2012 FINANCIAL STATEMENTS

TABLE OF CONTENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS	1
AUDITORS' REPORT TO THE SHAREHOLDERS	2
FINANCIAL STATEMENTS	3
NOTES TO THE FINANCIAL STATEMENTS	7
CORPORATE INFORMATION	29

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

For the years ended March 31, 2012 and 2011

The accompanying financial statements and all of the data included in this report have been prepared by and are the responsibility of the Board of Directors and management of Target Capital. The financial statements have been prepared in accordance with International Financial Reporting Standards as set out in the Handbook of the Canadian Institute of Chartered Accountants and reflect management's best estimates and judgements based on currently available information.

The Audit Committee, comprised of non-management directors, acts on behalf of the Board of Directors to ensure that management fulfills its financial reporting and internal control responsibilities. In performing its duties, the Audit Committee acts only in an oversight capacity and necessarily relies on the work and assurances of Target's management.

Rick Skauge
CHIEF EXECUTIVE OFFICER

Ryan Hoult, CA
CHIEF FINANCIAL OFFICER

Calgary, Alberta, June 27, 2012

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying financial statements of Target Capital Inc., which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of comprehensive income, changes in equity and cash flows for the years ended March 31, 2012 and March 31, 2011, and 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 the auditors' 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, the auditors 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 Target Capital Inc. as at March 31, 2012, March 31, 2011, and April 1, 2010, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Kenway Mack Slusarchuk Stewart LLP

Chartered Accountants
Calgary, Alberta

June 27, 2012

STATEMENT OF FINANCIAL POSITION

As at	Note	March 31, 2012	March 31, 2011	April 1, 2010
$ Canadian				
Assets				
Current assets				
Cash		**$ -**	$ 564,574	$ -
Marketable securities	4	**5,349,370**	4,936,666	3,224,089
Accounts receivable	19(a)	**436,061**	251,845	170,460
Prepaid expenses		**3,119**	2,768	2,768
		5,788,550	5,755,853	3,397,317
Long-term investments	5	**644,712**	644,710	644,710
Related party loans	6	**561,549**	-	-
Trailer fee rights	7	**269,779**	314,743	359,707
Notes receivable	8	**55,859**	72,446	47,987
Controlled private companies	9	**57,710**	46,310	37,910
Equipment	10	**16,501**	-	-
		$ 7,394,660	$ 6,834,062	$ 4,487,631
Liabilities and Equity				
Current liabilities				
Bonds	12	**$ 2,984,600**	$ -	$ -
Bank indebtedness	11	**586,076**	-	38,513
Accounts payable and accrued liabilities		**167,978**	161,258	124,712
Interest payable		**2,725**	4,521	16,347
Callable bonds	12	**191,650**	316,150	1,832,374
		3,933,029	481,929	2,011,946
Deferred income taxes	13	**282,169**	307,634	200,327
Long-term bonds	12	**-**	2,984,600	-
		$ 4,215,198	$ 3,774,163	$ 2,212,273
Equity				
Share capital	14, 17	**$ 1,132,710**	$ 1,132,710	$ 1,132,710
Deficit		**(156,408)**	(276,413)	(310,628)
Accumulated other comprehensive income		**2,203,160**	2,203,602	1,453,276
		3,179,462	3,059,899	2,275,358
Commitments	18			
		$ 7,394,660	$ 6,834,062	$ 4,487,631

The related notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the years ended March 31	Note		2012		2011
$ Canadian					
Revenue					
Controlled private company fees		$	842,624	$	712,463
Dividends			332,129		249,279
Trailer fees			65,825		72,736
Interest			8,256		7,480
			1,248,834		1,041,958
Expenses					
Interest on bonds			230,172		197,232
Salaries and wages			113,217		83,907
Bad debts			100,268		58,758
General and administration			93,452		105,156
Professional fees			72,619		72,343
Royalties			64,853		66,393
Amortization of intangible assets			44,964		44,964
Directors' fees			27,700		24,625
Rent			19,417		-
Interest			4,443		665
Amortization of equipment			801		-
			771,906		654,043
Net earnings before income taxes			476,928		387,915
Income tax expense (recovery)					
Current			44,122		44,171
Deferred			(3,342)		(11,844)
			40,780		32,327
Net earnings			436,148		355,588
Other comprehensive income					
Revaluation of securities available for sale			(22,565)		869,478
Deferred income tax effect			22,123		(119,152)
Comprehensive income		$	435,706	$	1,105,914
Basic and diluted earnings per share	15		0.11		0.09

The related notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

March 31, 2012

	Share capital	Accumulated other comprehensive income	Refundable dividend tax on hand	Deficit	Total Deficit	Total
$ Canadian						
Balance, March 31, 2011	$ 1,132,710	$ 2,203,602	$ (84,559)	$ (191,854)	$ (276,413)	$ 3,059,899
Net income	-	-	-	436,148	436,148	436,148
Tax impact of dividends received	-	-	(110,710)	-	(110,710)	(110,710)
Dividends paid ($0.08 per share)	-	-	102,716	(308,149)	(205,433)	(205,433)
Revaluation of securities available for sale	-	(442)	-	-	-	(442)
Balance, March 31, 2012	$ 1,132,710	$ 2,203,160	$ (92,553)	$ (63,855)	$ (156,408)	$ 3,179,462

March 31, 2011

	Share capital	Accumulated other comprehensive income	Refundable dividend tax on hand	Deficit	Total Deficit	Total
$ Canadian						
Balance, April 1, 2010	$ 1,132,710	$ 1,453,276	$ (71,335)	$ (239,293)	$ (310,628)	$ 2,275,358
Net income	-	-	-	355,588	355,588	355,588
Tax impact of dividends received	-	-	(115,940)	-	(115,940)	(115,940)
Dividends paid ($0.08 per share)	-	-	102,716	(308,149)	(205,433)	(205,433)
Revaluation of securities available for sale	-	750,326	-	-	-	750,326
Balance, March 31, 2011	$ 1,132,710	$ 2,203,602	$ (84,559)	$ (191,854)	$ (276,413)	$ 3,059,899

The related notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the years ended March 31	2012	2011
$ Canadian		
Cash flows from (used in) operating activities:		
Net earnings	$ 436,148	$ 355,588
Items not affecting cash:		
Amortization of intangible assets	44,964	44,964
Amortization of equipment	801	-
Refundable dividend tax on hand	(7,993)	(13,224)
Deferred income taxes	(3,342)	(11,844)
	470,578	375,484
Net changes in non-cash working capital balances		
Accounts receivable	(184,216)	(81,385)
Prepaid expenses	(351)	-
Accounts payable and accrued liabilities	6,719	36,546
Interest payable	(1,796)	(11,826)
	290,934	318,819
Investing activities		
Repayment of notes receivable	16,587	215,541
Advances on notes receivable	-	(240,000)
Advances on related party loans	(561,549)	-
Purchase of controlled private companies	(15,000)	(16,200)
Sale of controlled private companies	3,600	7,800
Purchase of equipment	(17,302)	-
Purchase of long-term investment	(2)	-
Purchase of marketable securities	(435,269)	(843,100)
	(1,008,935)	(875,959)
Financing activities		
Advances from bank loan	-	400,000
Repayment of bank loan	-	(500,000)
Dividend paid	(308,149)	(308,149)
Repayment of callable bonds	(124,500)	(1,516,224)
Bonds Issued	-	2,984,600
	$ (432,649)	$ 1,060,227
Increase (decrease) in cash	(1,150,650)	503,087
Cash, beginning of period	564,574	61,487
Cash (indebtedness), end of period	$ (586,076)	$ 564,574
Other information:		
Dividends received	332,129	249,279
Interest paid	240,933	209,724
Interest received	8,256	7,480
Taxes paid	60,370	816

The related notes form an integral part of these financial statements.

1. REPORTING ENTITY

Target Capital Inc. (the "Company" or "Target") was incorporated under the *Business Corporations Act* of Alberta and is listed on the TSX Venture Exchange under the symbol "TCI". The Company's head office is located at Suite 1020, 140 10 Avenue SE in Calgary, Alberta.

The Company has investments in listed public companies, trailer fee rights, notes receivable, private issuers and controlled private companies.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. These are the Company's first IFRS financial statements and *IFRS 1 First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRS has affected the reported equity, comprehensive income and cash flows of the Company is provided in note 21. This note includes reconciliations between Canadian GAAP and IFRS for comparative periods.

These financial statements were approved by the Board of Directors on June 27, 2012.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the marketable securities, long-term investments, and controlled private companies, which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgements

The preparation of the financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are as follows:

Accounts receivable & allowance for bad debt

Management has made an estimate of the amount of accounts receivable that will likely not be recoverable. This estimate is based management's assessment of the financial situation of individual customers.

Amortization of trailer fee rights

The amortization recorded in these financial statements is based on the value of the underlying assets as of the date of the statements. However, amortization is calculated on an annual basis and subsequent changes to the valuation of the underlying assets could result in a material change to the amount of amortization recorded.

Valuation of Long Term Investments

Management has determined that its investment in Bearspaw Tree Farm cannot be reliably fair-valued and as such has continued to record the investment at historical cost.

Loan recoverability

Management has determined that all its loans outstanding are fully collectable. This estimate is based management's assessment of the financial situation of each individual borrower.

Income taxes

The tax amounts recorded are based on estimates of the use of losses available for carry-forward as well as the valuation of capital assets. These estimates are also dependent on assumptions regarding future income taxes rates and the impact of present or future tax regulations.

3. SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these financial statements are based on IFRS issued and outstanding as of June 27, 2012, the date the Board of Directors approved the statements. The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at April 1, 2010 for the purpose of the transition to IFRS, unless otherwise indicated.

The significant accounting policies used in the preparation of these financial statements are described below:

(a) Accounting standards issued but not yet applied

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. Except as otherwise noted below for IAS 32, the standards are effective for the Company's annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its statements of operations and financial position.

(i) *IFRS 10 - Consolidation*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. *IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.*

(ii) *IFRS 11 - Joint Arrangements*

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. *IFRS 11 supersedes IAS 31, Interests in Joint Ventures*, and *SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

(iii) *IFRS 12 – Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

(iv) *IFRS 13 - Fair Value Measurement*

Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements. *IFRS 13* is a more comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement.

(v) *Amendments to other standards*

In addition, there have been amendments to existing standards, including *IFRS 7 Financial Instruments: Disclosure, IAS 27, Separate Financial Statements, IAS 28, Investments in Associates and Joint Ventures*, and *IAS 32, Financial Instruments: Presentation. IFRS 7* amendments require disclosure about the effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. *IAS 27* addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. *IAS 28* has been amended to include joint ventures in its scope and to address the changes in *IFRS 10 – 13*. *IAS 32* addresses inconsistencies when applying the offsetting requirements, and is effective for annual periods beginning on or after January 1, 2014

(b) Cash and cash equivalents

The Company considers all investments with maturities of three months or less, and lines of credit that are utilized periodically for day-to-day operations, to be cash equivalents. As Target holds multiple bank accounts, cash indebtedness is presented in the Statement of Financial Position on a net basis; therefore, the amount differs from the actual draw on the line of credit.

(c) Marketable securities

Marketable securities are designated as financial assets at fair value through comprehensive income. Fair value is determined directly by reference to published price quotations in an active market. The securities are marked to fair value at the end of each reporting period using the current bid price, or the most recent trade price if there is no current bid; any changes in fair value are recorded in other comprehensive income.

(d) Equipment

Equipment is recorded at cost less accumulated amortization and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of equipment have different useful lives, they are accounted for as separate items.

The cost of replacing a component of an item is recognized in the carrying amount of the item if it is probable that there is future economic benefit and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of day-to-day servicing of equipment are recognized in profit or loss as incurred.

The gain or loss on disposition of an item of equipment is determined by comparing the proceeds from disposal with the carry amount of the equipment, and is recognized on a net basis within other income/expenses in profit or loss.

Amortization is based on the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of each component of an item. Leased assets are amortized over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Computer equipment	3 years
Leasehold improvements	6 years

(e) Investments in controlled private companies

The Company relies on the guidance provided in *IAS 27 Consolidated and separate financial statements* and *IAS 28 Investments in associates* in accounting for its investments.

IAS 27 provides a different definition of control for consolidation purposes than the typical definition used in determining legal control. Legal control is presumed to exist when an entity holds more than 50% of the voting shares in a corporation, as an entity then has the power to govern, or control, the corporation. However, *IAS 27* requires that an entity not only have such control, but that it be able to use such control so as to obtain benefits from the controlled entity's activities.

While the Company holds majority ownership in most of its investments, is able to elect the Board of Directors and exert legal control over the entities, it has entered into agreements with each entity imposing long-term restrictions on the Company's ability to obtain future economic benefits from its interest in those entities. Therefore, while the Company legally controls these entities through its investments, such investments do not meet the requirements of control under *IAS 27* due to the inability of the Company to use its control to obtain benefits from the controlled entity's activities.

As the Company's investments do not meet all of the *IAS 27* criteria for consolidation, the Company does not consolidate these investments for reporting purposes. However, as it does still have significant influence as defined in *IAS 28*, it accounts for these investments using the equity method. The Company has recognized its share of net income or loss of these private companies to be nil because it has no rights to receive any residual returns or any obligation to absorb losses of these private companies.

(f) Intangible asset

Trailer fee rights are intangible assets recorded at cost and amortized over their estimated useful life of 10 years. The useful life and expected residual value are reviewed annually.

Trailer fee rights are tested for impairment when events or circumstances indicate the carrying amount may not be recoverable. Recoverability is assessed by comparing the carrying amount, to the projected future net cash flows the assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(g) Income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in profit or loss except to the extent that it relates to a business combination, 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 period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax payable arising from the declaration of dividends.

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 difference when they reverse, based on the laws that have be enacted or substantively enacted by the reporting date.

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.

(h) Financial Instruments

The Company has chosen to early adopt *IFRS 9 Financial Instruments*.

Financial instruments are classified into one of five categories:

(i) financial assets at amortized cost;

(ii) financial assets at fair value through comprehensive income;

(iii) financial assets at fair value through profit or loss;

(iv) financial liabilities at amortized cost; or,

(v) financial liabilities at fair value through profit or loss

The classification is determined at initial recognition and depends on the nature and purpose of the financial instrument.

Financial assets at amortized cost

Instruments can only be classified as financial assets at amortized cost if they are held with the objective to collect contractual cash flows and if the cash flows are solely payments of principal and interest on the principal amount. Financial assets at amortized cost are initially recognized at fair value plus any directly attributable transaction costs. Subsequently, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

Financial assets at amortized cost are comprised of accounts receivable, related party loans and notes receivable.

Financial assets at fair value through comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through comprehensive income are initially measured at fair value and changes therein are recognized in comprehensive income.

Financial assets at fair value through comprehensive income are comprised of marketable securities and long-term investments.

Financial assets at fair value through profit or loss

All financial assets except for those placed into one of the above categories are recorded at fair value through profit or loss. Additionally, assets that meet the requirements for financial assets at amortized costs can optionally be designated as financial assets at fair value through profit or loss. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are initially measured at fair value and changes therein are recognized in profit or loss.

Financial assets at fair value through profit or loss are comprised of cash and cash equivalents, and controlled private companies.

Financial liabilities at amortized cost

All financial liabilities, except those designated as financial liabilities at fair value through profit or loss, are recorded at amortized cost. Financial liabilities at amortized cost are initially recognized at fair value plus any directly attributable transaction costs. Subsequently, these liabilities are measured at amortized cost using the effective interest method.

Financial instruments at amortized cost are comprised of accounts payable, interest payable, bank indebtedness, callable bonds and bonds.

Financial liabilities at fair value through profit or loss

Certain financial liabilities that:

1) contain embedded derivatives;
2) are part of a group of liabilities actively managed on a fair value basis; or
3) which would cause a measurement inconsistency if they were not accounted for at fair value, can optionally be designated as financial instruments at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially measured at fair value and changes therein are recognized in profit or loss. Such liabilities and the reason for the designation must be clearly disclosed in the financial statements.

The Company does not currently hold any financial liabilities at fair value through profit or loss.

(i) Impairment

The carry amounts of the Company's equipment, notes receivable, accounts receivable, related party loans and trailer fee rights are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU use is the greater of its value in use and its fair value, less cost to sell. 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 or cash-generating unit. For the purpose of impairment testing, assets that cannot be individually tested are grouped together into the smallest group of assets that generates cash inflows or CGUs.

The Company's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

(j) Revenue recognition

Revenue from trailer fees related to the Company's acquired interests in future commissions, as described in Note 7, is recognized on a net basis when a claim is processed. The Company records all accounts receivable and payable related to trailer fees on a net basis, as it receives the fees net of a handling fee charged by Olympia Benefits Inc.

Controlled private company fee revenue relates to fees paid to Target by the controlled private companies that it has invested in. Revenue is recognized in the period in which the services are provided.

Interest is recognized in the month it accrues under the terms of the notes receivable when collection is reasonably assured.

Dividends are recorded when declared.

(k) Earnings per share

The calculation of basic earnings per share is based on net earnings divided by the weighted average number of common shares outstanding.

The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

(l) Foreign exchange

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on the retranslation are recognized in profit or loss.

4. MARKETABLE SECURITIES

	March 31, 2012			March 31, 2011		
	Book value	**Fair value**	**Fair value over (under) book value**	Book value	Fair value	Fair value over (under) book value
Eyelogic Systems Inc.	**$ 152,476**	**$ 38,939**	**$ (113,537)**	$ 152,476	$ 75,366	$ (77,110)
Mosaic Capital Corporation	**1,141**	**65,065**	**63,924**	2,532	139,000	136,468
Mosaic Capital Corporation (Preferred shares)	**1,391**	**86,286**	**84,895**	-	-	-
Olympia Financial Group Inc.	**2,660,129**	**5,159,080**	**2,498,951**	2,224,910	4,722,300	2,497,391
	$ 2,815,137	**$ 5,349,370**	**$ 2,534,233**	$ 2,379,918	$4,936,666	$ 2,556,749

5. LONG-TERM INVESTMENTS

	March 31 2012	March 31 2011
Private company securities at original cost		
Bearspaw Tree Farm Inc.	**$ 644,710**	$ 644,710
Industrial Avenue Development Corporation	**2**	-
	$ 644,712	$ 644,710

Target's investment in Bearspaw Tree Farm is classified as a financial asset at fair value through comprehensive income. Due to the difficulty in reliably valuing the investment, it is recorded at historical cost.

Target is the 50% shareholder of Industrial Avenue Development Corporation ("IADC"), a Company involved in the redevelopment of land in the greater Vancouver area. Due to its significant influence over the IADC, Target is required to account for this investment using the equity method, whereby Target recognizes its share of net assets of the corporation. At this time, the assets of the corporation are $411,553 and its liabilities are $411,549, leaving net equity of $4, which is the share capital of the company. Therefore the amount recognized is Target's original investment amount of $2.

6. RELATED PARTY LOANS

	March 31 2012	March 31 2011
Related party loans receivable		
Industrial Avenue Development Corporation ("IADC")	**$ 411,549**	$ -
Organickidz Inc. ("OKI")	**150,000**	-
	$ 561,549	$ -

As consideration for its stake in IADC, Target agreed to provide an interest-free loan to IADC to finance the costs associated with the redevelopment. The maximum loan amount is $2,050,000 and is secured against the assets of IADC. Loan advances are made for payment of actual expenses incurred upon submission of invoices. The loan is due on December 31, 2014.

In return for an option to purchase 25% of OKI for $1, Target agreed to provide a loan of up to $250,000. The maximum loan amount is $250,000, bears interest at 9% and is secured against the assets of OKI. The loan is due July 31, 2013.

7. TRAILER FEE RIGHTS

Between July 2000 and October 2003, the Company acquired five contractual interests in future commissions on claims processed through Olympia Benefits Inc. The future claims commissions are payable at rates that vary, by contract, between 2% and 3% of all the claims made on accounts funded for the first 84 months from the dates of the agreements, and 2% thereafter.

8. NOTES RECEIVABLE

		March 31 2012		March 31 2011
Demand Notes				
Prime rate plus 3% note	**$**	**15,859**	$	32,446
9% fixed rate note		**40,000**		40,000
	$	**55,859**	$	72,446

The notes receivable have no specified terms of repayment and are unsecured. Interest is calculated and accrued monthly.

9. CONTROLLED PRIVATE COMPANIES

		March 31 2012		March 31 2011
Private company securities				
Private company securities, beginning of year	**$**	**46,310**	$	37,910
Purchase of private company securities		**15,000**		16,200
Sale of private company securities		**(3,600)**		(7,800)
Private company securities, end of year	**$**	**57,710**	$	46,310

Target has purchased a majority of the voting shares in 97 private companies (March 31, 2011 - 78). The nature of the Company's investment in the controlled private companies is to enable the debt securities of the companies to be eligible for Deferred Plans. A Deferred Plan is a registered retirement savings plan, registered education savings plan, registered retirement income fund, a locked-in retirement account or a tax-free savings account. The promoters managing these companies use the capital raised at their own discretion, without reliance on the management or resources of Target. Target's management and capital are not committed to these controlled private companies.

Target earns fees from each company for enabling these companies to raise funds from Deferred Plans. The annual fee is generally the greater of: $2,500 or 0.5% of the total capital raised by each private company from Deferred Plans. The controlled private companies have raised capital via investment from Deferred Plans that vary in size from nil to several million dollars per private company.

The Company entered into an agreement with Tarman Inc. ("Tarman") and Eyelogic Systems Inc. ("Eyelogic", Note 16), whereby Tarman would provide new contacts to Target to invest in, as controlled private companies up to and including December 31, 2010. Tarman was obligated by contract to exclusively provide new contacts for Eyelogic until December 31, 2010. To compensate Eyelogic for releasing Tarman from its obligations to Eyelogic, Eyelogic receives a royalty of 10% of all fees earned by Target from companies introduced to Target up to and including December 31, 2010.

Target's maximum exposure to losses is limited to its initial investment, typically $600 per private company or a total exposure of $57,710 (March 31, 2011 - $46,310).

10. EQUIPMENT

			March 31, 2012
	Office equipment	Leasehold improvements	Total
Cost			
At beginning of year	$ -	$ -	$ -
Additions	4,807	12,495	17,302
At end of year	$ 4,807	12,495	$ 17,302
Accumulated amortization			
At beginning of year	$ -	$ -	$ -
Amortization	801	-	801
At end of year	$ 801	$ -	$ 801
Closing net book value	$ 4,006	$ 12,495	$ 16,501

11. LINE OF CREDIT

A line of credit has been authorized to a maximum of $1,466,667 and bears interest at the bank's prime lending rate plus 0.25%. The loan is secured by a control agreement over 110,000 common shares of Olympia Financial Group Inc. held by the Company and a general security agreement over the Company's assets. At March 31, 2012, the Company had $632,069 (March 31, 2011 - $nil) outstanding under this facility.

12. BONDS

	March 31 2012	March 31 2011
8% renewable		
The bonds bear interest at 8% per annum with interest paid semi-annually and can be redeemed in full, 90 days after a formal request by the bondholder has been made. The bonds have no maturity date.	$ 90,000	$ 132,500
9% renewable		
The bonds bear interest at 9% per annum with interest paid semi-annually and can be redeemed in full, 90 days after a formal request by the bondholder has been made. The bonds have no maturity date.	$ 101,650	$ 183,650

	2012	2011
Callable Bonds	**$ 191,650**	$ 316,150
7% renewable		
The bonds bear interest at 7% per annum with interest paid quarterly. The bonds are redeemable at the option of the Company at any time. The bonds mature on January 31, 2025; however, the bonds contain an early redemption option, which allow for repayment on January 31st of 2013, 2016, 2019 or 2022 at the advance written request of the bondholder.	**$ 2,984,600**	$ 2,984,600
Bonds	**$ 2,984,600**	$ 2,984,600
	$ 3,176,250	$ 3,300,750

13. INCOME TAXES

The components of the deferred tax balances are as follows:

	March 31 2012	March 31 2011
Carrying amount of investments, equipment and intangible assets in excess of tax basis	**$ 282,169**	$ 307,634
	$ 282,169	$ 307,634

The provisions for income taxes recorded in the financial statements differs from the amounts that would be obtained by applying the statutory income tax rate of 26.125% (2011 – 27.625%) to the earnings for the years as follows:

	March 31 2012	March 31 2011
Earnings for the year before income tax	**$ 476,928**	$ 387,915
Estimated income tax expense	**124,597**	107,162
Non-taxable dividends	**(68,769)**	(68,863)
Effect of change in the tax rate	**(31,501)**	(14,087)
Other	**16,453**	8,115
	$ 40,780	$ 32,327

14. SHARE CAPITAL

Authorized

Unlimited number of common voting shares

Issued common shares

	Amount	Number
Balance, March 31, 2012, and March 31, 2011	**$ 1,132,710**	3,851,863

15. EARNINGS PER SHARE

Earnings per share are calculated using the weighted average number of shares outstanding during the period.

	Years ended March 31					
	2012			2011		
	Net earnings	**Weighted average common shares**	**Earnings per shares**	Net earnings	Weighted average common shares	Earnings per shares
Basic and diluted	**$ 436,148**	**3,851,863**	**$ 0.11**	$ 355,588	3,851,863	$ 0.09

16. RELATED PARTY TRANSACTIONS

(a) During the year, the Company entered into transactions with the following related parties:

Bearspaw Tree Farm Inc., Common management
Controlled private companies, Significant share ownership
Eyelogic Systems. Inc., Common management
Industrial Avenue Development Corporation, Significant share ownership
Olympia Benefits Inc., Common management
Olympia Financial Group Inc., Common management
Olympia Trust Company, Common management
OrganicKidz Inc., Significant common share option holdings
Read Brandon Inc., Common management
Read Capital Inc., Common management
Tarman Inc., Common management

(b) Transactions:

	March 31 2012	March 31 2011
Revenue		
Controlled private company fees		
Controlled private companies	**$ 842,624**	$ 712,463
Dividends		
Olympia Financial Group Inc.	**323,065**	228,145
Eyelogic Systems Inc.	**-**	16,964
Interest income		
OrganicKidz Inc.	**2,213**	-
Read Capital Inc.	**3,200**	800
Trailer fees		
Olympia Benefits Inc.	**65,825**	72,736
	$ 1,236,927	$ 1,031,108
Expenses		
General and Administration		
Olympia Financial Group Inc.	**$ 77,700**	$ 40,276
Olympia Trust Company	**15,282**	14,505
Bad Debt		
Controlled private companies	**100,268**	58,758
Royalties		
Eyelogic Systems Inc.	**64,853**	66,393
Management fees (within salary & wages)		
Tarman Inc.	**24,000**	18,000
	$ 282,103	$ 197,932

During the year, Target purchased 3,000 shares of Olympia Trust from Read Brandon Inc. at a price of $38.10 per share, which was the last trading price prior to the sale.

These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The future commitments in terms of these agreements are detailed in note 18.

(c) Accounts receivable, notes receivable and related party loans include amounts receivable from:

	March 31 2012	March 31 2011
Controlled private companies	$ 479,506	$ 244,719
Bad debt allowance for controlled private companies	(49,704)	-
Industrial Avenue Development Corporation	411,549	-
OrganicKidz Inc.	150,000	-
Read Capital Inc.	40,000	40,000
Olympia Benefits Inc.	6,258	6,801
	$ 1,038,008	$ 291,520

(d) Accounts payable and accrued liabilities include amounts payable to:

	March 31 2012	March 31 2011
Eyelogic Systems Inc.	$ 66,986	$ 50,004
Olympia Financial Group Inc.	4,951	1,572
Olympia Trust Company	1,737	6,890
Tarman Inc.	-	6,300
	$ 73,674	$ 64,766

(e) Key management compensation

Key management includes the Company's directors, the CEO, CFO and President.

	March 31 2012	March 31 2011
Salaries, directors fees and short-term employee benefits	$ 117,700	$ 96,625
	$ 117,700	$ 96,625

17. MANAGEMENT OF CAPITAL

The Company's policy is to maintain a strong capital base that will maintain investor, creditor and market confidence and sustain future development of the business. The Company considers equity as capital; at year end this totaled $3,179,462 (March 31, 2011 - $3,059,899). The Company is not subject to externally imposed capital requirements.

18. COMMITMENTS

The Company entered into a royalty agreement with Eyelogic and Tarman, both related parties, whereby Tarman provided new contacts to Target to invest in controlled investment companies, up to and including, December 31, 2010. Tarman was contractually obligated to exclusively provide new contacts for Eyelogic until December 31, 2010. To compensate Eyelogic for releasing Tarman from its obligations to Eyelogic, Eyelogic will receive a royalty of 10% of all fees earned by Target from companies introduced to Target up to and including December 31, 2010.

As described in note 6, Target has entered into loan agreements with two parties which will require Target to advance funds to these companies. The specific details of each loan are included in the referenced notes.

The Company has entered into a lease agreement for new office space. Payments under the lease will commence September 1, 2012 and continue until August 31, 2018. Basic rent payments under the lease are $98,280 per year.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments consist of items that will result in future cash receipts, such as: recorded amounts of accounts receivable, notes receivable, marketable securities, related party loans and long-term investments. They also include items that will result in future cash outlays, including: bank indebtedness, accounts payable, interest payable, accrued liabilities and bonds.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework. The Board of Directors reviews, with management, the risks faced by the Company and the systems that have been put in place to manage these risks.

The Company is exposed to the following risks in respect of certain of the financial instruments held:

(a) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of accounts receivable represents the maximum credit exposure.

The Company is exposed to credit risk from its trade customers. The credit risk is influenced mainly by the individual credit characteristics of each client. Geographically, there is a concentration of risk in the Alberta region. The Company makes use of the following techniques to reduce its credit risk:

- Controlled private companies do not receive final approval, and therefore cannot raise funds, until the investment fee for the first year ($2,500) is paid;
- The Company does not require collateral with respect to trade and other receivables. The Company has a significant number of customers, which minimizes concentration of credit risk. Accounts receivable are monitored on a regular basis.

At period end, the Company had $157,355 receivables outstanding for more than 90 days, totalling 32% of outstanding receivables (March 31, 2011 - $36,569 and 15%). At period end, management believes all amounts are collectable.

	March 31 2012	March 31 2011	April 1 2010
Current	**136,669**	102,615	95,789
31 to 60 days past due	**191,741**	93,112	61,551
61 to 90 days past due	**-**	19,549	13,120
91 days or more past due	**157,355**	36,569	-
	485,765	251,845	
Less: Allowance for doubtful accounts	**(49,704)**	-	-
	436,061	251,845	170,460

(b) Price risk

The Company is exposed to price risk, which is the risk that the value of its quoted investments will change as a result of volatile market conditions. The Company's investments are not sufficiently diversified to reduce exposure to market risk.

Exposure to Price Risk

	March 31 2012	March 31 2011
Marketable securities	**$ 5,349,370**	$ 4,936,666

Fair value sensitivity analysis

A 10% decline in the market price at March 31, 2012 would have resulted in a $534,937 downward adjustment to the fair value of marketable securities with the offset recorded to other comprehensive income and deferred incomes taxes (March 31, 2011 - $493,666). A 10% increase in the fair value of marketable securities at March 31, 2012 would have had the equal but opposite effect. This analysis assumes that all other variables, in particular systematic risk, remain constant. The analysis is performed on the same basis for the previous period.

(c) Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	March 31 2012	March 31 2011
Fixed rate instruments		
Financial asset		
Notes receivable	$ 40,000	$ 40,000
Related party loans	561,549	-
Financial liabilities		
Callable bonds	(191,650)	(316,150)
Bonds	(2,984,600)	(2,984,600)
	$ (2,574,701)	$ (3,260,750)
Variable rate instruments		
Financial assets		
Notes receivable	$ 15,859	$ 32,446
Financial liabilities		
Line of credit	(632,069)	-
	$ (616,210)	$ 32,446

Cash flow sensitivity analysis for fixed rate instruments

Rates are fixed at the initiation of the instruments and are not subject to variability; therefore a change in interest rates at the reporting date does not affect net income or expenses with respect to these fixed rate financial assets and liabilities.

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points (1%) in interest rates, sustained throughout the period, would have decreased equity and after tax earnings by $4,552 for the year ended March 31, 2012 (year ended March 31, 2011 - $235 increase). A 100 basis point (1%) decrease would have had an equal but opposite effect. The analysis assumes that all other variables remain constant and is performed on the same basis for the previous period.

(d) Liquidity risk

Bank indebtedness is payable on demand and accounts payable is due within 30 days. The callable bonds are repayable on demand either in full 90 days from formal request or 30 days after formal request with 10% of the face value being repaid every 30 days. The remaining bonds are repayable on January 31, 2013, if requested by the bondholder in writing at least 90 days prior to this date; if no request is received, the bonds automatically renew for another 3 year term. Based its experience with part Company bonds and the current economic climate, management does not expect a significant number of bondholders will redeem at this time.

The Company has sufficient cash facilities and marketable securities to pay all outstanding amounts.

	Carrying Amount	Contractual Cash Flows	6 Months or Less	6 to 12 Months	12 Months or More
Bank indebtedness	$ 632,069	$ 632,069	$ 632,069	$ -	$ -
Accounts payable	167,978	167,978	167,978	-	-
Callable bonds	191,650	191,650	191,650	-	-
Bonds	2,984,600	2,984,600	-	2,984,600	-
	$ 3,976,297	$ 3,976,297	$ 991,697	$ 2,984,600	$ -

(e) Fair value

The Company's carrying value of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and interest payable approximates fair value due to the immediate or short-term maturity of these instruments. The carrying value of the notes receivable approximates the fair value, as the notes are due on demand.

The fair value of the callable bonds is not materially different from the carrying value as the majority of the bonds are at interest rates that are consistent with the current rates offered to the Company for debt with similar terms.

Due to the difficulty in reliably valuing the investment, Target's investment in Bearspaw Tree Farm is recorded at historical cost.

Investments in private controlled companies and marketable securities are recorded at fair value.

The Company's fair value hierarchy comprises the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and marketable securities were determined using Level 1 inputs. The fair value of long-term investments and controlled private companies were determined using level 3 inputs.

20. COMPARATIVE FIGURES

Financial information from previous periods has been reclassified, where applicable, to conform to the presentation used in the current period. The changes do not affect the prior period net income.

21. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2(a), this is the first year the Company has prepared statements in accordance with IFRS.

The only change on adoption of IFRS was to change the presentation of Target's investment in Mosaic Capital (formerly First West Capital) and Bearspaw Tree Farm from cost to fair value.

Target revalued its investment in Mosaic Capital at fair value on its opening balance sheet. This was recorded as an increase in marketable securities of $135,468, an increase in deferred tax liability of $18,711, and an increase in accumulated other comprehensive income of $116,757. Target also revalued its investment in Mosiac Capital to fair value on at March 31, 2011. This was recorded as an increase in other comprehensive income of $1,000 and an increase of $138 in deferred tax expense.

Due to the difficulty in reliably valuing Bearspaw Tree Farm, historical cost is currently being used in place of fair value as permitted by *IFRS 9*. Under Canadian GAAP, the fair value was disclosed in the notes to the financial statements.

A reconciliation of equity and comprehensive income as at and for the year ended March 31, 2011 is included below. The adjustment had no impact on the previously reported cash flows for the year ended March 31, 2011.

22. SUBSEQUENT EVENT

Subsequent to year end Target raised $423,000 from a bond offering pursuant to an offering memorandum dated April 17th 2012.

Reconciliation of equity as at March 31, 2011 and April 1, 2010

	April 1, 2010	March 31, 2011
Share Capital		
Balance in accordance with CGAAP	$ 1,132,710	$ 1,132,710
Share capital in accordance with IFRS	1,132,710	1,132,710
Accumulated other comprehensive income (AOCI)		
Balance in accordance with CGAAP	1,336,519	2,085,983
Mosaic Capital fair value adjustment	116,757	117,619
AOCI in accordance with IFRS	1,453,276	2,203,602
Deficit		
Balance in accordance with CGAAP	(310,628)	(276,413)
Deficit in accordance with IFRS	(310,628)	(276,413)
Total equity in accordance with IFRS	$ 2,275,358	$ 3,059,899

Reconciliation of net earnings for the year ended March 31, 2011

	CGAAP	Adjustment	IFRS
Revenue			
Controlled private company fees	712,463	-	712,463
Dividends	249,279	-	249,279
Trailer fees	72,736	-	72,736
Interest	7,480	-	7,480
	1,041,958	-	1,041,958
Expenses			
Interest on bonds	197,232	-	197,232
General and administration	105,156	-	105,156
Salaries and wages	83,907	-	83,907
Professional fees	72,343	-	72,343
Royalties	66,393	-	66,393
Bad debt	58,758.0	-	58,758
Amortization of intangible assets	44,964	-	44,964
Directors' fees	24,625	-	24,625
Interest	665	-	665
	654,043	-	654,043
Net earnings before income taxes	387,915	-	387,915
Income tax expense (recovery)			
Current	44,171	-	44,171
Deferred	(11,844)	-	(11,844)
	32,327	-	32,327
Net earnings	355,588	-	355,588
Other comprehensive income			
Revaluation of securities available for sale	868,478	1,000	869,478
Deferred income tax effect	(119,014)	(138)	(119,152)
Comprehensive income	1,105,052	862	1,105,914
Basic and diluted earnings per share	0.09	-	0.09

Directors

Anne Louise Bartlett
Charles Chebry[1234]
Ryan Hoult[4]
Gerard Janssen[1234]
Brian Newman[1234]
Rick Skauge[4]
Craig Skauge[4]
Greg Walter

Officers

Rick Skauge
Chief Executive Officer

Craig Skauge
President

Ryan Hoult
Chief Financial Officer

Board Committees

[1] Audit Committee
[2] Corporate Governance Committee
[3] Executive Compensation Committee
[4] Investment Committee

Head Office

Target Capital Inc.
Suite 1020, 140 - 10th Avenue SE
Calgary, Alberta T2G 0R1
T 403.261.8459

www.targetcapitalinc.com
craig@targetcapitalinc.com

Transfer Agent

Olympia Trust Company
Suite 2300, 125 - 9th Avenue SE
Calgary, Alberta T2G 0P6
T 403.261.0900
F 403.265.1455

Auditors

Kenway Mack Slusarchuk Stewart LLP
Chartered Accountants
Suite 1500, 333 - 11th Avenue SW
Calgary, Alberta T2R 1L9

OFFICERS

RICK SKAUGE
Chief Executive Officer

RYAN HOULT
Chief Financial Officer

CRAIG SKAUGE
President

Suite 1020, 140 - 10th Avenue SE, Calgary, Alberta T2G 0R1
T 403.261.8459