with the objectives of the Partnership to invest and develop real estate properties for sale.

Under IFRSs, properties under development intended to earn rental income, capital appreciation or both are required to be accounted for under *IAS 40, Investment Property* using either the cost or fair value model.

As at December 31, 2012, management of the Partnership has reviewed the intended use the properties under development and have concluded that there has been no change in use and accounts for its properties as inventory.

Estimates

(i) Valuation of properties under development:

Development costs are inherently subject to fluctuation, and unforeseen costs or expenses could be incurred in the development process. The costs associated with projects could be significantly increased by events outside management's control, including increases in interest rates, increases in material or labor costs, or increases in service charges. Future revenues used to determine the net realizable value of the projects are based upon the expected lease revenue, which is subject to market forces. There can be no assurance that the various assumptions will be realized or that the projects will not be adversely affected by unforeseen economic factors, resulting in the diminution in the anticipated value of the project.

(i) Measurement uncertainty

These carve-out financial statements may not be indicative of the results that would have been obtained if the carve-out assets had operated as a stand-alone entity during the periods presented.

3. Future Accounting Policies

From time to time, the IASB will issue new accounting standards and revise existing accounting standards. The following standards, not yet effective as at the date of these financial statements and accordingly not applied to these financial statements, may have a future impact:

Fair Value Measurement

IFRS 13 – *Fair Value Measurement* ("IFRS 13") defines fair value, requires disclosure of fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Development has not yet evaluated the impact of IFRS 13 on its financial statements.

Presentation of Financial Statements

IAS 1 – *Presentation of Financial Statements* ("IAS 1") has been amended to provide guidance on the presentation of items contained in other comprehensive income ("OCI") and their classification within OCI. Retrospective application is required. IAS 1 is effective for annual periods beginning on or after July 1, 2012. The adoption of the amendments to IAS 1 will not have any impact on the Development's financial statements.

4. Sales Presentation Centre

	Sales and Presentation Centre
Cost:	
Balance at December 31,2011 and 2010	$ —
Additions	1,266,898
Balance at December 31, 2012	1,266,898
Less amortization and impairment:	
Balance at December 31, 2010	—
Amortization for the year	—
Balance at December 31, 2011	—
Amortization for the year	28,153
Balance at December 31, 2012	28,153
Carrying amounts :	
December 31,2012	$1,238,745

5. Property Under Development

Property under development represents the Partnership's Capital City Centre development project, which is located in the City of Colwood, British Columbia. Over the next 20 years Capital City Centre will be developed in multiple phases on nearly 14 acres of land and has zoning approval for up to 3.8 million square feet of mixed-use space upon completed build out.

Property under development includes land acquisition costs, all direct development and construction costs, interest on debt, and directly related expenses of the Development. Incidental revenue and expense during the development and construction phases is recognized as incidental revenue and expenses through profit or loss. Property under development includes:

As at	December 31, 2012	December 31, 2011	December 31, 2010
Land	**$ 34,754,408**	$34,754,408	$34,754,408
Direct costs	**41,972,081**	25,648,741	19,434,144
Interest	**38,570,967**	28,429,202	18,454,601
Property Taxes	**2,768,487**	2,448,058	2,167,255
Balance, end of year	**$118,065,943**	$91,280,409	$74,810,408

The property under development has been pledged as security for mortgage financing, as described in Note 6.

During the year ended December 31, 2012, the Development incurred $10,141,765 (2011: $9,974,601; 2010—$7,775,221) of interest on mortgages and loans which has been capitalized to property under development.

6. Trade and Other Receivables

As at	December 31, 2012	December 31, 2011	December 31, 2010
Tenant receivables	**$ 2,882**	$ 849,710	$ 301,756
Accrued CAM and property tax recoveries	**64,304**	56,603	152,307
GST/HST refunds	**987,999**	191,375	135,800
Investment proceeds receivable	**54,469**	157,393	—
Insurance receivable	**—**	—	565,114
	1,109,654	1,255,081	1,154,977
Allowance for doubtful accounts	**—**	(380,522)	(267,800)
	$1,109,654	$ 874,559	$ 887,177

The Development records an allowance for doubtful accounts on tenant receivables on a tenant-by-tenant basis and on an individual basis for other receivables, using specific, known facts and circumstances that exist at the time of the analysis.

7. Mortgages Payable

The mortgages are secured by charges against individual parcels comprising property under development and shareholders of the Partnership's General Partner have provided certain repayment guarantees.

As at	December 31, 2012	December 31, 2011	December 31, 2010
Mortgage payable, 8.0%, due February 28, 2013, interest only monthly installments, representing a 1st and 2nd charge (Note 15)	**$ 7,271,671**	$ 8,000,000	$10,973,488
Mortgage payable, 2.75% over prime (minimum 5.5%), due September 1, 2013, interest only, monthly installments,representing a 1st and 2nd charge	**3,264,083**	5,726,274	5,726,274
Mortgage payable, 3.29% maturing April 20, 2017, monthly installments of principal plus interest,representing a 1st charge	**360,147**	—	—
Mortgage payable, 5.7% maturing October 31, 2011, monthly installments of principal plus interest, representing a 1st charge	**—**	489,202	596,418
Mortgage payable, 14.0%, maturing April 1, 2012, interest only, monthly installments, representing a 1st charge	**—**	353,500	353,500
Mortgage payable, 15.0%, maturing February 28, 2011, monthly installments of $200,000 plus interest, representing a 1st charge	**—**	—	4,398,163
Deferred financing costs, net of accumulated amortization	**(20,292)**	(36,352)	(208,019)
	$10,875,609	$14,532,624	$21,839,824

Mortgages payable are comprised as follows:	December 31, 2012	December 31, 2011	December 31, 2010
Non-current mortgages payable	**$ 352,761**	$ —	$ 353,500
Current mortgages payable	**10,522,848**	14,532,624	21,486,324
	$10,875,609	$14,532,624	$21,839,824

In 2010 and 2011, the 8.0% mortgage payable was renewed for an additional one year term.

As at December 31, 2012, the Development was in arrears on certain of its property tax obligations and, as such, is in default of the covenants on its mortgages payable, making them payable on demand.

8. Loans Payable

During the year ended December 31, 2012, $14,543,118 (2011: $10,176,608; 2010: $6,683,416) of debentures payable were issued by the Partnership on behalf of the Development with interest rates varying from 11% to 12% and terms of 18 months to 36 months. Of the 12% term notes, $9.3 million matured in 2012 (2011 — $2.2 million). $2.1 million (2011 — $2 million) were repaid and $7.2 million (2011 — $0.3 million) were reinvested in term notes or other debentures. At December 31, 2012, $3.2 million (2011 — $0.1 million) had matured and not yet been repaid or reinvested.

As at	December 31, 2012	December 31, 2011	December 31, 2010
Term notes, 12.0%, 18 month term	**$ 3,408,416**	$ 12,722,416	$6,683,416
Class B, 11.0%, 36 month term	**11,718,580**	3,679,608	—
Class I, 11.5%, 18 month term	**1,627,000**	75,000	—
Class II, 12.0%, 24 month term	**11,109,146**	383,000	—
Class M, 11.0%, 30 month term	**3,500,000**	—	—
	31,363,142	16,860,024	6,683,416
Less: current portion	**(4,263,916)**	(12,722,416)	—
Less: deferred finance charges	**(191,393)**	—	—
	$26,907,833	$ 4,137,608	$6,683,416

The Term notes, Class I and Class II notes rank pari passu with each other but rank subordinate in priority to the mortgages and other security securing mortgages described in Note 6 and the Class B and M notes. The Class B and M notes rank subordinate in priority to the mortgages and other collateral securing the mortgages described in Note 6. The Partnership maintains the right to repay all of the above term notes without premium or penalty on any date after the first anniversary date of the issue date of the related term note. Maturities of loans payable are detailed in note 11.

The Class B, Class I and Class II notes include a right to apply the principal, including accrued and unpaid interest, to the purchase price of a residential condominium unit upon the consummation of a sale, in the event the holder buys a unit This feature provides that the noteholder will receive $1.10 towards their deposit on the condominium unit for each $1.00 of principal and accrued interest. Interest will no longer be accrue from the date of the purchase and sale agreement to closing in the event of conversion. No such conversion rights have been exercised.

9. Loans Payable and Transactions with Related Parties

League Assets Corp.

The Partnership has retained League Assets Corp. ("League"), a company under common control with the Partnership's General Partner, to provide advisory, asset management, and administration services. The balance payable to League representing the fees payable is unsecured, without stated repayment terms and bears interest at prime plus 4.0%. Under the terms of the Partnership's existing management agreement, League is entitled to receive from the Partnership an annual administrative services fee equal to 1.0% of the aggregate amount of the capital contributions for the Class A common units and proceeds from issued debentures, an organization and set-up fee (unit issue costs) equal to 6.5% of the aggregate amount of capital contributions during the period for the Class A units, and a loan fee equal to 6.5% of the aggregate amount of debentures raised during the period. Upon completion of the transaction with the CPC, the Development will be subject to a new administration and development agreement with League for similar services.

In addition, League is entitled to incentive management fees being, in general, 20%, rising to 50% after specified returns have been made to the limited partners, of amounts paid to the limited partners, in excess of the original capital contributions and a 10% per annum return thereon. No incentive fees were earned during the years ended December 31, 2012, 2011 or 2010.

The Development incurred the following fees for services provided by League:

	December 31, 2012	December 31, 2011	December 31, 2010
Administrative services fees	**$ 873,923**	$ 301,503	$171,490
Loan fees	**888,097**	739,243	467,843
Development management fees	**1,580,860**	—	17,065
	$3,342,880	$1,040,746	$656,398

Included in trade payables and accrued liabilities at December 31, 2012 is $329,823 (2011 — $nil, 2010 — $nil), due to League.

Loan fees are included in the calculation of the effective interest rate and generally capitalized to the property under development; interest charged on outstanding invoices are included in profit or loss; development management fees are capitalized to property under development; administrative services fees are allocated to profit or loss and property under development based on the services provided; organization and set up fees are capitalized as unit issuance costs or expensed as general and administrative fees depending on their nature.

IGW REIT Limited Partnership

The amounts advanced from IGW REIT LP are unsecured, interest bearing at 10% and 11% and have no specified terms of repayment. The parties are related due to common management.

Included in loans payable to related parties are amounts due to IGW REIT LP and other related parties. These amounts are unsecured and consist of the following:

As at	December 31, 2012	December 31, 2011	December 31, 2010
IGW REIT LP, 11.0%, no stated terms of repayment	**$45,582,756**	$39,049,882	$26,206,547
IGW REIT LP, 10.0%, no stated terms of repayment	**23,079,618**	21,306,537	20,271,452
League Assets Corp, non-interest bearing, no stated terms of repayment	**651,409**	327,343	—
Miracle Mile Limited Partnership	**—**	200,000	—
North Vernon Properties	**—**	34,484	—
Colwood Triump LP	**(10,033)**	—	—
IGW Mortgage Investment Corporation	**(5,000)**	(5,000)	—
	$69,298,750	$60,913,246	$46,477,999

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

Colwood LP – Class B units

During the year ended December 31, 2010, 11,737,500 Class B units were retracted and converted into a related party loan in an amount of $18,432,362. The retraction amount of Class B units is defined in the Partnership Agreement as the "interest in the Properties or the Cash Proceeds received by the Partnership under the Subscription for the Unit less the aggregate of all Extraordinary Distributions made by the Partnership to the date in question in respect of the Unit and any amount paid upon the retraction of a Class B Unit" plus any declared and unpaid distributions. As the retraction amount of $18,432,362 exceeded the carrying value of the Class B units, a loss of $7,784,609 was recognized in the financial statements. The retraction amount represented the estimated fair market value of the Class B units. The obligation of the Partnership to retract Class B units is subject to the General Partner's determining, in its sole discretion, that sufficient funds are available to the Partnership for the purpose of retraction. As a result of the retraction rights associated with the Class B units, they were presented as a liability on the statement of financial position.

A summary of unit transactions for the Class B units is as follows:

Class B Units	Units	Amount
Balance, January 1, 2010	11,737,500	$ 9,138,509
Conversion of units to related party loan	(10,625,000)	(9,138,509)
Conversion of bonus units to related party loan	(1,112,500)	—
Balance, December 31, 2010, 2011 and 2012	—	$ —

10. Supplemental Cash Flow Information

The following table outlines the supplemental cash flow information of the Development:

Year ended	December 31, 2012	December 31, 2011	December 31, 2010
Cash interest paid	**$4,304,011**	$2,132,221	$ 3,808,774
Conversion of Class A units	**—**	—	23,000
Conversion of Class B units to related party loan (Note 9)	**—**	—	10,625,000

11. Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, trade and other receivables, and trade payables and accrued liabilities, approximate their fair values due to the relatively short periods to maturity of these items.

It is not practical to determine the fair value of loans payable to related parties as comparative market information is not readily available.

The carrying values of the Development's mortgages payable and loans payable approximate their fair values due to the relatively short periods to maturity or demand nature of these items, or because they were recently obtained and reflect current market conditions.

Financial instruments measured at fair value in the statements of financial position are classified based on a three-level hierarchy that reflects the significance of the inputs used when determining the fair value as follows:

- Level 1 – determined by reference to quoted prices in active markets for identical assets and liabilities;
- Level 2 – determined by using inputs other than the quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – determined using inputs that are not based on observable market data.

The following table shows the contractual cash flows (including principal and interest) on all of the Developments non-derivative financial liabilities, excluding deferred financing costs:

December 31, 2012	Carrying Amount	Contractual Cash Flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years
Financial liabilities						
Mortgages payable	$ 10,875,609	$ 10,895,901	$10,539,117	$ 3,723	$ 7,631	$ 345,431
Loans payable	31,363,142	31,363,142	3,433,416	830,500	19,050,254	8,048,972
Loans payable to related parties	69,298,749	69,298,749	69,298,749	—	—	—
Interest on debt	—	53,543,220	6,315,307	6,201,273	11,342,341	29,684,298
Trade and other accrued liabilities	5,289,991	5,289,991	5,289,991	—	—	—
Total	$116,827,491	$170,391,003	$94,876,580	$7,035,496	$30,400,226	$38,078,701

12. Risk Management

In the normal course of business, the Development is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

(a) Interest rate risk

The Development is exposed to interest rate risk on its loans payable, loans payable to related parties, and mortgages payable — one of which bears interest at a variable rate as described in Note 6. At the reporting date the interest rate profile of the Development's interest-bearing financial instruments was:

As at	December 31, 2012	December 31, 2011	December 31, 2010
Fixed rate debt	$108,082,024	$84,823,613	$69,605,560
Variable rate debt	3,264,083	5,726,274	5,726,274
	$111,346,107	$90,549,887	$75,331,834

If interest rates at December 31, 2012 had been 100 basis points higher or lower, the impact on the Development's interest calculated on all variable debts and fixed rate debts maturing over the next 24 months (excluding trade and other accrued liabilities) with all other variables held constant, would have been an increase/decrease of $1.1 million.

(b) Credit risk

Credit risk for trade and other receivables arises from the possibility that tenants may experience financial difficulty and be unable to pay the rents due under their lease commitments. The Development attempts to mitigate this risk by conducting credit assessments and related due diligence on new lessees. The maximum exposure to credit risk for trade and other receivables is their carrying value.

(c) Liquidity risk

Liquidity risk is the risk that the Development will not be able to meet its financial obligations as they come due. The Development's liquidity needs arise from working capital requirements, mortgage repayments, and planned funding of the property under development. The Development's approach to managing its obligations is to maintain sufficient resources of capital to meet its obligations when due without undue risk to the Development. The Development plans to fund its liquidity requirements through refinancing maturing mortgages, new debt facilities, and the issuance of additional equity instruments.

The Development's financial condition and results of operations would be adversely affected if it were unable to obtain financing/ refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

13. Capital Management

The Development manages its capital structure in order to support the ongoing development of its property, to ensure that there are sufficient funds available to finance operations and to meet capital commitments. The Development defines capital as the aggregate of the Partnership's Class A and B units and debt. The Development's principal sources of financing are from the loans from related parties, loans payable, and mortgages payable, as well as funds raised by the Partnership through the issuance of Class A units. The ability to obtain mortgages payable is dependent on the value of the property, the success of the property development and the cash flow the property generates.

During the year ended December 31, 2012, the Development commenced the sale of residential condominium units and the holders of the Partnership's Class A units and Term Notes were offered an option to convert their investment in the Limited Partnership units or notes into a deposit on a residential condominium unit. This option allows the Class A unitholder to receive $1.25 and $0.25 towards their deposit on the condominium unit for each common unit and bonus unit (units offered for no consideration), respectively. The option allows the note holders to receive $1.10 towards their deposit on a condominium unit for each $1.00 in notes and accrued but unpaid interest. No such conversion rights have been exercised.

There were no changes to the Development's approach to capital management during the year ended December 31, 2012.

14. Commitments and Contingencies

At December 31, 2012, the partnership had $5.3 million of contractual commitments outstanding.

In relation to the property under development, the Development is involved in litigation and claims that arise from time-to-time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on the financial position of the Development.

15. Subsequent Events

(a) Issuance of term notes payable

In 2013, the Development issued the following term notes:

Class B, 11.0%, 36 month term	**$ 175,000**
Class I, 11.5%, 18 month term	**212,000**
Class II, 12.0%, 24 month term	**2,122,500**
Total	**$2,509,500**

(b) Development Management Agreement Amendment

The Development Management Agreement (DMA) dated July 1, 2011 was replaced by a new DMA dated March 26, 2013 which was amended by an Amending Agreement on May 28, 2013. These changes reduce the 2012 development management fees from $2,948,659 to $1,580,860.

(c) Mortgage interest rate increase

On February 1, 2013, the interest rate on the outstanding mortgage totaling $7,271,671 at December 31, 2012 increased to 12% from 8%. Further, the mortgage matured on February 28, 2013 and the lender has permitted the Development to continue with interest only payments.

Financial Statements of

LEAGUE OPPORTUNITY FUND LTD.

For the period of January 1, 2013 to March 31, 2013

(unaudited)

LEAGUE OPPORTUNITY FUND LTD.

STATEMENT OF FINANCIAL POSITION

(unaudited)

March 31, 2013, with comparative figures for December 31, 2012

	2013	2012
Assets		
Current assets		
Cash	$ 1,833	$ 422,233
Due from related party (note 3)	10,772,957	7,623,288
Loans receivable (note 4)	1,452,259	1,452,259
	$12,227,049	$9,497,780
Liabilities and Shareholder's Deficiency		
Current liabilities		
Cheques issued in excess of funds on deposit	$ 163,880	$ —
Accounts payable and accrued liabilities	128,000	487,685
	291,880	487,685
Loans payable (note 5)	12,656,149	9,446,942
Total liabilities	12,948,029	9,934,627
Shareholder's deficiency		
Share capital	100	100
Deficit	(721,080)	(436,947)
	(720,980)	(436,847)
	$12,227,049	$9,497,780

Subsequent event (note 6)

Approved on behalf of the Board

____________________________ Director

____________________________ Director

See accompanying notes to financial statements.

LEAGUE OPPORTUNITY FUND LTD.

STATEMENT OF COMPREHENSIVE LOSS
(unaudited)
Three months ended March 31, 2013

Revenue	
Interest income	$ 268,315
Expenses	
Advertising and promotion	84,750
Amortization of debt issuance costs	196,921
Transaction fees	5,488
Interest on loans payable	265,289
	552,448
Loss before income taxes	(284,133)
Income tax expense	—
Net loss and comprehensive loss	$(284,133)

See accompanying notes to financial statements.

LEAGUE OPPORTUNITY FUND LTD.

STATEMENT OF CHANGES IN EQUITY

(unaudited)

Three months ended March 31, 2013

	Share capital	Deficit	Total deficiency
Balance at December 31, 2012	$100	$(436,947)	$(436,847)
Net loss and comprehensive loss	—	(284,133)	(284,133)
Balance at March 31, 2013	$100	$(721,080)	$(720,980)

The accompanying notes form an integral part of these financial statements.

LEAGUE OPPORTUNITY FUND LTD.

STATEMENTS OF CASH FLOWS

(unaudited)

Three months ended March 31, 2013

Cash provided by (used in)	
Operations	
Net loss	$ (284,133)
Amortization of debt issuance costs	196,921
Changes in non-cash operating working capital:	
Accounts payable and accrued liabilities	(81,412)
	(168,624)
Financing	
Increase in loans payable	3,049,999
Advances to related parties	(3,149,669)
Share issuance costs	(315,986)
	(415,656)
Decrease in cash	(584,280)
Cash, beginning of period	422,233
Cash (bank indebtedness), end of period	$ (162,047)
Cash (bank indebtedness) represented by:	
Cash:	$ 1,833
Cheques issued in excess of funds on deposit	(163,880)
	$ (162,047)
Supplemental cash disclosures	
Cash paid for:	
Interest	$ 265,289

See accompanying notes to financial statements.

LEAGUE OPPORTUNITY FUND LTD.

NOTES TO FINANCIAL STATEMENTS

(unaudited)

Three months ended March 31, 2013

1. Reporting entity

League Opportunity Fund Ltd. (the Company) was incorporated under the laws of Ontario on September 18, 2012 and is a wholly owned subsidiary of League Assets Limited Partnership. League Assets Limited Partnership also owns 100% of League Assets Corp., League Investment Services, League Capital Markets, IGW REIT LP and the general partner corporations of the limited partnerships that LEAGUE manages (these entities, collectively, called "LEAGUE").

The Company was created to raise funds for purposes of providing bridge capital to fund the acquisition of and investment into strategic corporate and real estate assets intended to accelerate the growth of LEAGUE. Between October 1, 2012 and January 9, 2013, the Company issued approximately $13.5 million principal amount of secured convertible promissory notes (the "LOF Convertible Notes"). The LOF Convertible Notes are guaranteed by League Assets Corp. and IGW REIT LP and bear interest at a rate of 8% per annum.

2. Basis of preparation

(a) Financial reporting framework

These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting as issued by the International Financial Accounting Standards Board ("IASB"). These statements represent a condensed set of financial statements and accordingly do not include all of the information required for annual financial statements. These statements should be read in conjunction with the Company's most recent financial statements as at and for the period from incorporation on September 18, 2012 to December 31, 2012. These statements follow the same accounting policies and methods of their application as the most recent financial statements.

These financial statements have been prepared on a going concern basis and have been presented in Canadian dollars, the Company's functional currency. The financial statements have been prepared under the historical cost convention; no items are carried at fair value.

Effective January 1, 2013, the Company adopted the following new or amended accounting standards as issued by the IASB: IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements), IFRS 12 (Disclosure of Interests in Other Entities) and IFRS 13 (Fair Value Measurement), IAS 19 (Employee Benefits) and the amendments to IAS 1 (Presentation of Financial Statements) and IFRS 7 (Financial Instruments—Disclosures). The adoption of these standards and amendments did not have a material impact on the condensed interim financial statements.

The financial statements were authorized for issue by the Board of Directors on July 15, 2013.

(b) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the Company's December 31, 2012 financial statements.

3. Related party transactions

Due from related parties

The net proceeds from the Company's issuance of the LOF Convertible notes are used by LEAGUE (entities related by virtue of common control) for the acquisition of real estate and other assets, working capital and general corporate purposes, and to make new acquisitions ("Targets") that are consistent with LEAGUE's growth strategy. LEAGUE is currently negotiating with Targets in the sectors of Asset Management, distribution and Real Estate Financial Services.

The balances due from related parties at March 31, 2013 are as follows:

	March 31, 2013	December 31, 2012
League Assets LP	$ 5,099	$ 1
League Capital Markets	692,424	667,357
League Assets Corp.	10,075,434	6,955,831
Closing balance	$10,772,957	$7,623,189

3. Related party transactions (continued):

The advance to League Capital Market is unsecured, non-interest bearing with no specified terms for repayment

The advance to League Assets Corp. bears interest at 10% per annum, due within 30 days on demand, secured by a general security agreement.

4. Loans receivable

	March 31, 2013	December 31, 2012
Green Tree Acquisition Corp. unsecured loan,due on December 31, 2014 with 7% interest	$1,000,000	$1,000,000
Green Tree Capital Management Corp. unsecured loan,due on December 31, 2014 with 7% interest	452,259	452,259
Closing balance	$1,452,259	$1,452,259

5. Loans payable

At March 31, 2013 the Company had issued $13,469,999 principal amount of secured convertible promissory notes (the "LOF Convertible Notes"). The LOF Convertible Notes are guaranteed by League Assets Corp. and IGW REIT LP and bear interest at a rate of 8% per annum. They are reported net of issuance costs as follows:

	March 31, 2013	December 31, 2012
8% Convertible Promissory Notes	$13,469,999	$10,420,000
Debt issuance costs (net of amortization)	(813,850)	(973,058)
	$12,656,149	$ 9,446,942

The LOF Convertible Notes will be convertible at the option of the holder into common shares of League Financial Partners Ltd. ("Common Shares") if the Common Shares become listed on the TSX or the TSX Venture Exchange, at a 25% discount to the Specified Value of the Common Shares. The LOF Convertible Notes will mature on the earlier of (i) March 14, 2014 or (ii) the date on which the Common Shares are listed on the TSX or TSX Venture Exchange at which point the holder will have the option to accept repayment of the principal amount of the LOF Convertible Note together with interest accrued thereon, or exercise the holders' option to exchange the LOF Convertible Notes for Common Shares at a 25% discount to the Specified Value of the Common Shares. Upon conversion, such holder will receive accrued and unpaid interest on the LOF Convertible Notes up to the date of the conversion.

6. Subsequent event

Subsequent to March 31, 2013, League Financial Partners Inc. ("LFP") will be facilitating a re-organization and recapitalization of a group of businesses which are directly or indirectly controlled or managed by League Assets Limited Partnership ("LALP"). As part of the re-organization transactions, League Assets Corporation, League Investment Services Inc. League Capital Markets Ltd, and League Opportunity Fund Ltd. will become wholly owned subsidiaries of LFP. LFP will also issue securities to the holders of common and income priority units issued by IGW Real Estate Investment Trust and IGW REIT Limited Partnership.

A preliminary non-offering prospectus (the "Prospectus") is being filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, to enable LFP to become a reporting issuer pursuant to applicable securities legislation in each of the provinces and territories of Canada, except Québec.

Financial Statements of

LEAGUE OPPORTUNITY FUND LTD.

Period from incorporation on September 18, 2012 to December 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholder of League Opportunity Fund Ltd.

We have audited the accompanying financial statements of League Opportunity Fund Ltd., which comprise the statement of financial position as at December 31, 2012, the statements of comprehensive loss, changes in deficiency, and cash flows from incorporation on September 18, 2012 to December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of League Opportunity Fund Ltd. as at December 31, 2012, and its financial performance and its cash flows from incorporation on September 18, 2012 to December 31, 2012 in accordance with International Financial Reporting Standards.

Chartered Accountants

Victoria, Canada
July *, 2013

LEAGUE OPPORTUNITY FUND LTD.

STATEMENT OF FINANCIAL POSITION
As at December 31, 2012

Assets	
Current assets	
Cash	$ 422,233
Due from related parties (note 7)	7,623,288
Loans receivable (note 8)	1,452,259
	$9,497,780
Liabilities and Shareholder's Deficiency	
Current liabilities	
Accounts payable and accrued liabilities	$ 487,685
Loans payable (note 9)	9,446,942
Total liabilities	9,934,627
Shareholder's deficiency	
Share capital (note 6)	100
Deficit	(436,947)
	(436,847)
	$9,497,780

Subsequent events (note 11)

Approved on behalf of the Board

______________________________ Director

______________________________ Director

See accompanying notes to financial statements.

LEAGUE OPPORTUNITY FUND LTD.

STATEMENT OF COMPREHENSIVE LOSS

Period from incorporation on September 18, 2012 to December 31, 2012

Revenue:	
Interest income (note 10)	$ 79,217
Expenses:	
Professional fees	319,607
Amortization of debt issuance costs (note 9)	130,254
Transaction fees	4,201
Interest on loans payable	62,102
	516,164
Loss before income taxes	(436,947)
Income tax expense	—
Net loss and comprehensive loss	(436,947)
Deficit, beginning of period	—
Deficit, end of period	$(436,947)

See accompanying notes to financial statements.

LEAGUE OPPORTUNITY FUND LTD.

STATEMENT OF CHANGES IN DEFICIENCY

Period from incorporation on September 18, 2012 to December 31, 2012

	Share capital	Deficit	Total deficiency
Balance at September 18, 2012	$ —	—	$ —
Issuance of share capital	100	—	100
Net loss and comprehensive loss	—	(436,947)	(436,947)
Balance at December 31, 2012	$100	(436,947)	$(436,847)

The accompanying notes form an integral part of these financial statements.

LEAGUE OPPORTUNITY FUND LTD.

STATEMENT OF CASH FLOWS

Period from incorporation on September 18, 2012 to December 31, 2012

Cash provided by (used in)	
Operations	
Net loss and comprehensive loss	$ (436,947)
Amortization of debt issuance costs	130,254
Changes in non-cash operating working capital:	
Accounts payable and accrued liabilities	247,125
	(59,568)
Financing	
Increase in loans payable	10,420,000
Debt issuance costs	(862,752)
Increase in loans receivable	(1,452,259)
Advances to related parties	(7,623,288)
Issuance of common shares	100
	481,801
Increase in cash	422,233
Cash, beginning of year	—
Cash, end of year	$ 422,233
Supplemental cash disclosures	
Cash paid for:	
Interest	$ 62,102

See accompanying notes to financial statements.

LEAGUE OPPORTUNITY FUND LTD.

NOTES TO FINANCIAL STATEMENTS

Period from incorporation on September 18, 2012 to December 31, 2012

1. Reporting entity

League Opportunity Fund Ltd. (the "Company") was incorporated under the laws of Ontario on September 18, 2012 and is a wholly owned subsidiary of League Assets Limited Partnership. League Assets Limited Partnership also owns 100% of League Assets Corp, League Investment Services, League Capital Markets, IGW REIT LP and the general partner corporations of the limited partnerships that LEAGUE manages (these entities, collectively, called "LEAGUE").

The Company was created to raise funds for purposes of providing bridge capital to fund the acquisition of and investment into strategic corporate and real estate assets by LEAGUE. Between October 1, 2012 and January 9, 2013, the Company issued approximately $13.5 million principal amount of secured convertible promissory notes (the "LOF Convertible Notes"). The LOF Convertible Notes are guaranteed by League Assets Corp. and IGW REIT LP and bear interest at a rate of 8% per annum.

2. Statement of compliance

The financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's financial statements for the period from incorporation on September 18, 2012 to December 31, 2012 were authorized for issue by the shareholder on July 16, 2013.

3. Basis of presentation

(a) Functional and presentation currency

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities. Significant judgment relates to the recoverability of funds loaned by the Company to related parties. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

4. Significant accounting policies

(a) Financial instruments

Cash, due from related parties and loans receivable are classified as loans and receivables and are measured at amortized cost. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Accounts payable and accrued liabilities and loans payable are classified as other financial liabilities and are measured at amortized cost.

Such assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these assets and liabilities are measured at amortized cost using the effective interest method, and for financial assets also less any impairment losses.

At each reporting date, management considers whether there is objective evidence that its financial assets are impaired. If there is objective evidence that a loss in value has occurred, the financial asset is written down through earnings. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through earnings in that period.

(b) Revenue recognition

Revenue is recognized when services are provided.

(c) Income taxes

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in earnings except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

4. Significant accounting policies (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(d) New standards not yet adopted

At December 31, 2012, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these financial statements. None of these standards and interpretations, and amendments thereto, are expected to have a significant effect on the Company's financial statements.

5. Financial instruments

(a) Risk management

The Company has exposure to the following risks from its use of financial instruments:

(*i*) Credit risk

Credit risk, the risk of financial loss to the Company if a counterparty to a financial agreement fails to meet its contractual agreements, arises from the Company's receivable from related party and receivable from shareholder. The Company does not believe that there is significant credit risk associated with these receivables as a result of management's evaluation and ongoing monitoring of the related entities' financial condition.

(*ii*) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled in cash or another financial asset. This risk to the Company is generally low. The Company's approach to managing liquidity is to ensure that it has sufficient cash and or credit facilities available to meet its obligations when due.

(b) Fair value

The carrying values of cash and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these items.

The carrying values of the Company's loans payable and loans receivable are a reasonable approximation of their fair value because they were recently obtained and reflect current market conditions.

(c) Capital management policy

The Company's objective in managing capital is to safeguard the Company's assets and ensure that the Company can continue to operate as a going concern so that it can continue to provide services and provide an adequate return to its shareholder. The Company's capital was as follows:

	2012
Share capital	$ 100
Deficit	(436,947)
	(436,847)

6. Share capital

Authorized

Unlimited number of common shares
Unlimited Class A non-voting Shares without par value
Unlimited Class B non-voting shares without par value

	2012	
	Number of shares	Amount
Common shares issued		
Opening balance	100	$100
Issued during the year	—	—
	100	$100

7. Related party transactions

Due from related parties

The net proceeds from the Company's issuance of the LOF Convertible notes were used by LEAGUE (entities related by virtue of common control) for the acquisition of real estate and other assets, working capital and general corporate purposes, and to make new acquisitions (the "Targets") that are consistent with LEAGUE's growth strategy. LEAGUE is currently negotiating with Targets in the sectors of Asset Management, distribution and Real Estate Financial Services.

The balances due from related parties at December 31, 2012 are as follows:

As at December 31, 2012	
League Assets LP	$ 100
League Capital Markets	667,357
League Assets Corp.	6,955,831
	$7,623,288

The advance to League Capital Market is unsecured, non-interest bearing with no specified terms for repayment.

The advance to League Assets Corp. bears interest at 10% per annum, due within 30 days on demand, secured by a general security agreement.

8. Loans receivable

As at December 31, 2012	
Green Tree Acquisition Corp. unsecured loan due on December 31, 2014 with 7% interest	$1,000,000
Green Tree Capital Management Corp. unsecured loan, due on December 31, 2014 with 7% interest	452,259
	$1,452,259

9. Loans payable

At December 31, 2012 the Company had issued $10,467,440 principal amount of secured convertible promissory notes (the "LOF Convertible Notes"). The LOF Convertible Notes are guaranteed by League Assets Corp. and IGW REIT LP and bear interest at a rate of 8% per annum. They are reported net of issuance costs as follows:

As at December 31, 2012	
8% Convertible Promissory Notes	$10,420,000
Debt issuance costs (net of amortization)	(973,058)
	$ 9,446,942

The LOF Convertible Notes will be convertible at the option of the holder into common shares of League Financial Partners Ltd. ("Common Shares") if the Common Shares become listed on the TSX or the TSX Venture Exchange, at a 25% discount to the Specified Value of the Common Shares. The LOF Convertible Notes will mature on the earlier of (i) March 14, 2014 or (ii) the date on which the Common Shares are listed on the TSX or TSX Venture Exchange at which point the holder will have the option to accept repayment of the principal amount of the LOF Convertible Note together with interest accrued thereon, or exercise the holders' option to exchange the LOF Convertible Notes for Common Shares at a 25% discount to the Specified Value of the Common Shares. Upon conversion, such holder will receive accrued and unpaid interest on the LOF Convertible Notes up to the date of the conversion.

10. Interest income

Under a general loan agreement, the Company earns interest at 10% per annum on month end balances due from League Assets Corp., an entity under common control.

11. Subsequent events

As of March 31, 2013 the Company completed its fifth and final closing of LOF Convertible Notes, bringing the total issuance to $13,470,000.

Subsequent to December 31, 2013, League Financial Partners Inc. ("LFP") will be facilitating a re-organization and recapitalization of a group of businesses which are directly or indirectly controlled or managed by League Assets Limited Partnership ("LALP"). As part of the re-organization transactions, League Assets Corporation, League Investment Services Inc. League Capital Markets Ltd, and League Opportunity Fund Ltd. will become wholly owned subsidiaries of LFP. LFP will also issue securities to the holders of common and income priority units issued by IGW Real Estate Investment Trust and IGW REIT Limited Partnership.

A preliminary non-offering prospectus (the "Prospectus") is being filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, to enable LFP to become a reporting issuer pursuant to applicable securities legislation in each of the provinces and territories of Canada, except Québec.

FINANCIAL STATEMENTS OF LEAGUE INVESTMENT FUND LTD.
FOR THE PERIOD FROM INCORPORATION ON
FEBRUARY 1, 2013 TO MARCH 31, 2013

(unaudited)

LEAGUE INVESTMENT FUND LTD.

STATEMENT OF FINANCIAL POSITION
(unaudited)

	As at March 31, 2013
Assets	
Current assets	
Due from related party (note 4)	$ 1
Shareholder's Equity	
Shareholder's equity	
Share capital (note 4)	$ 1
Total shareholder's equity	$ 1
Subsequent event (note 6)	

See accompanying notes to financial statements.

Approved on behalf of the Board

____________________________ Director

____________________________ Director

NOTES TO FINANCIAL STATEMENTS

(unaudited)

Period from incorporation on February 1, 2013 to March 31, 2013

1. Reporting entity

League Investment Fund Ltd. (LIF) was incorporated under the laws of the Province of Ontario on February 1, 2013. It was a wholly owned subsidiary of League Assets Limited Partnership until March 8, 2013 when it was transferred to League Financial Partners Inc. The Company plans to issue up to $15 million of units (the “Units”) by way of private placement. The Units, each with a subscription price of $1,000, will consist of a $1,000 principal amount convertible unsecured promissory note (the “LIF Convertible Notes”) and 50 Common Share purchase warrants (the “Warrants”).

LIF was created to raise funds for purposes of providing bridge capital to fund the acquisition of and investment into strategic corporate and real estate assets intended to accelerate the growth of LEAGUE.

2. Statement of compliance

The financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Company’s financial statements for the period from formation on February 1, 2013 to March 31, 2013 were authorized for issue by the shareholder on July 12, 2013. Going forward, the Company’s financial reporting year end will be December 31.

There were no operations from February 1, 2013 to March 31, 2013; as a result, the Company has not prepared a comprehensive income statement.

3. Significant accounting policies

(a) Functional and presentation currency

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

(d) Income taxes

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in earnings except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(e) New standards not yet adopted

At March 31, 2013, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these financial statements. None of these standards and interpretations, and amendments thereto, are expected to have a significant effect on the Company’s financial statements.

4. Share capital

Authorized

Unlimited number of Common Shares.
Unlimited Class A non-voting Shares without par value
Unlimited Class B non-voting shares without par value

	2013	
	Number of shares	Amount
Common shares issued:		
Opening balance	100	$ 1
Issued during the period	—	—
Closing balance	100	$ 1

5. Financial instruments

(a) Risk management

The Company has exposure to the following risks from its use of financial instruments:

(i) Credit risk

Credit risk, the risk of financial loss to the Company if a counterparty to a financial agreement fails to meet its contractual agreements, arises from the Company's receivable from a related party. The Company does not believe that there is significant credit risk associated with this receivable as a result of management's evaluation and ongoing monitoring of the related entities' financial condition.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled in cash or another financial asset. This risk to the Company is generally low. The Company's approach to managing liquidity is to ensure that it has sufficient cash and or credit facilities available to meet its obligations when due.

(b) Fair value

The carrying values of the Company's financial instruments are a reasonable approximation of their fair value due to their short-term nature.

(c) Capital management policy

The Company's objective in managing capital is to safeguard the Company's assets and ensure that the Company can continue to operate as a going concern so that it can continue to provide services and provide an adequate return to its shareholder. The Company's capital was as follows:

	2013
Share capital	$ 1

6. Subsequent events

On April 30, 2013, League Investment Fund Ltd. issued approximately $1.6 million of units (the "Units") by way of private placement. The Units, each with a subscription price of $1,000, consist of a $1,000 principal amount convertible unsecured promissory note (the "LIF Convertible Notes") and 50 Common Share purchase warrants (the "Warrants"). The LIF Convertible Notes are guaranteed by League Assets Corp. and IGW REIT LP and bear interest at a rate of 8% per annum, calculated monthly and payable quarterly. League Financial Partners Inc. and League Investment Fund Ltd. have agreed to complete a short form amalgamation pursuant to the Canada Business Corporations Act on or about the date on which League Financial Partners Inc. completes a listing of its shares for trading on the TSX (a "Listing Transaction"). Pursuant to and following such amalgamation, the LIF Convertible Notes will then become convertible for Common Shares of League Financial Partners Inc. at a price equaling a 20% premium to the Specified Value of the Common Shares, subject to standard anti-dilution adjustments in certain events. Holders converting their LIF Convertible Notes will receive accrued and unpaid interest thereon to the date of conversion. The LIF Convertible Notes will mature 30 months from the date of closing of the private placement. On June 30, 2013, the Company paid interest of $21,111 to investors.

In the event a Listing Transaction and the amalgamation of League Investment Fund Ltd. and League Financial Partners Inc. have not occurred within two years of closing of the private placement, then League Investment Fund Ltd. will be required to make an offer to purchase, on the maturity date, all of the LIF Convertible Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest. League Investment Fund Ltd. has the right at any time to purchase the LIF Convertible Notes, by tender, or by private contract. Subject to certain conditions, the LIF Convertible Notes may be repaid by League Investment Fund Ltd. at any time following the Listing Transaction and amalgamation without notice or bonus.

CERTIFICATE OF THE CORPORATION AND THE PROMOTER

Date: July 22, 2013

This amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by the securities legislation of each of the provinces and territories of Canada, except Québec.

LEAGUE FINANCIAL PARTNERS INC.

By: (signed) Adam Gant Chief Executive Officer	By: (signed) John Parkinson Chief Financial Officer

On behalf of the Board of Directors of
LEAGUE FINANCIAL PARTNERS INC.

By: (signed) Emanuel Arruda Director	By: (signed) Patrick Miniutti Director

LEAGUE ASSETS LIMITED PARTNERSHIP
(as Promoter)

By: (signed) Adam Gant Chief Executive Officer	By: (signed) Emanuel Arruda Chief Operating Officer

By its general partner
LEAGUE ASSETS GP INC.

By: (signed) Adam Gant Chief Executive Officer	By: (signed) Emanuel Arruda Chief Operating Officer

On behalf of the Board of Directors of
LEAGUE ASSETS GP INC.

By: (signed) Adam Gant Director	By: (signed) Emanuel Arruda Director

MY WORD IS MY BOND,
MY HONOUR IS MY GLORY

LEAGUE