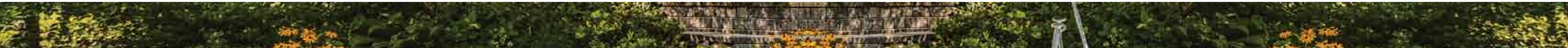
Timbercreek Mortgage Investment Corporation's objective is to generate an attractive, stable income stream for shareholders while preserving capital.

Timbercreek Mortgage Investment Corporation

Annual Report 2014

Timbercreek Mortgage Investment Corporation (Timbercreek MIC) is a provider of **shorter duration**, customised financing solutions to professional real estate investors. Our well-diversified portfolio of mortgage investments, primarily secured by income-producing properties, provides a strong, risk-adjusted yield for investors.

Timbercreek
Mortgage Investment Corporation



Drivers of Our Success

Our Strategy

Our focus continues to be on making **high-quality investments secured by high-quality assets**. This is achieved primarily through mortgage loans secured by income-producing properties and disciplined portfolio diversification. These strategies, coupled with the fact that we pass through all lender fees to investors, allow us to generate superior risk-adjusted yield for shareholders.

NO principal impairments
since inception

Our People

Our investors benefit from Timbercreek's robust origination and asset management platform. Our origination team covers Canada east to west, leveraging **strong relationships with commercial real estate borrowers** and their extensive network of mortgage broker and investment banker contacts. These professionals, coupled with the **experienced underwriting, funding and servicing specialists**, have been a critical component of our success.

$3.7 billion
in mortgage originations by Timbercreek since inception

Superior Customer Service

Customer service means more than providing expedited funding. Timbercreek works directly with borrowers to **develop customised solutions and formulate strong exit strategies** to help their investments succeed. This commitment, combined with ongoing communication with borrowers throughout the lifecycle of the loan, has earned Timbercreek a reputation for exceptional customer service.

Repeat borrowers represent
76%
of new business

2014 Company Highlights

$401.3 million
in new mortgage investments funded (68 loans)

$382.6 million
in full repayments and partial paydowns (59 loans fully repaid)

25%
portfolio growth

113%
portfolio turnover

70%
first mortgage positions

71%
weighted average loan-to-value

Our Differentiator: Income-Producing Properties

Real estate investors use short-term structured financing at various stages of the investment process, often prior to stabilization. Our focus is primarily on mortgage loans that are secured by assets that are further along in this process – where buildings have already been constructed, stabilization is more imminent and there is typically some income in place.

Timbercreek's Focus

Unimproved Land → Construction → Acquisition → Renovations → Disposition

- Facilitating property acquisitions
- Funding redevelopment strategies designed to improve occupancy and net operating income
- Providing open financings for dispositions – unencumbered sales

We focus on income-producing assets because they offer:

1. **Stronger exit strategies.** Investor demand for cash-flowing real estate tends to be a lot less elastic than for properties that rely on speculative sales for exit, such as the sale of condominiums, houses or undeveloped land.
2. **Lower probability of default.** Rental income is available to service the debt, decreasing the probability of impairment.

Disciplined Investment Strategy

Broad diversification is an essential component of our risk-mitigation strategy. This strategy is designed to minimize concentration risk across several categories including asset type, geography and borrower.

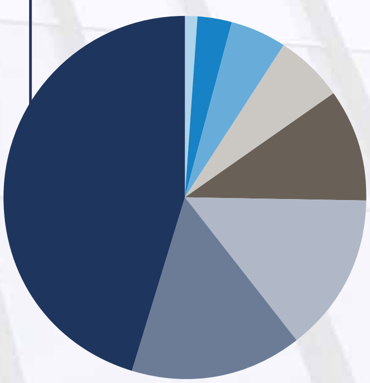
Diversity by Region and Asset Type

Our portfolio currently consists of 105 loans spread across eight regions and ten asset classes. We focus on loans secured by real estate with strong liquidity characteristics, such as properties located in urban markets with stable cash-flow.

Regional Mix

Ontario 44.4%

With more urban cities than any other province, Ontario remains an area of focus for our business.

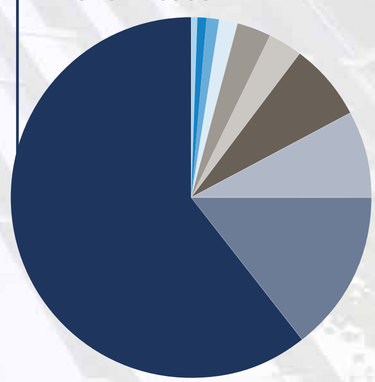


- Ontario: 44.4%
- Saskatchewan: 15.3%
- Québec: 14.3%
- British Columbia: 9.9%
- Alberta: 6.3%
- Other: 5.3%
- Manitoba: 3.3%
- Nova Scotia: 1.2%

Asset Type

Multi-residential 60.7%

We strategically maintain a higher concentration of exposure to multi-residential real estate (primarily rental apartments) due to its inherently stable cash-flow and diversified tenant base.



- Multi-residential: 60.7%
- Retail: 14.3%
- Office: 8.0%
- Unimproved land: 6.9%
- Hotel: 3.1%
- Retirement: 3.0%
- Industrial: 1.6%
- Single-family residential: 1.1%
- Self-storage: 0.9%
- Other-residential: 0.4%

Sample Investments

North Vancouver, BC

The City of North Vancouver is a waterfront municipality on the north shore of Burrard Inlet, directly across from Vancouver, BC. The city offers all the benefits of a small, well-urbanized waterfront community – perfect for those enjoying their golden years. This 97-unit retirement residence lies one block west of North Vancouver's major north-south artery. The loan is being used to refinance an existing second mortgage.

Criteria	Investment
Asset type	Retirement
Loan size ($1 – $25M)	$1,250,000
Term (3 months – 3 years)	36 months
Interest	9%
Fees	0.75%

Vaughan, ON

Located just outside Toronto, the City of Vaughan is one of the fastest growing municipalities in Canada, with a population that has nearly doubled in size since 1991. The City of Vaughan ranks as #1 neighbourhood in Ontario and as #20 in Canada according to the Canadian Real Estate Wealth's 2014 '*Top 100 Neighbourhoods across Canada for Investment*' survey. This first mortgage acquisition financing is on a 58,130 square foot medical office building in Woodbridge, a suburban community in the City of Vaughan.

Criteria	Investment
Asset type	Office
Loan size ($1 – $25M)	$2,425,000
Term (3 months – 3 years)	36 months
Interest	9%
Fees	2.00%

Letter to Shareholders

I am pleased to report to you on the 2014 results for Timbercreek Mortgage Investment Corporation (Timbercreek MIC); a year where we deployed a record level of capital in a volatile market and were able to do so without compromising the quality of our portfolio.

Over the course of 2014 we had repayments of $383 million, which is equivalent to 113% turnover in the portfolio. While this exceptional turnover did present some challenges with maintaining full deployment through the year, it demonstrates the quality of our mortgage investments and borrowers. Over 90% of our loans are repaid ahead of schedule which means our clients are successfully executing on their business plan. This further illustrates the thoroughness of our underwriting process.

This turnover fueled a record year of investment activity as well, with $499 million in capital deployed resulting in year-over-year portfolio growth of 25%. By year-end, we had not only achieved our stated goal of having all cash deployed, but we had exceeded that by drawing on the credit facility for an additional $9 million. What we are most proud to report is that we were able to achieve this in a market that saw periods of abnormally high competition and unprecedented low bond yields. We attribute this success to our exceptional origination and underwriting team.

Managing risk is a top priority in our business and something we believe differentiates us from other mortgage investment corporations in the market. One of the key strategies we use for managing risk is our focus on investing primarily in loans secured by income-producing properties. We strategically target these assets because we believe that demand for properties with some form of rental income in-place is higher and more stable than demand for land or properties under construction. This stability provides more certainty in the exit strategies of our loans and allows us to sell properties faster in the event of foreclosure, minimizing the likelihood of impairment. We also feel there is a lower probability of default on a loan when the property has existing cash-flow available to service the debt.

We further mitigate risk by maintaining a **portfolio that is well diversified geographically, by asset type and borrower.** Our portfolio currently consists of 105 loans across more than ten asset types with exposure in almost all provinces across the country. We are continuously monitoring all markets and rebalancing the portfolio to ensure we are generating the best risk-adjusted returns for shareholders. For example, we had limited investment activity in Alberta during the days of higher oil prices as we found competition and pricing to be very aggressive. As a result, we currently have just 6% of our portfolio secured by properties in that market and no exposure to oil sector tenants. With the lower oil prices now helping to stabilize the Alberta market and a significant reduction in capital available through conventional lenders in that market, Alberta is once again becoming more attractive. We are starting to see more high-quality opportunities to lend on solid underlying real estate with reasonable long-term valuations.

Despite this strong focus on mitigating risk, we believe our shares are currently trading in the market at a yield that that does not properly reflect the **strong credit quality of the underlying portfolio.** We are committed to continuing to educate the market on the quality of Timbercreek MIC's mortgage investments and bringing attention to this mispricing in an effort to improve trading conditions.

As a lender, the outlook on bond yields is very important to our business. We do believe, however, that key factors relating to the structure of our loans and fundamentals in the market will help protect current and future investments from the impacts of lower bond yields. Our current investments are protected by the fact that the loans are fixed rate loans or floating rate loans with floor rates that are equivalent to the rate on funding. In terms of future investment potential, we are starting to see spreads widening as lenders set limits to the rates at which they are willing to lend. Given the high-quality of the security in our portfolio, we believe we are providing an exceptional fixed-income alternative in the market.

We are also closely monitoring economic trends that would impact valuations across Canadian commercial real estate. Although we do see valuations fluctuate in different markets and asset classes over time (as was our experience in Alberta earlier last year), we believe that, as a whole, the **Canadian commercial real estate market will remain stable for the foreseeable future.** Our thesis is supported by the fact that there remains a high concentration of institutional and private investors with very long-term investment horizons and conservative debt structures. We also believe the limited level of new supply that has come to market over the years will help to stabilize values.

As we look ahead to 2015, we believe the momentum generated through the last quarter of 2014 provides a strong foundation for success this year. With a fully invested portfolio and access to a larger facility to maintain full deployment going forward, we expect to avoid the impacts of cash drag that were experienced in 2014. We also continue to see strong lending opportunities to redeploy proceeds from repayments as our borrowers continue to successfully execute on their investment plans.

As always, there are **a number of people to thank for our successes over the past year.** Foremost, I would like to thank you, our shareholders, for your continued confidence and support of our investment strategy. Our entire investment team is dedicated to ensuring you receive a protected capital base and stable income – I thank them for that. Finally, I'd like to express my gratitude to our Board of Directors and Mortgage Advisory Committee for their guidance and oversight which continues to be invaluable. From everyone here at Timbercreek MIC, we will continue our steadfast investment approach and look forward to reporting further success in the coming year.

Andrew Jones
Chief Executive Officer
Timbercreek Mortgage Investment Corporation
March 2015

FORWARD-LOOKING STATEMENTS

Forward-looking statement advisory

The terms, the "Company", "we", "us" and "our" in the following Management Discussion & Analysis ("MD&A") refer to Timbercreek Mortgage Investment Corporation (the "Company"). This MD&A may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. These statements are typically identified by expressions like "believe", "expects", "anticipates", "would", "will", "intends", "projected", "in our opinion" and other similar expressions. By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) the Company will have sufficient capital under management to effect its investment strategies and pay its targeted dividends to shareholders, (ii) the investment strategies will produce the results intended by the Manager, (iii) the markets will react and perform in a manner consistent with the investment strategies and (iv) the Company is able to invest in mortgages of a quality that will generate returns that meet and/or exceed the Company's targeted investment returns.

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this MD&A not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in and the risks detailed from time to time in the Company's public disclosures. For more information on risks, please refer to the "Risks and Uncertainties" section in this MD&A, and the "Risk Factors" section of our Annual Information Form ("AIF"), which can be found on the SEDAR website at www.sedar.com.

We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Company and Timbercreek Asset Management Inc. (the "Manager") do not undertake, and specifically disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

This MD&A is dated February 25, 2015. Disclosure contained in this MD&A is current to that date, unless otherwise noted. Additional information on the Company, its dividend reinvestment plan and its mortgage investments is available on the Company's website at www.timbercreekmic.com. Additional information about the Company, including its AIF, can be found at www.sedar.com.

BUSINESS OVERVIEW

Timbercreek Mortgage Investment Corporation (the "Company") is incorporated under the laws of the Province of Ontario by Articles of Incorporation dated April 30, 2008. On September 13, 2013, in connection with the Transition as explained below, the Company filed articles of amendment effective as of September 13, 2013 (the "Effective Date"), to amend, among other things, certain provisions of the articles of the Company related to the rights attached to the redeemable Class A and Class B shares and voting shares, and provided for the creation of a new class of common shares, for which all existing classes of redeemable shares were exchanged. On November 29, 2013 (the "Exchange Date"), all issued and outstanding Class A and Class B shares were exchanged into common shares.

The Company invests in mortgage investments selected and determined to be high quality by the Manager. The Company is, and intends to continue to be, qualified as a mortgage investment corporation ("MIC") as defined under Section 130.1(6) of the Income Tax Act (Canada) ("ITA").

The fundamental investment objectives of the Company are to (i) preserve shareholder capital of the Company and (ii) provide shareholders with a stable stream of monthly dividends. The Company intends to meet its investment objectives by investing in a diversified portfolio of mortgage investments, consisting primarily of conventional mortgage investments secured directly by multi-residential, retirement, office, retail and industrial real property across Canada, primarily located in urban markets and surrounding areas.

TRANSITION TO PUBLIC COMPANY REGIME

On September 12, 2013, the Company received shareholder's approval for the Company's transition (the "Transition") from the Canadian securities regulatory regime for investment funds to the regulatory regime for non-investment fund reporting issuers (the "Public Company Regime").

Beginning on the Effective Date, the Company is subject to, and files all continuous disclosure materials in compliance with the Public Company Regime requirements pursuant to National Instrument 51-102 Continuous Disclosure Obligations, which includes preparation and filing of its audited financial statements in accordance with International Financial Reporting Standards ("IFRS"), along with a Management's Discussion and Analysis.

As part of the Transition, the Company provided a one-time special redemption right of up to 15% of the issued and outstanding redeemable shares of each class (the "Special Redemption"). The Company redeemed requests from holders of 1,674,568 Class A shares and 259,771 Class B shares for the Special Redemption. The total redemptions payable of $18.0 million were paid on November 27, 2013. On the Exchange Date, the Company exchanged all of the 32,829,013 outstanding Class A shares and 3,887,053 outstanding Class B shares into a newly created class of common shares. The common shares commenced trading on the Toronto Stock Exchange ("TSX") on November 29, 2013, continuing under the symbol 'TMC', and the Class A shares ceased to trade after the close of market on November 28, 2013.

Additionally, Messrs. Ugo Bizzarri and Andrew Jones were elected as additional directors of the Company.

Effective September 13, 2013, the Company entered into a new management agreement with the Manager and terminated its management agreement with Timbercreek Asset Management Ltd., a wholly owned subsidiary of the Manager. The Manager is responsible for the day-to-day operations and providing all general management, mortgage servicing and administrative services for the Company's mortgage investments.

In connection with the Transition, the Company incurred total costs of $3.8 million, which includes soliciting dealer fees, soliciting broker fees, audit fees, legal fees and other related costs. The Manager elected to assume responsibility for $0.3 million of costs relating to the Transition.

BASIS OF PRESENTATION

This MD&A has been prepared to provide information about the financial results of the Company for the year ended December 31, 2014 (the "Year"). This MD&A should be read in conjunction with the consolidated financial statements for the years ended December 31, 2014 and 2013, which are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The functional and reporting currency of the Company is Canadian dollars and unless otherwise specified, all amounts in this MD&A are in thousands of Canadian dollars, except per share and other non-financial data.

Copies of these documents have been filed electronically with securities regulators in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR website at www.sedar.com.

NON-IFRS MEASURES

The Company prepares and releases consolidated financial statements in accordance with IFRS. In this MD&A, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures"). These non-IFRS measures are further described below. The Company has presented such non-IFRS measures because the Manager believes they are relevant measures of the ability of the Company to earn and distribute cash dividends to shareholders and to evaluate the Company's performance. These non-IFRS measures should not be construed as alternatives to net income and comprehensive income or cash flows from operating activities as determined in accordance with IFRS as indicators of the Company's performance.

- Expense ratio – represents total expenses (excluding financing costs, net operating (gain) loss on foreclosed properties held for sale ("FPHFS"), fair value adjustment on FPHFS, transition related costs and provision for mortgage investments loss) for the stated period, expressed as an annualized percentage of total assets less mortgage syndication liabilities;
- Fixed expense ratio – represents expenses as calculated under expense ratio, less performance fees, for the stated period, expressed as an annualized percentage of total assets less mortgage syndication liabilities;
- Net mortgage investments – represents total mortgage investments, net of mortgage syndication liabilities and before adjustments for interest receivable, unamortized lender fees and allowance for mortgage investments loss as at the reporting date;
- Average net mortgage investment – represents the total net mortgage investments divided by the total number of mortgage investments at the reporting date;
- Average net mortgage investment portfolio – represents the monthly average of the net mortgage investments portfolio over the stated period;
- Weighted average interest rate – represents the weighted average interest rate (not including lender fees) on the net mortgage investments at the reporting date;
- Weighted average lender fees – represents the cash lender fees received on individual mortgage investments during the stated period, expressed as a percentage of the Company's advances on those mortgage investments. If the entire lender fees is received but the mortgage investment is not fully funded, the denominator is adjusted to include the Company's unadvanced commitment;
- Weighted average loan-to-value – a measure of advanced and unadvanced mortgage commitments on a mortgage investment, including priority or pari-passu debt on the underlying real estate, as a percentage of the fair value of the underlying real estate collateral at the time of approval of the mortgage investment. For construction/redevelopment mortgage investments, fair value is based on an 'as completed' basis;
- Leverage – represents the total of gross convertible debentures and the total credit facility balance divided by total assets less any amounts that are reflected as mortgage syndication liabilities;
- Targeted dividend yield – represents the average 2-Year Government of Canada Bond Yield plus 550 basis points;
- Actual dividend yield – represents the total per share dividend for the stated period for Class A shares and common shares divided by the trading close price for the stated period;

- Adjusted net income (loss) and comprehensive income (loss) – represents net income (loss) and comprehensive income (loss) for the stated period excluding Transition related costs, issuance costs of redeemable shares and dividends to holders of redeemable shares;
- Adjusted earnings per share – represents the total adjusted net income (loss) and comprehensive income (loss) divided by the weighted average outstanding shares for the stated period;
- Turnover ratio – represents total mortgage repayments during the stated period, expressed as a percentage of the average net mortgage investment portfolio for the stated period; and
- Payout ratio – represents total dividends paid and declared for payment to the holders of redeemable shares and common shares during the stated period, divided by distributable income for the stated period.

RECENT DEVELOPMENTS AND OUTLOOK

The Company had a very active year in 2014. The mortgage investments portfolio performed well throughout the year with $383 million in loans repaid equating to a portfolio turnover of 112.6% the largest volume of repayments the Company has ever experienced. To offset this, the Manager successfully funded $499 million in new mortgage investments and additional fundings which resulted in portfolio growth of 25% year-over-year. Investment activity continued to be disciplined with a strong focus towards mortgage investments primarily secured by income producing properties and also on maintaining a well-diversified portfolio, both geographically and by product type.

Although the market saw a lot of competitive pressure through the first and second quarters of 2014, the Manager did continue to source quality mortgage investments opportunities. This momentum increased through the fourth quarter, as competition appeared to become less aggressive. As a result, new mortgage investments and additional advances totalling $186 million were funded in the quarter [the Companies most active quarter to-date] and the weighted average interest rate rose from 9.2% at the end of the third quarter of 9.4% at December 31, 2014.

Following the extraordinary repayments that the Company experienced in the first half of 2014, the Manager has been focused on more consistently utilizing the credit facility to ensure the portfolio is fully funded at all times. These efforts resulted in having all excess cash deployed and the credit facility drawn by $9.1 million at year end. Despite having yet another record quarter for repayments, the focus on having the portfolio more than 100% deployed has helped to mitigate the impacts of cash drag and has allowed the Company to generate income available for distribution which exceeded the amount of the actual distribution during the quarter. Since year-end, the Company has increased its credit facility from $35 million to $50 million, which should further assist in managing cash flows going forward.

The Company has maintained minimal exposure to the Alberta real estate market in the most recent quarters due to concerns around aggressive valuations and competition. As a result, the Company does not feel it is directly exposed in any material way to downward pressure on oil prices. However, under the current conditions and the abrupt exit from conventional lenders the Alberta market has become more attractive. The Company will be actively seeking opportunities to capitalize on the lack of capital available in that market in order to generate strong risk-adjusted returns by providing alternative sources of capital for high-quality real estate investors.

Heading into 2015, the Company is well positioned to succeed. With a fully deployed, well-diversified portfolio of mortgage investments primarily secured by income-producing properties, a more normalized competitive environment and access to a larger facility to cushion the impacts of turn-over, the Company is on track to generate income sufficient to meet its targeted dividends.

FINANCIAL HIGHLIGHTS
STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

As at	December 31, 2014	December 31, 2013	December 31, 2012
KEY FINANCIAL POSITION INFORMATION			
Mortgage investments, including mortgage syndications	$ 616,174	$ 442,166	$ 407,140
Total assets	634,069	467,406	408,895
Credit facility	8,837	–	8,706
Convertible debentures	32,387	–	–
Total liabilities	269,123	130,838	53,367
CAPITAL STRUCTURE			
Net assets attributable to holders of redeemable shares	–	–	355,528
Shareholders' equity	364,946	336,568	–
Convertible debentures, gross	34,500	–	–
Credit facility limit[1]	35,000	25,000	25,000
Unutilized credit facility	25,924	25,000	16,164
Leverage[2]	10.5%	0.0%	2.4%
COMMON SHARE INFORMATION			
Number of common shares outstanding	40,701,528	36,964,028	–
Number of Class A redeemable shares outstanding	–	–	34,561,122
Number of Class B redeemable shares outstanding	–	–	3,742,597
Closing trading price	$ 8.32	$ 9.17	$ 10.16
Market capitalization	$ 338,637	$ 338,960	$ 351,141

1 Subsequent to year end, the credit facility was increased to $50.0 million.

2 Refer to non-IFRS measures section, where applicable.

Operating Results Highlights

	Three months ended December 31,		Year ended December 31,		
	2014	**2013**	**2014**	**2013**	**2012**
Net interest income	$ 9,774	$ 9,926	$ 36,710	$ 39,731	$ 38,655
Income from operations	7,438	6,844	28,272	25,487	29,178
Net income (loss) and comprehensive income (loss)	5,812	4,050	24,917	507	(402)
Earnings per share (basic and diluted) [1]	0.14	0.17	0.63	0.65	n/a
Adjusted net income (loss) and comprehensive income (loss) [2]	5,812	6,624	24,917	28,361	28,826
Adjusted earnings per share (basic and diluted) [2]	0.14	0.17	0.63	0.74	0.81
Dividends to shareholders	7,326	4,953	30,263	29,274	29,201
Cash flow from operating activities	7,984	4,025	26,185	23,812	32,551
Distributable income	8,013	7,536	27,899	30,204	29,505
Distributable income per share (basic and diluted)	0.20	0.20	0.71	0.79	0.83
Targeted dividend yield [2]	6.52%	6.61%	6.55%	6.61%	6.61%
Actual dividend yield [2]	8.58%	8.52%	9.16%	8.33%	7.68%
Payout ratio [2]	91.4%	97.8%	108.5%	96.9%	99.0%
Dividends per share:					
Class A	–	0.063	–	0.630	0.780
Class B	–	0.067	–	0.670	0.828
Common	$ 0.180	$ 0.134	$ 0.762	$ 0.134	$ –
NET MORTGAGE INVESTMENTS INFORMATION [2]					
Net mortgage investments	397,341	317,154	397,341	317,154	368,253
Total number of net investments	105	96	105	96	77
Average net mortgage investments	$ 3,784	$ 3,304	$ 3,784	$ 3,304	$ 4,783
Weighted average interest rate	9.4%	9.8%	9.4%	9.8%	10.1%
Weighted average lender fee [3]	1.5%	1.6%	1.6%	1.7%	1.7%
Turnover ratio	37.3%	24.2%	112.6%	79.8%	80.1%

1 The Company has not disclosed earnings (loss) per share for the year ended December 31, 2012 as the Company did not have equity instruments, as defined in IAS 33, Earnings per Share as the redeemable shares were classified as a financial liability in the statements of financial position.

2 Refer to non-IFRS measures section, where applicable.

3 The Company has revised weighted average lender fee ratios for prior periods based on an updated definition included in non-IFRS measures.

For the three months ended December 31, 2014 ("Q4 2014") and December 31, 2013 ("Q4 2013")

- The Company funded 17 new net mortgage investments (Q4 2013 – 18) totalling $170.8 million (Q4 2013 – $51.8 million), had additional advances on existing mortgage investments totalling $14.9 million (Q4 2013 – $2.1 million) and received full repayments on 12 mortgage investments (Q4 2013 – 11) and partial pay downs totalling $134.4 million (Q4 2013 – $85.8 million), resulting in net mortgage investments of $397.3 million as at December 31, 2014 (September 30, 2014 – $346.1 million), an increase of 14.8% from September 30, 2014.
- Net interest income earned by the Company was $9.8 million (Q4 2013 – $9.9 million), a decrease of $0.1 million, or 1.5%, from Q4 2013. The decrease over Q4 2013 is mainly due to a lower average net mortgage investment portfolio at the outset of Q4 2014 that resulted from greater than normal repayments in Q2 2014 and Q3 2014.
- The Company received lender fees of $2.5 million (Q4 2013 – $0.7 million) or a weighted average lender fee of 1.5% (Q4 2013 – 1.6%). The increase in lender fees is directly related to the significant increase in advances on new mortgage investments of $119.0 million made in Q4 2014 relative to Q4 2013.
- The Company generated income from operations of $7.4 million (Q4 2013 – $6.8 million), an increase of $0.6 million, or 8.7%, from Q4 2013. The increase in income from operations is mainly attributed to the decreased provision for mortgage investments loss and general and administrative expenses relative to Q4 2013 and is partially offset by the increase in management and performance fees relative to Q4 2013.
- The Company recorded an unrealized fair value loss on two of its FPHFS totalling $0.8 million.
- The Company declared dividends to common shareholders of $7.3 million (Q4 2013 – $7.4 million, inclusive of Class A, Class B and common share dividends). Since inception, the dividends have exceeded the Company's targeted dividend yield of the 2-Year Government of Canada Bond Yield ("2-Yr GOC Yield") plus 550 basis points.
- In October 2014, the Company amended the credit facility agreement, increasing the facility to $35.0 million, while also extending the term for an additional two years at the same pricing, and adding an option to increase the facility limit to $60.0 million, subject to certain terms and conditions.
- Subsequent to year end, the Company completed a $15.0 million increase on the credit facility, taking its total available borrowing limit to $50.0 million.

For the years ended December 31, 2014 (the "Year" or "2014") and December 31, 2013 ("2013")

- The Company funded 68 new net mortgage investments (2013 – 69) totalling $401.3 million (2013 – $198.7 million), had additional advances on existing mortgage investments totalling $98.0 million (2013 – $42.6 million) and received full repayments on 59 mortgage investments (2013 – 50) and partial pay downs totalling $382.6 million (2013 – $283.1 million), resulting in net mortgage investments of $397.3 million at December 31, 2014 (December 31, 2013 – $317.2 million), an increase of 25.3% from December 31, 2013.
- Net interest income earned by the Company was $36.7 million (2013 – $39.7 million), a decrease of $3.0 million, or 7.6%, from 2013. The decrease over 2013 is mainly due to a lower average net mortgage investment portfolio resulting from greater than average repayments.
- The Company received lender fees of $5.8 million (2013 – $3.6 million) or a weighted average lender fee of 1.6% (2013 – 1.7%). The increase in lender fees is directly related to the significant increase in advances on new mortgage investments of $202.6 million made in 2014 relative to 2013.
- The Company generated income from operations of $28.3 million (2013 – $25.5 million), an increase of $2.8 million, or 10.9%, from 2013. Although 2014 has generated lower net interest income relative to 2013, it has been offset by the reduction in expenses resulting from no Transition costs and trailer fees and a higher mortgage loss provision experienced in 2013.
- The Company recorded a $0.3 million collective mortgage provision along with a $0.8 million unrealized fair value loss on two of its FPHFS.
- The Company declared dividends to common shareholders of $30.3 million (2013 – $29.3 million, inclusive of Class A, Class B and common share dividends). Since inception, the dividends have exceeded the Company's targeted dividend yield.
- The Company foreclosed on the underlying security of a mortgage investment with outstanding principal and costs of $69.6 million and accrued interest of $1.8 million. This underlying security was subsequently

sold to a third party, with the proceeds from the sale repaying all of the outstanding principal and interest from the mortgage investment and resulted in a gain of $0.1 million.

- The Board of Directors appointed Andrew Jones as Chief Executive Officer ("CEO") of the Company, effective January 20, 2014, to replace Blair Tamblyn. Blair Tamblyn remains as Chairman of the Board of Directors.
- On February 25, 2014, the Company completed a public offering of $30.0 million 6.35% convertible debentures, including exercising the over-allotment option of $4.5 million, for net proceeds of $32.5 million (the "debentures"), which were used to fund additional net mortgage investments.
- The Board of Directors appointed David Melo as Chief Financial Officer ("CFO") of the Company, effective March 25, 2014, to replace Ugo Bizzarri. Ugo Bizzarri was elected to the Board of Directors as part of the Transition.
- On April 24, 2014, the Company closed on a public offering of 3,737,500 common shares, including exercising the over-allotment option, at a price of $9.35 per share. The Company received net proceeds of $33.2 million, which were used to fund additional net mortgage investments.
- In October 2014, the Company amended and extended the credit facility agreement as described above.
- Subsequent to year end, the Company completed a $15.0 million increase on the credit facility, taking its total available borrowing limit to $50.0 million.

ANALYSIS OF FINANCIAL INFORMATION FOR THE YEAR

Distributable income

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Net income and comprehensive income	$ 5,812	$ 4,051	$ 24,917	$ 507
Less: amortization of lender fees	(1,297)	(960)	(4,437)	(4,266)
Add: one-time Transition related costs	–	156	–	3,530
Add: lender fees received during the period	2,482	714	5,820	3,633
Add: amortization of financing costs, credit facility	35	27	129	144
Add: amortization of financing costs, debentures	94	–	303	–
Add: accretion expense, debentures	29	–	96	–
Add: issuance cost of redeemable shares	–	3	–	3
Add: net operating (gain) loss from FPHFS	58	182	171	182
Add: fair value adjustments on FPHFS	800	–	650	–
Add: provision for mortgage investments loss	–	950	250	2,150
Add: dividends to holders of redeemable shares	–	2,413	–	24,321
Distributable income	**8,013**	**7,536**	**27,899**	**30,204**
Less: Dividends to holders of redeemable shares	–	(2,414)	–	(24,321)
Less: Dividends to common shareholders	(7,326)	(4,953)	(30,263)	(4,953)
(Over) under distribution	**$ 687**	**$ 169**	**$ (2,364)**	**$ 930**
Distributable income per share (basic and diluted)	$ 0.20	$ 0.20	$ 0.71	$ 0.79
Payout ratio	91.4%	97.8%	108.5%	96.9%
Turnover ratio	37.3%	24.2%	112.6%	79.8%

The distributable income reconciliation above provides a link between the Company's IFRS reporting requirements, and its ability to generate recurring profit for distribution.

The Board of Directors have set a dividend policy that is predicated on what they believe to be a long-term sustainable objective. A number of factors are assessed and evaluated each time the Board of Directors reviews and approves dividends, including, but not limited to, forward-looking cash flow information such as budgets and forecasts.

The Company experienced turnover of 112.6% in 2014, the highest in the Company's history. The turnover, coupled with the cash drag normally experienced following an equity or debenture raise, resulted in dividends in excess of distributable income of 108.5%. In Q4 2014, we made significant strides, including full deployment of cash plus usage of our credit facility. We expect to be continually leveraged in 2015 to minimize cash drag, while targeting a payout ratio of 100%.

Statements of Income and Comprehensive Income

	Three months ended December 31, 2014	Three months ended December 31, 2013	% Change	Year ended December 31, 2014	Year ended December 31, 2013	% Change
Net interest income	$ 9,774	$ 9,926	(1.5)%	$ 36,710	$ 39,731	(7.6%)
Expenses	(2,336)	(3,082)	24.2%	(8,438)	(14,244)	40.8%
Income from operations	7,438	6,844	8.7%	28,272	25,487	10.9%
Net operating gain (loss) from FPHFS	(58)	(182)	68.4%	(171)	(182)	6.1%
Fair value adjustment of FPHFS	(800)	–	(100.0%)	(650)	–	(100.0%)
Financing costs:						
Interest on credit facility	(87)	(195)	55.9%	(275)	(474)	42.2%
Interest on convertible debentures	(681)	–	(100.0%)	(2,259)	–	(100.0%)
Issuance costs of redeemable shares	–	(3)	100.0%	–	(3)	100.0%
Dividends to holders of redeemable shares	–	(2,414)	100.0%	–	(24,321)	100.0%
Net income and comprehensive income	**$ 5,812**	**$ 4,050**	**58.3%**	**$ 24,917**	**$ 507**	**4933.6%**
Earnings per share (basic and diluted) [1]	**$ 0.14**	**$ 0.17**	**(16.4%)**	**$ 0.63**	**$ 0.65**	**(2.4%)**

1 Earnings per share for 2013 has been calculated as if the Transition occurred on January 1, 2013 and as a result, dividends to holders of redeemable shares and issuance costs of redeemable shares for the year ended December 31, 2013 have been added back to the net loss of the Company.

Net interest income[1]

For Q4 2014 and the Year, the Company earned net interest income of $9.8 million and $36.7 million, respectively (Q4 2013 – $9.9 million; 2013 – $39.7 million). Net interest income is made up of the following:

(a) Interest income

For Q4 2014 and the Year, the Company earned $8.4 million and $32.0 million (Q4 2013 – $8.7 million; 2013 – $34.9 million) in interest income on the net mortgage investments. The decrease over the 2013 comparable periods is mainly due to a lower average net mortgage investment portfolio resulting from greater than average repayments, coupled with a lower weighted average interest rate relative to 2013. The weighted average interest rate on the net mortgage investments decreased over the Year, from 9.8% at December 31, 2013 to 9.4% at December 31, 2014, mainly due to increased competition faced during the Year, placing downward pressure on lending rates.

(b) Lender fee income

During Q4 2014 and the Year, the Company received lender fees of $2.5 million and $5.8 million (Q4 2013 – $0.7 million; 2013 – $3.6 million), or a weighted average lender fee of 1.5% and 1.6% respectively (Q4 2013 – 1.6%; 2013 – 1.7%). The lender fees are amortized using the effective interest rate method over the expected life of the mortgage investments to interest income. For Q4 2014 and the Year, lender fees of $1.3 million and $4.4 million respectively, (Q4 2013 – $1.0 million; 2013 – $4.3 million) were amortized to lender fee income. The lender fees generated by the Company continue to be a significant component of income resulting from mortgage investment turnover. The Manager does not retain any portion of the lender fees, ensuring management interests are aligned with the Company.

1. For analysis purposes, net interest income and its component parts are discussed net of payments made on account of mortgage syndications to provide the reader with a more representative reflection of the Company's performance.

(c) Other income

For Q4 2014 and the Year, the Company earned $0.1 million and $0.2 million (Q4 2013 – $0.3 million; 2013 – $0.5 million) in other income. Other income includes fees earned on advances of mortgage investments, prepayment penalties and exit fees earned on mortgage investment repayments and other miscellaneous fees.

Expenses

For Q4 2014 and the Year, the Company's expense ratio was 2.2% and 2.0% (Q4 2013 – 2.3%; 2013 – 2.5%), including a fixed expense ratio of 1.5% and 1.5% (Q4 2013 – 1.9%; 2013 – 1.9%). The decrease in the expense and fixed expense ratios relative to the 2013 comparable periods is primarily driven by the growth in total assets, resulting from the equity and debenture offerings in 2014.

Management fees

(a) Management fees

As part of the Transition, the Company entered into a new management agreement with Timbercreek Asset Management Inc. (the "Manager") and terminated its management agreement with Timbercreek Asset Management Ltd., a wholly owned subsidiary of the Manager. Under the new management agreement, the Company pays the Manager an annual management fee of 1.20% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes. The gross assets are calculated as the total assets of the Company before deducting any liabilities, less any mortgage syndication liabilities.

For Q4 2014 and the Year, the Company incurred management fees of $1.4 million and $5.4 million respectively (Q4 2013 – $1.2 million; 2013 – $5.0 million). The increase is directly related to the increase in gross assets.

(b) Performance fees

Under the new management agreement, the Manager continues to be entitled to a performance fee. In any calendar year where the Company has net earnings available for distribution to shareholders in excess of the hurdle rate (the "Hurdle Rate"), which is defined as the average 2-Yr GOC Yield for the 12-month period then ended plus 450 basis points, the Manager is entitled to receive from the Company a performance fee equal to 20% of the net earnings of the Company available to distribute over the Hurdle Rate. The net earnings of the Company shall mean the net income before performance fees of the Company in accordance with applicable accounting principles and adjusted for certain other non-cash adjustments as defined in the management agreement.

For Q4 2014 and the Year, the Company accrued performance fees of $0.7 million and $2.0 million (Q4 2013 – $0.3 million; 2013 – $1.9 million). The annualized Hurdle Rate for the Year was 5.6% (2013 – 5.6%).

Trailer fees

In conjunction with the shareholder approval for the Transition, the Company is no longer required to pay trailer fees to the brokers effective from the quarter ended September 30, 2013. Prior to Q3 2013, the Company paid each registered dealer a trailer fee equal to 0.50% annually of the net redemption value per Class A share held by clients of the registered dealers, calculated and paid at the end of each calendar quarter. As such, the Company paid no trailer fees during the Year (2013 – $0.7 million).

General and administrative

For Q4 2014 and the Year, the Company incurred general and administrative expenses of $0.2 million and $0.8 million (Q4 2013 – $0.4 million; 2013 - $0.9 million). General and administrative expenses consist mainly of audit fees, professional fees, director fees and other operating costs associated with operating the Company and administration of the mortgage investment portfolio. The operating expense ratio for the Year equated to 0.2% (2013 – 0.3%), at December 31, 2014. The decrease is mainly due to an increase in assets resulting from the equity and debenture offerings, coupled with additional costs savings.

Net operating (gain) loss from foreclosed properties held for sale

The Company consolidates the operating activities of the foreclosed properties held for sale. The net operating (gain) loss from foreclosed properties held for sale for Q4 2014 and the Year were $0.1 million and $0.2 million respectively (Q4 2013 – $0.2 million; 2013 – $0.2 million).

Fair value adjustment on foreclosed properties held for sale

During Q3 2014, the Company foreclosed on a mortgage investment which had gone into default earlier in the Year. The Company sold the property with a net gain on the sale of $0.1 million. The Company also recorded an unrealized fair value loss of $0.8 million on the FPHFS. The adjustments pertain to two of its properties. For our property located in Pemberton, BC, we have reduced the value by $0.4 million, in-line with the appraised value. The property is now stabilized with full commercial occupancy and the apartments are being occupied for short term rentals. For our apartment condominium conversion property located in Saskatoon, SK, the Company recorded an adjustment loss of $0.4 million relating to costs it incurred to get the property ready for disposition.

Interest on credit facility

Financing costs include interest paid on amounts drawn on the credit facility, stand-by fees charged on unutilized credit facility amounts and amortization of financing costs which were incurred on closing of the credit facility. Financing costs for Q4 2014 and the Year relating to the credit facility were $0.1 million and $0.3 million, respectively (Q4 2013 – $0.2 million; 2013 – $0.5 million).

The Company incurred $0.3 million of financing costs in the Year on amending and extending the term of the credit facility. These costs are amortized over the new term of the credit facility.

Interest on convertible debentures

During Q1 2014, the Company issued $34.5 million of 6.35% convertible unsecured subordinated debentures. Interest costs related to the debentures are recorded in financing costs using the effective interest rate method. For Q4 2014 and the Year, interest on the debentures of $0.7 million and $2.3 million (Q4 2013 – nil; 2013 – nil), is made up of the following:

	Three months ended December 31, 2014	Year ended December 31, 2014
Interest on the debentures	$ 558	$ 1,860
Amortization of issue costs	93	303
Accretion of equity component of the debentures	29	96
	$ 680	$ 2,259

Dividends to holders of common shares and redeemable shares

The Company intends to pay dividends to shareholders on a monthly basis within 15 days following the end of each month. Below is a summary of the dividends to holders of common shares and holders of redeemable shares.

	Three months ended December 31, 2014		Year ended December 31, 2014	
	Dividends per share	Total	Dividends per share	Total
Common shares	$ 0.180	$ 7,326	$ 0.762	$ 30,263

	Three months ended December 31, 2013		Year ended December 31, 2013	
	Dividends per share	Total	Dividends per share	Total
Class A	$ 0.063	$ 2,170	$ 0.630	$ 21,876
Class B	0.067	244	0.670	2,445
Common shares	0.134	4,953	0.134	4,953
		$ 7,367		$ 29,274

The actual dividend yield for the Year of 9.16% on common shares (2013 – 8.33% on combined Class A and common shares) is in excess of the Company's targeted dividend yield of 6.55% (2013 – 6.61%).

Earnings per share

Earnings per share for the Year was $0.63 per share (2013 – $0.65 per share). Income for 2014 was lower due to lower net income for the Year (2013 net income is adjusted for dividends to holders of redeemable shares and issuance costs of redeemable shares) which was partially offset by the reduction in expenses resulting from no Transition costs and trailer fees and a higher mortgage loss provision experienced in 2013.

Earnings per share for 2013 has been calculated as if the Transition occurred on January 1, 2013 and as a result, dividends to holders of redeemable shares and issuance costs of redeemable shares for the year ended December 31, 2013 have been added back to the net loss of the Company.

STATEMENT OF FINANCIAL POSITION

Net mortgage investments

The balance of net mortgage investments is as follows:

	December 31, 2014	December 31, 2013	Change
Gross mortgage investments, including mortgage syndications	$ 616,174	$ 442,166	$ 174,008
Mortgage syndications liabilities	(219,581)	(124,379)	(95,202)
	396,593	317,787	78,806
Interest receivable	(4,392)	(4,691)	299
Unamortized lender fees	4,890	3,508	1,382
Allowance for mortgage investments loss	250	550	(300)
Net mortgage investments	$ **397,341**	$ **317,154**	$ **80,187**

As at December 31, 2014, the Company's mortgage investments portfolio is comprised of 105 mortgage investments (December 31, 2013 – 96), with a weighted average interest rate of 9.4% (December 31, 2013 – 9.8%) and an average mortgage investment of $3.8 million (December 31, 2013 – $3.3 million).

Portfolio allocation

As at December 31, the Company's net mortgage investments were allocated across the following categories:

(a) Security Position

	December 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
First mortgages	84	69.5%	72	61.1%
Non-first mortgages	21	30.5%	24	38.9%
	105	**100.0%**	**96**	**100.0%**

The Company's allocation to first mortgages has increased moderately by 8.4% over the Year. During the Year, the Company co-invested in several first mortgage investments with Timbercreek Senior Mortgage Investment Corporation ("TSMIC") and holds subordinate first mortgage positions in these co-investments in relation to TSMIC.

(b) Region

	December 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
ON	50	44.4%	47	51.4%
AB	11	6.3%	15	12.6%
QC	16	14.3%	14	13.7%
BC	10	9.9%	9	14.5%
SK	7	15.3%	5	3.3%
MB	6	3.3%	3	2.5%
OT	3	5.3%	2	1.1%
NS	2	1.2%	1	0.9%
	105	100.0%	96	100.0%

The Company continues to maintain a diversified portfolio of net mortgage investments primarily across Canada, with its greatest concentration in Canada's largest provinces. As at December 31, 2014, 74.9% of the net mortgage investments (December 31, 2013 – 92.2%) were allocated across Ontario, Quebec, British Columbia and Alberta. The Company has continued to maintain significant exposure to Ontario as it is Canada's most populated province with the greatest number of metropolitan cities. Of note, the Company has a low exposure to the Alberta market, which has experienced volatility stemming from the recent drop in oil prices.

(c) Maturity

	December 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Maturing 2014	–	0.0%	38	32.0%
Maturing 2015	42	38.5%	41	51.3%
Maturing 2016	32	34.2%	16	15.1%
Maturing 2017	30	24.9%	1	1.6%
Maturing 2018	1	2.4%	–	0.0%
	105	100.0%	96	100.0%

The Company's portfolio turnover rate for the Year was 112.6% (2013 – 79.8%). The Company's strong portfolio turnover helps generate fee income, all of which goes to the Company, and helps ensure the Company is able to respond quickly to a changing interest rate environment. The weighted average term of the portfolio as at December 31, 2014 is 2.1 years (December 31, 2013 – 2.2 years), in-line with the portfolio's target maturity of 1.5 – 3.0 years. The weighted average remaining term to maturity as at December 31, 2014 is 1.4 years (December 31, 2013 – 1.2 years). A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance, which would in effect reduce the weighted average remaining term to maturity.

(d) Asset Type

	December 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Multi-residential	50	60.7%	36	51.7%
Office	15	8.0%	15	13.6%
Retail	14	14.3%	14	13.2%
Retirement	5	3.0%	8	12.5%
Industrial	4	1.6%	7	1.8%
Unimproved land	8	6.9%	6	4.1%
Other-residential	2	0.4%	4	0.9%
Hotels	3	3.1%	2	1.2%
Self-storage	2	0.9%	2	0.7%
Single-family residential	2	1.1%	2	0.3%
	105	100.0%	96	100.0%

The Company has developed a lending niche predominantly targeting short-term mortgages, secured by cash-flowing properties, while specializing in multi-residential real estate assets. Historically, the Company has had very little exposure to land development, single-family residential and construction loans, where demand is largely impacted by the strength or weakness of the Canadian housing market.

(e) Interest Rate

	December 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
9.99% or lower	67	76.4%	47	59.3%
10.00%–10.99%	21	9.1%	23	22.7%
11.00% or greater	17	14.5%	26	18.0%
	105	100.0%	96	100.0%

The weighted average interest rate, excluding lender fee income, on the net mortgage investments at December 31, 2014 was 9.4% (December 31, 2013 – 9.8%). Although the weighted average interest rate has decreased over the Year, it is still significantly greater than the Company's target dividend for the Year of 6.55% (December 31, 2013 – 6.61%), equal to the 2-Yr GOC Yield plus 550 basis points, while providing sufficient margin for operating expenses of the Company.

(f) Loan-to-value

	December 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
55% or less	20	9.3%	26	15.1%
56%–60%	10	7.2%	6	3.0%
61%–65%	13	8.8%	9	5.1%
66%–70%	11	14.5%	11	9.8%
71%–75%	17	18.6%	10	13.1%
76%–80%	19	11.5%	13	19.1%
81%–85%	15	30.1%	21	34.8%
	105	**100.0%**	**96**	**100.0%**

As at December 31, 2014, the weighted average loan-to-value on the mortgage investment portfolio was 70.8% (December 31, 2013 – 70.8%), well below the maximum threshold of 85%.

Mortgage syndication liabilities

The Company enters into certain mortgage participation agreements with third party lenders, using senior and subordinated participation, whereby the third party lenders take the senior position and the Company retains the subordinated position. These agreements generally provide an option to the Company to repurchase the senior position, but not the obligation, at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest. During the Year, the mortgage syndication liabilities have increased to $219.6 million (December 31, 2013 – $124.4 million), as the Company syndicated on several newly funded mortgages investments during the Year. Mortgage syndication liabilities will vary from quarter to quarter and is dependent on the type of investments seen at any particular time, and not necessarily indicative of a future trend.

Foreclosed properties held for sale

During the Year, the Company foreclosed on two properties (2013 – two) and reclassified the carrying amount of the outstanding principal, interest receivable, costs incurred and related allowance for mortgage investments loss to foreclosed properties held for sale. The fair value of the remaining foreclosed properties held for sale as at December 31, 2014 is $13.9 million (December 31, 2013 – $11.4 million). The Company has engaged third party managers to operate the properties while they are held for sale.

The Company felt it was prudent to foreclose on a mortgage investment which had gone into default earlier in the year. As part of the foreclosure process, the Manager sought to control the process and acquired the syndicated first mortgage while attracting multiple interested purchasers. The Company subsequently sold the property, recouping all of its principal and costs of $69.6 million and accrued interest of $1.8 million, and also recognized a gain on the sale of $0.1 million. The purchaser also obtained mortgage financing from the Company in respect of the property.

During the Year, the Company closed on the sale of eight residential units from one of the foreclosed properties for net proceeds of $1.4 million (2013 – nil). During Q4 2014, the Company recorded an unrealized fair value loss on the FPHFS of $0.8 million.

Allowance for mortgage investments loss

As at December 31, 2014, the Company has concluded that there is no objective evidence of impairment on any individual mortgage investment. At a collective level, the Company assesses for impairment to identify losses that have been incurred, but not yet identified, on an individual basis. As part of the Company's analysis, it has grouped mortgage investments with similar risk characteristics, including geographical exposure, collateral type, loan-to-value, counterparty and other relevant groupings, and assesses them for impairment using statistical data. Based on the amounts determined by the analysis, the Company uses judgement to determine whether or not the actual future losses are expected to be greater or less than the amounts calculated.

During the Year, the Company recognized a collective impairment allowance of $0.3 million (December 31, 2013 – nil) and specific impairment allowance of nil (December 31, 2013 – $2.2 million).

During the Year, the Company foreclosed on the underlying security relating to an impaired mortgage investment and reclassified $0.6 million from allowance for mortgage investments loss to FPHFS.

Net working capital

Net working capital decreased by $11.9 million to $0.1 million at December 31, 2014 from $12.0 million at December 31, 2013, mainly due to the reduction of cash on hand through the funding of net mortgage investments.

Credit facility

The Company has a credit facility with an available limit of $35.0 million (December 31, 2013 – $25.0 million). The Company amended and restated the credit facility on October 31, 2014, extending the term for an additional two years and increasing the available limit to $35.0 million, with an option to increase the limit to $60.0 million, subject to certain terms and conditions. Subsequent to year end, the Company completed an additional $15.0 million increase on the credit facility, taking its total available borrowing limit to $50.0 million. The credit facility is subject to an interest rate equal to the bank's prime rate of interest plus 1.50% (December 31, 2013 – bank's prime rate of interest plus 1.50%). The credit facility is secured by a general security agreement over the Company's assets. As at December 31, 2014, $9.1 million was outstanding on the credit facility (December 31, 2013 – nil). The excess capacity will allow the Company to keep the portfolio more than 100% invested and minimize the impact of unanticipated portfolio turnover.

Interest costs related to the credit facility are recorded in financing costs using the effective interest rate method. For the Year, interest on the credit facility of $0.3 million (2013 – $0.5 million) is included in financing costs.

As at December 31, 2014, there were $0.2 million (December 31, 2013 – $0.1 million) in unamortized financing costs related to the placement of the credit facility netted against the outstanding facility balance. For the Year, the Company has amortized financing costs of $0.1 million (2013 – $0.1 million) to interest expense using the effective interest rate method.

Convertible debentures

In Q1 2014, the Company completed a public offering of $34.5 million, 6.35% convertible unsecured subordinated debentures for net proceeds of $32.5 million (the "debentures"). The debentures are listed on the TSX under the symbol 'TMC.DB', mature on March 31, 2019, with interest payable semi-annually on March 31 and September 30 of each year. The Company believes that a modest amount of structural leverage coupled with increased borrowing under the credit facility is accretive to net earnings, while still maintaining a low risk profile. Overall, total leverage including the maximum credit facility amount plus the convertible debentures at December 31, 2014, equates to approximately 16% of total assets, less mortgage syndication liabilities, an amount we believe is conservative. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $11.25 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts of $0.6 million has been recorded as equity, with the remaining $31.9 million allocated to long-term debt.

The discount on the debentures is being accreted such that the liability at maturity will equal the face value of $34.5 million. The issue costs of $2.0 million were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

Common shares

The Company is authorized to issue an unlimited number of common shares. The holders of common shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company. The holders of the common shares shall be entitled to receive dividends as and when declared by the Board of Directors.

On April 24, 2014, the Company closed on a public offering of 3,737,500 common shares, including exercising the overallotment option, at a price of $9.35 per common share. The Company received gross proceeds of $34.9 million. In connection with the above-noted share offering, the Company incurred $1.8 million in issuance costs. There were no equity offerings during the year ended December 31, 2013.

Dividend reinvestment plan
As part of the Transition, the Company has amended and restated its dividend reinvestment plan ("DRIP") effective as of November 20, 2013. The amended and restated DRIP (the "Amended DRIP") replaces in its entirety the original DRIP (the "Original DRIP") established by the Company on May 19, 2010. During the Year, 332,009 common shares were purchased on the open market under the Amended DRIP (2013 – 198,574 Class A shares issued and 194,948 Class A shares purchased on the open market under the Original DRIP; 35,250 common shares purchased on the open market under the Amended DRIP).

Normal course issuer bid
On November 13, 2014, the Company received the approval of the TSX to commence a second normal course issuer bid (the "Second Bid") to purchase for cancellation up to a maximum of 4,052,822 common shares; representing approximately 10% of the public float of common shares as of November 11, 2014. Furthermore, subject to certain exemptions for block purchases, the purchases are limited to 13,170 common shares on any one trading day. The Second Bid commenced on November 17, 2014 and provides the Company with the flexibility to repurchase common shares for cancellation until its expiration on November 16, 2015, or such earlier date as the Second Bid is complete. From November 17, 2014 to December 31, 2014, the Company did not acquire any common shares for cancellation.

The Company may use the 2014 NCIB to repurchase shares in years where the Company has income in excess of its dividends that would be accretive to shareholders.

Non-executive director deferred share unit plan
Commencing January 1, 2015, the Company instituted a non-executive director deferred share unit plan (the "Plan") whereby, up to 100% of the compensation for a director may be paid to the director in the form of deferred share units ("DSUs"), payable quarterly in arrears. Directors may elect once every year, in accordance with the Plan, as to how much (if any) of his/her compensation will be paid in DSUs, having regard at all times to the ownership guidelines of the Plan. The portion of a director's compensation which is not payable in the form of DSUs shall be paid by the Company in cash, quarterly in arrears. The purpose of the Plan is to (a) enhance the Company's ability to provide long-term incentive compensation to directors which is linked to the performance of the Company and not dilutive to shareholders, (b) assist the Company in attracting, retaining and motivating its directors and (c) promote a closer alignment of interests between directors and the shareholders of the Company.

As part of the Plan, each director must seek to acquire and maintain a direct or indirect ownership of common shares or deferred share units of the Company that has a value equal to at least three times the Director's annual board retainer and meeting fees. Each director is to achieve this level of ownership within five years of becoming a director, subject to the requirement, being January 1, 2015 for the current directors.

STATEMENT OF CASH FLOWS

Cash from operating activities
Cash from operating activities for the Year was $26.2 million (2013 – $23.8 million), an increase of $2.4 million, or 10.0%, from 2013. The increase is primarily a result of the increase in lender fees received during the Year of $2.2 million relative to 2013, a result of the significant turnover experienced in 2014.

Cash from investing activities
Cash utilized in investing activities for the Year was $80.9 million (2013 - $40.6 million, net cash received) and consisted of net proceeds from disposal and capital improvements on FPHFS of $35.4 million and the repayments of net mortgage investments of $382.6 million, less the funding of net mortgage investments of $498.9 million.

Cash from financing activities

Sources of cash from financing activities consisted of net proceeds from the Company's issuance of convertible debentures of $32.5 million, issuance of common shares of $33.2 million and the Company's advances on the credit facility of $9.1 million. After interest payments on the debentures and credit facility of $1.7 million and payment of dividends of $30.3 million, the net cash provided by financing activities was $42.8 million for the Year.

QUARTERLY FINANCIAL INFORMATION

The following is a quarterly summary of the Company's results for the eight most recently completed quarters:

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Net interest income	$ 9,774	$ 8,660	$ 9,465	$ 8,811	$ 9,926	$ 9,888	$ 9,397	$ 10,520
Expenses [1]	(2,336)	(2,042)	(2,049)	(2,011)	(3,082)	(5,622)	(2,690)	(2,851)
Income from operations	7,438	6,618	7,416	6,800	6,844	4,266	6,707	7,669
Net operating gain (loss) from FPHFS	(58)	81	(97)	(97)	(182)	–	–	–
Fair value adjustment of FPHFS	(800)	149	–	–	–	–	–	–
Financing costs:								
Interest on credit facility	(87)	(67)	(57)	(64)	(195)	(98)	(91)	(90)
Interest on convertible debentures	(681)	(671)	(664)	(243)	–	–	–	–
Issuance costs of redeemable shares	–	–	–	–	(3)	–	–	–
Dividends to holders of redeemable shares	–	–	–	–	(2,414)	(7,299)	(7,311)	(7,297)
Total financing costs	(768)	(738)	(721)	(307)	(2,612)	(7,397)	(7,402)	(7,387)
Net income (loss) and comprehensive income (loss)	$ 5,812	$ 6,110	$ 6,598	$ 6,396	$ 4,050	$ (3,131)	$ (695)	$ 282
Earnings per share (basic and diluted) [2]	$ 0.14	$ 0.15	$ 0.17	$ 0.17	$ –	$ –	$ –	$ –

1 Q3 2013 includes one-time costs of $3.4 million relating to the Transition.

2 Earnings per share for quarters in 2013 has not been presented as the Company did not have equity instruments, as defined in IAS 33, *Earnings per Share*, as the redeemable shares were classified as financial liability in the statements of financial position.

The variations in net income (loss) and comprehensive income (loss) by quarter are mainly attributed to the following:

(i) In any given quarter, the Company is subject to volatility from portfolio turnover from both scheduled and early repayments. As a result, net interest income is susceptible to quarterly fluctuations. The Company models the portfolio throughout the year factoring in both scheduled and probable repayments, and the corresponding new mortgage advances to determine its distributable income on a calendar year basis.

(ii) Within expenses the Company accrues the performance fee payable to the Manager. Given that the performance fee is adjusted for cash items, the volatility of cash receipts in the year (mainly relating to lender fees) will typically have an impact on the amount expensed. Further, through Q2 2013, the Company was required to pay a trailer fee to registered dealers on a quarterly basis.

(iii) The dividends to holders of redeemable shares and issuance costs relating to redeemable shares were presented in the statement of income (loss) and comprehensive income (loss) until October 2013. Following the Exchange Date, the dividends to common shareholders are presented in the statement of changes in equity.

RELATED PARTY TRANSACTIONS

As at December 31, 2014, due to Manager includes management and performance fees payable of $2.0 million (December 31, 2013 – $2.3 million) and $6 (December 31, 2013 – $3) related to costs incurred by the Manager on behalf of the Company.

The Manager is responsible for the general management and day to day operations of the Company and, through Timbercreek Mortgage Servicing Inc. ("TMSI"), a related party by virtue of common management, acts as the Company's mortgage servicer and administrator. As at December 31, 2014, included in other assets is $3.0 million (December 31, 2013 – $1.0 million) of cash held in trust for the Company by TMSI, the balance of which relates to mortgage funding holdbacks and prepaid mortgage interest received from various borrowers.

In the pursuit of meeting its investment objectives, the Company, from time to time and at the discretion of the Manager, syndicates its mortgage investments. As at December 31, 2014, the Company, TSMIC, Timbercreek Four Quadrant Global Real Estate Partners ("T4Q") and Timbercreek Canadian Direct LP, related parties by virtue of common management, have co-invested in several mortgage investments totalling $701.9 million (December 31, 2013 – $703.4 million). The Company's share in these gross mortgage investments is $268.9 million (December 31, 2013 – $151.1 million). Of these co-invested mortgages, a mortgage investment of $1.1 million (December 31, 2013 – $1.0 million) was provided to a limited partnership which is partially owned by T4Q. As at December 31, 2014, no amount (December 31, 2013 – $0.3 million) is receivable by the Company from TSMIC relating to amounts paid by the Company on behalf of TSMIC.

The above related party transactions are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

COMMITMENTS AND CONTINGENCIES

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

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Company's financial position.

CRITICAL ACCOUNTING ESTIMATES

In the preparation of the consolidated financial statements, the Manager has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgments in the consolidated financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements are as follows:

Mortgage investments

The Company is required to make an assessment of the impairment of mortgage investments. Mortgage investments are considered to be impaired only if objective evidence indicates that one or more events ("loss events") have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset. Specifically, the Company will consider loss events including, but not limited to: 1) payment default by a borrower; 2) whether security of the mortgage negatively impacted by some event; and 3) financial difficulty experienced by a borrower. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary.

The Company applies judgment in assessing the relationship between parties with which it enters into participation agreements in order to assess the derecognition of transfers relating to mortgage investments.

Measurement of fair values

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, the Manager will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Information about the assumptions made in measuring fair value is included in notes 5 and 18 to the consolidated financial statements for the year ended December 31, 2014.

CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the Company has consistently applied the accounting policies set out to all periods presented in its consolidated financial statements for the years ended December 31, 2014 and 2013.

(a) Convertible debentures:

The convertible debentures are a compound financial instrument as it contains both a liability and an equity component.

At the date of issuance, the liability component of convertible debentures is recognized at its estimated fair value of a similar liability that does not have an equity conversion option and the residual is allocated to the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a convertible debenture is measured at amortized cost using the effective interest rate method. The equity component is not re-measured subsequent to initial recognition and will be transferred to share capital when the conversion option is exercised or, if unexercised, at maturity.

Interest, losses and gains relating to the financial liability are recognized in profit or loss.

(b) Changes in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

(i) IAS 32, Financial Instruments: Presentation ("IAS 32")

In December 2011, the IASB published Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) and issued new disclosure requirements in IFRS 7, Financial Instruments: Disclosures, with the amendments applied retrospectively. The implementation of this standard had no impact on the consolidated financial statements.

(ii) IFRIC 21, Levies ("IFRIC 21")

In 2013, the IASB issued IFRIC 21. This standard addresses accounting for a liability to pay a levy within the scope of IAS 37, Provisions, contingent liabilities and contingent assets ("IAS 37"). A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes. The standard is applied retrospectively. The implementation of this standard had no impact on the consolidated financial statements.

(c) Future changes in accounting policies

A number of new standards, amendments to standards and interpretations are effective in future periods and have not been applied in preparing the consolidated financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

(i) IFRS 9, Financial Instruments ("IFRS 9")

On July 24, 2014, the IASB issued IFRS 9. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. The standard will be effective for annual periods beginning on or after January 1, 2018 and will be applied retrospectively with some exemptions. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

(ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017 and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

OUTSTANDING SHARE DATA

As at February 25, 2015, the Company's authorized capital consists of an unlimited number of common shares, of which 40,701,528 are issued and outstanding. In addition, as at the date of this MD&A, 3,066,667 common shares are issuable upon conversion or redemption of the debentures (based on the conversion price of $11.25 per common share).

CAPITAL STRUCTURE AND LIQUIDITY

Capital structure

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. During the Year, the Company added the debentures to its capital structure to complement the common shares and the increase to the limit on its credit facility. The Company believes that the modest amount of structural leverage gained from the debentures is accretive to net earnings, while having a low impact on the risk profile of the business. The Company anticipates meeting all of its contractual liabilities (described below) using its mix of capital structure and cash flow from operating activities.

The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities, the availability of capital and anticipated changes in general economic conditions.

Liquidity

Access to liquidity is an important element of the Company as it allows the Company to implement its investment strategy. The Company is, and intends to continue to be, qualified as a MIC as defined under Section 130.1(6) of the ITA and, as a result, is required to distribute not less than 100% of the taxable income of the Company to its shareholders. The Company manages its liquidity position through various sources of cash flows including cash generated from operations, equity and debenture offerings and the credit facility.

The Company has a borrowing ability of $35.0 million through its credit facility and intends to utilize the credit facility to manage the fluctuations in cash flows as a result of the timing of mortgage investment fundings and repayments and other working capital needs. Subsequent to year end, the Company completed a $15.0 million increase on the credit facility, taking its total available borrowing limit to $50.0 million. As at December 31, 2014, the Company is in compliance with its credit facility covenants and expects to remain in compliance going forward.

The Company routinely forecasts cash flow sources and requirements, including unadvanced commitments, to ensure cash is efficiently utilized.

The following are the contractual maturities of financial liabilities as at December 31, 2014, including expected interest payments:

	Carrying values	Contractual cash flows	Within a year	Following year	3–5 years
Accounts payable and accrued expenses	$ 856	$ 856	$ 856	$ –	$ –
Dividends payable	2,442	2,442	2,442	–	–
Due to Manager	1,976	1,976	1,976	–	–
Mortgage funding holdbacks	484	484	484	–	–
Prepaid mortgage interest	2,560	2,560	2,560	–	–
Credit facility [1]	9,076	9,825	409	9,416	–
Convertible debentures	32,387	43,803	2,191	2,197	39,415
Total liabilities	49,781	61,946	10,918	11,613	39,415
Unadvanced gross mortgage commitments	–	107,367	107,367	–	–
Total contractual liabilities	**$ 49,781**	**$ 169,313**	**$ 118,285**	**$ 11,613**	**$ 39,415**

1 Includes interest on the credit facility assuming the outstanding balance is not repaid until its maturity in October 2016.

As at December 31, 2014, the Company had a cash position of $0.5 million (December 31, 2013 – $12.3 million) and an unutilized credit facility of $25.9 million (December 31, 2013 – $25.0 million). The Company is confident that it will be able to finance its operations using the cash flow generated from operations and the credit facility. Included within the unadvanced mortgage commitments is $42.8 million relating to the Company's syndication partners. The Company expects the syndication partners to fund this amount.

Cash generated from operating activities consisted primarily of net income and comprehensive income of $25.5 million. Cash from operating activities is also impacted by changes in operating items such as, interest receivable, other assets and accounts payable and accrued expenses.

FINANCIAL INSTRUMENTS

Financial assets

The Company's cash and cash equivalents, other assets and mortgage investments, including mortgage syndications, are designated as loans and receivables and are measured at amortized cost. The fair values of cash and cash equivalents and other assets approximate their carrying amounts due to their short-term nature. The fair value of mortgage investments, including mortgage syndications, approximate their carrying value given the mortgage investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties.

Financial liabilities

The Company's accounts payable and accrued expenses, dividends payable, due to Manager, mortgage funding holdbacks, prepaid mortgage interest, credit facility, convertible debentures and mortgage syndication liabilities are designated as other financial liabilities and are measured at amortized cost. With the exception of convertible debentures and mortgage syndication liabilities, the fair value of these financial liabilities approximate their carrying amounts due to their short-term nature. The fair value of mortgage syndication liabilities approximate their carrying value given the mortgage investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. The fair value of the convertible debentures is based on the market trading price of convertible debentures at the reporting date.

RISKS AND UNCERTAINTIES

The Company is subject to certain risks and uncertainties that may affect the Company's future performance and its ability to execute on its investment objectives. We have processes and procedures in place in an attempt to control or mitigate certain risks, while other risks cannot be or are not mitigated. Material risks that cannot be mitigated include a significant decline in the general real estate market, interest rates changing markedly, being unable to make mortgage investments at rates consistent with rates historically achieved, not having adequate mortgage investment opportunities presented to us, and not having adequate sources of bank financing available.

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of December 31, 2014, $89.9 million of mortgage investments bear interest at variable rates. Of these, $84.9 million of mortgage investments include a "floor rate" to protect their negative exposure, while two mortgage investments totalling $5.0 million bear interest at a variable rate without a "floor rate". If there were a decrease of 0.50% in interest rates, with all other variables constant, the impact from variable rate mortgage investments would be a decrease in net income of $25. However, if there were a 0.50% increase in interest rates, with all other variables constant, it would result in an increase in net income of $0.5 million. The Company manages its sensitivity to interest rate fluctuations by generally entering into fixed rate mortgage investments or adding a "floor-rate" to protect its negative exposure.

In addition, the Company is exposed to interest rate risk on the credit facility, which has a balance of $9.0 million as at December 31, 2014. Based on the outstanding balance of the credit facility as at December 31, 2014, a 0.50% decrease in interest rates, with all other variables constant, will increase net income by $45 annually, arising mainly as a result of lower interest expense payable on the credit facility. A 0.50% increase in interest rates would have an equal but opposite effect on the net income of the Company.

The Company's other assets, which includes interest receivable, accounts payable and accrued expenses, prepaid mortgage interest, mortgage funding holdbacks, dividends payable and due to Manager have no exposure to interest rate risk due to their short-term nature. Cash and cash equivalents carry a variable rate of interest and are subject to minimal interest rate risk and the debentures have no exposure to interest rate risk due to their fixed interest rate.

(b) Credit risk

Credit risk is the possibility that a borrower may be unable to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Company. The Company mitigates this risk by the following:

(i) adhering to the investment restrictions and operating policies included in the asset allocation model (subject to certain duly approved exceptions);

(ii) all mortgage investments are approved by the independent mortgage advisory committee before funding; and

(iii) actively monitoring the mortgage investments and initiating recovery procedures, in a timely manner, where required.

The maximum exposure to credit risk at December 31, 2014 is the carrying values of its net mortgage investments, including interest receivable, amounting to $401.7 million (December 31, 2013 – $321.8 million). The Company has recourse under these mortgage investments in the event of default by the borrower; in which case, the Company would have a claim against the underlying collateral.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized. For a discussion of the Company's liquidity, cash flow from operations and mitigation of liquidity risk, see the "Capital Structure and Liquidity" section in this MD&A.

For a full discussion of the risks and uncertainties affecting the Company, please also refer to the "Risk Factors" section of our AIF for the Year.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company, under their direct supervision, have designed disclosure controls and procedures (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109") to provide reasonable assurance that material information relating to the Company is gathered and reported to the CEO and CFO and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS during the during the year ended December 31, 2014.

As at December 31, 2014, the Company's disclosure controls and procedures were reviewed and the effectiveness of their design and operation was evaluated. This evaluation confirmed the effectiveness of the design and operation of disclosure controls and procedures as at December 31, 2014.

The CEO and the CFO assessed, or under their direct supervision caused an assessment of, the design and operating effectiveness of the Company's internal controls over financial reporting as at December 31, 2014. Based on that assessment they determined that the Company's internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the COSO Internal Control - Independent Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Given the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i)that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii)controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.

There were no changes made in our internal controls over financial reporting during the year ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ADDITIONAL INFORMATION

Phone

Calling the Company at 1-866-898-8868, Carrie Morris, Managing Director Capital Markets & Corporate Communications.

Shareholders who wish to enroll in the DRIP or who would like further information about the plan should contact Corporate Communications at (416) 306-9967 ext. 7266 (collect if long distance).

Internet

Visiting SEDAR at www.sedar.com; or the Company's website at www.timbercreekmic.com

Mail

Writing to the Company at:
Timbercreek Mortgage Investment Corporation
Attention: Corporate Communications
1000 Yonge Street, Suite 500,
Toronto, Ontario M4W 2K2

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Timbercreek Mortgage Investment Corporation

We have audited the accompanying consolidated financial statements of Timbercreek Mortgage Investment Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, the consolidated statements of net income and comprehensive income, changes in shareholders' equity and net assets attributable to holders of redeemable shares 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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 the 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 the Company as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

KPMG LLP

February 25, 2015
Toronto, Canada

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at December 31,	
	2014	**2013**
ASSETS		
Cash and cash equivalents	$ 463,092	$ 12,348,449
Other assets (note 14(e))	3,582,038	1,540,102
Mortgage investments, including mortgage syndications (note 4)	616,173,629	442,165,777
Foreclosed properties held for sale (note 5)	13,850,521	11,351,435
Total assets	634,069,280	467,405,763
LIABILITIES AND EQUITY		
Accounts payable and accrued expenses	855,527	592,421
Dividends payable (note 11(b))	2,442,092	2,476,592
Due to Manager (note 14(a))	1,975,958	2,349,736
Mortgage funding holdbacks	483,762	28,809
Prepaid mortgage interest	2,560,472	1,011,565
Credit facility (note 6)	8,836,959	–
Convertible debentures (note 7)	32,387,457	–
Mortgage syndication liabilities (note 4)	219,581,032	124,378,929
Total liabilities	269,123,259	130,838,052
Shareholders' equity	364,946,021	336,567,711
Total liabilities and equity	$ 634,069,280	$ 467,405,763
Commitments and contingencies (notes 4 and 19)		
Subsequent events (notes 6, 11(b) and 22)		

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

	Years ended December 31, 2014	2013
Interest income:		
Interest, including mortgage syndications	$ 37,043,393	$ 39,024,302
Fees and other income, including mortgage syndications	5,144,675	5,083,354
Gross interest income	42,188,068	44,107,656
Interest and fees expense on mortgage syndications (note 4(b))	(5,477,861)	(4,376,377)
Net interest income	36,710,207	39,731,279
Expenses:		
Management fees (note 12(a))	5,421,686	4,974,029
Performance fees (note 12(a))	1,954,557	1,940,688
Trailer fees (note 12(b))	–	737,199
Transition related costs (note 1)	–	3,530,417
Provision for mortgage investments loss (note 4(c))	250,000	2,150,000
Net foreign exchange (gain) loss (note 8)	(7,977)	5,436
General and administrative	819,650	906,208
Total expenses	8,437,916	14,243,977
Income from operations	28,272,291	25,487,302
Net operating loss from foreclosed properties held for sale	170,748	181,845
Fair value adjustment on foreclosed properties held for sale (note 5)	650,421	–
Financing costs:		
Interest on credit facility (note 6)	274,550	474,778
Interest on convertible debentures (note 7)	2,259,432	–
Issuance costs of redeemable shares (note 10)	–	2,680
Dividends to holders of redeemable shares (note 10(a))	–	24,321,067
Total financing costs	2,533,982	24,798,525
Net income and comprehensive income	**$ 24,917,140**	**$ 506,932**
Earnings per share (note 13)		
Basic and diluted	$ 0.63	$ 0.65

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

Year ended December 31, 2014	**Common Shares**	**Retained Earnings**	**Equity Component of Convertible Debentures**	**Total**
Shareholders' equity, beginning of year	$ 337,367,498	$ (799,787)	$ –	$ 336,567,711
Issuance of common shares, net of issue costs	33,179,940	–	–	33,179,940
Equity component of convertible debentures, net	–	–	544,557	544,557
Dividends to the holders of common shares	–	(30,263,327)	–	(30,263,327)
Issuance of common shares under dividend reinvestment plan	3,047,862	–	–	3,047,862
Repurchase of common shares	(3,047,862)	–	–	(3,047,862)
Net income and comprehensive income	–	24,917,140	–	24,917,140
Shareholders' equity, end of year	**$ 370,547,438**	**$ (6,145,974)**	**$ 544,557**	**$ 364,946,021**

Year ended December 31, 2013	**Class A Shares**	**Class B Shares**	**Common Shares**	**Retained Earnings**	**Total**
Net assets attributable to holders of redeemable shares, beginning of year	$ 319,585,511	$ 35,942,459	$ –	$ –	$ 355,527,970
Gross proceeds from issuance of redeemable shares	–	5,000,000	–	–	5,000,000
Issuance of redeemable shares under dividend reinvestment plan	3,706,252	–	–	–	3,706,252
Redemption of redeemable shares	(15,511,769)	(2,553,549)	–	–	(18,065,318)
Repurchase of redeemable shares under normal course issuer bid	(3,351,744)	–	–	–	(3,351,744)
Repurchase of redeemable shares under dividend reinvestment plan	(1,803,199)	–	–	–	(1,803,199)
Exchange of redeemable shares	1,037,375	(1,037,375)	–	–	–
Exchange of redeemable shares to common shares	(299,929,559)	(37,437,939)	337,367,498	–	–
Dividends to the holders of common shares	–	–	–	(4,953,182)	(4,953,182)
Issuance of common shares under dividend reinvestment plan	–	–	319,073	–	319,073
Repurchase of common shares	–	–	(319,073)	–	(319,073)
Net income (loss) and comprehensive income (loss)	(3,732,867)	86,404	–	4,153,395	506,932
Shareholders' equity, end of year	**$ –**	**$ –**	**$ 337,367,498**	**$ (799,787)**	**$ 336,567,711**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Years ended December 31, 2014	2013
OPERATING ACTIVITIES		
Net income and comprehensive income	$ 24,917,140	$ 506,932
Amortization of lender fees	(4,437,326)	(4,266,467)
Lender fees received	5,819,505	3,633,287
Provision for mortgage investments loss	250,000	2,150,000
Financing costs	2,533,982	24,798,525
Interest income, net of syndications	(32,045,133)	(34,976,627)
Interest income received, net of syndications	30,498,572	32,583,906
Fair value adjustment on foreclosed properties held for sale	650,421	–
Net foreign exchange (gain) loss	33,456	(33,456)
Change in non-cash operating items:		
Restricted cash	–	395,088
Interest receivable	(1,048,966)	–
Other assets	(2,277,526)	(1,065,865)
Accounts payable and accrued expenses	(339,195)	(347,575)
Due to Manager	(373,778)	(119,775)
Prepaid mortgage interest	1,548,907	654,330
Mortgage funding holdbacks	454,953	(100,453)
	26,185,012	**23,811,850**
FINANCING ACTIVITIES		
Proceeds from issuance of convertible debentures, net of issue costs	32,533,220	–
Proceeds from issuance of common shares, net of issue costs	33,179,940	–
Redemption of Class A and B redeemable shares	–	(18,065,318)
Proceeds from issuance of Class B redeemable shares	–	5,000,000
Advances from (repayment of) credit facility	9,075,926	(8,836,425)
Interest paid	(1,694,372)	(452,440)
Repurchase of redeemable shares for cancellation	–	(5,154,943)
Issuance costs of redeemable shares	–	(2,680)
Dividends to holders of redeemable shares	–	(23,042,920)
Dividends to holders of common shares	(30,297,827)	(2,476,590)
	42,796,887	**(53,031,316)**
INVESTING ACTIVITIES		
Capital improvements to foreclosed properties	(331,838)	(1,251,462)
Proceeds from disposition of foreclosed properties	35,776,846	–
Funding of mortgage investments, net of mortgage syndications	(498,944,602)	(241,306,257)
Discharge of mortgage investments, net of mortgage syndications	382,632,338	283,132,963
	(80,867,256)	**40,575,244**
Increase (decrease) in cash and cash equivalents	(11,885,357)	11,355,778
Cash and cash equivalents, beginning of year	12,348,449	992,671
Cash and cash equivalents, end of year	**$ 463,092**	**$ 12,348,449**

See accompanying notes to the consolidated financial statements.

Timbercreek Mortgage Investment Corporation (the "Company") is a mortgage investment corporation domiciled in Canada. The registered office of the Company is 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2.

The Company is incorporated under the laws of the Province of Ontario by Articles of Incorporation dated April 30, 2008. Effective September 13, 2013 (the "Effective Date"), the Company filed articles of amendment with the Ministry of Government Services of Ontario in connection with the Transition, as defined in note 1 below, to amend, among other things, certain provisions of the articles of the Company related to the rights attached to the redeemable Class A, Class B and voting classes of shares, and provide for the creation of a new class of common shares for which all existing classes of redeemable shares were exchanged on November 29, 2013.

The investment objective of the Company is, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of mortgage investments that generate income which allows the Company to pay monthly dividends to shareholders.

1. TRANSITION TO PUBLIC COMPANY REGIME

On September 12, 2013, the Company received shareholder approval for the Company's transition (the "Transition") from the Canadian securities regulatory regime for investment funds to the regulatory regime for non-investment fund reporting issuers (the "Public Company Regime").

Beginning on the Effective Date, the Company is subject to and files all continuous disclosure materials in compliance with the Public Company Regime requirements, which includes preparation of its financial statements in accordance with International Financial Reporting Standards ("IFRS"), along with a Management's Discussion and Analysis.

As part of the Transition, the Company provided a one-time special redemption right of up to 15% of the issued and outstanding shares of each class of redeemable shares (the "Special Redemption"). The Company redeemed requests from holders of 1,674,568 Class A shares and 259,771 Class B shares for the Special Redemption. The total redemption payable of $18,026,557 was paid on November 27, 2013. On November 29, 2013 (the "Exchange Date"), the Company exchanged all of the 32,829,013 outstanding Class A shares and 3,887,053 outstanding Class B Shares into a newly created class of common shares. The common shares commenced trading on the Toronto Stock Exchange ("TSX") on November 29, 2013, continuing under the symbol 'TMC' and the Class A shares ceased to trade after the close of market on November 28, 2013.

Also effective September 13, 2013, the Company entered into a new management agreement with Timbercreek Asset Management Inc. (the "Manager") and terminated its management agreement with Timbercreek Asset Management Ltd., a wholly owned subsidiary of the Manager. The Manager is responsible for the day-to-day operations and providing all general management, mortgage servicing and administrative services for the Company's mortgage investments.

In connection with the Transition, the Company incurred total costs of $3,780,417, which includes soliciting dealer fees, soliciting broker fees, audit fees, legal fees and other related costs. Timbercreek Asset Management Inc., in its capacity as the Manager, elected to assume responsibility for $250,000 of costs relating to the Transition.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and were approved by the Board of Directors on February 25, 2015.

(b) Functional and presentation currency

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

(c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for foreclosed properties held for sale and foreign exchange forward contract which are measured at fair value on each reporting date.

(d) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, including Timbercreek Mortgage Investment Fund. All intercompany transactions and balances are eliminated upon consolidation.

(e) Use of estimates and judgments

In the preparation of these consolidated financial statements, the Manager has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties that the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements are as follows:

Mortgage investments

The Company is required to make an assessment of the impairment of mortgage investments. Mortgage investments are considered to be impaired only if objective evidence indicates that one or more events ("loss events") have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary materially.

The Company applies judgment in assessing the relationship between parties with which it enters into participation agreements in order to assess the derecognition of transfers relating to mortgage investments.

Measurement of fair values

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, the Manager will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The information about the assumptions made in measuring fair value is included in the following notes:

Note 5 – Foreclosed properties held for sale; and
Note 18 – Fair value measurements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

The Company considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents. Cash and cash equivalents are classified as loans and receivables and carried at amortized cost.

(b) Mortgage investments

The mortgage investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses. The mortgage investments are assessed on each reporting date to determine whether there is objective evidence of impairment. A financial asset is considered to be impaired only if objective evidence indicates that one or more loss events have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for mortgage investments at both a specific asset and collective level. All individually significant mortgage investments are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identifiable at an individual mortgage level. Mortgage investments that are not individually significant are collectively assessed for impairment by grouping together mortgage investments with similar risk characteristics.

In assessing collective impairment, the Company reviews historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgments 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 in respect of specific mortgage investments is calculated as the difference between its carrying amount including accrued interest and the present value of the estimated future cash flows discounted at the investment's original effective interest rate. Losses are recognized in profit and loss and reflected in an allowance account against the mortgage investments. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(c) Foreclosed properties held for sale

When the Company obtains legal title of the underlying security of an impaired mortgage investment, the carrying value of the mortgage investment, which comprises of principal, costs incurred, accrued interest and the related provision for mortgage investment loss, if any, is reclassified from mortgage investments to foreclosed properties held for sale ("FPHFS"). At each reporting date, FPHFS are measured at fair value, with changes in fair value recorded in profit or loss in the period they arise. The Company uses management's best estimate to determine fair value of the properties, which may involve frequent inspections, engaging realtors to assess market conditions based on previous property transactions or, retaining professional appraisers to provide independent valuations.

Contractual interest on the mortgage investment is discontinued from the date of transfer from mortgage investments to FPHFS. Net income or loss generated from FPHFS, if any, is recorded as net operating (gain) loss from FPHFS, while fair value adjustments on FPHFS are recorded separately.

(d) Foreign exchange forward contract

The Company held a derivative financial instrument to hedge its foreign currency risk exposure for a mortgage investment. Derivatives are recognized initially at fair value, with transaction costs recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value at the end of each reporting period. Any resulting gain or loss is recognized in profit or loss unless the derivative is designated and effective as a hedging instrument under IFRS. The Company elected to not account for its derivative instrument as a hedge.

(e) Dividends

Dividends to holders of common shares are recognized in the consolidated statement of changes in shareholders' equity and net assets attributable to holders of redeemable shares. Prior to the Transition, dividends to holders of redeemable shares were recognized in the consolidated statements of net income and comprehensive income as financing costs.

(f) Convertible debentures

The convertible debentures are a compound financial instrument as they contain both a liability and an equity component.

At the date of issuance, the liability component of the convertible debentures is recognized at its estimated fair value of a similar liability that does not have an equity conversion option and the residual is allocated to the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a convertible debenture is measured at amortized cost using the effective interest rate method. The equity component is not re-measured subsequent to initial recognition and will be transferred to share capital when the conversion option is exercised, or, if unexercised at maturity.

Interest, losses and gains relating to the financial liability are recognized in profit or loss.

(g) Income taxes

It is the intention of the Company to qualify as a mortgage investment corporation ("MIC") for Canadian income tax purposes. As such, the Company is able to deduct, in computing its income for a taxation year, dividends paid to its shareholders during the year or within 90 days of the end of the year. The Company intends to maintain its status as a MIC and pay dividends to its shareholders in the year and in future years to ensure that it will not be subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Company's dividends results in the Company being effectively exempt from taxation and no provision for current or deferred taxes is required for the Company and its subsidiaries.

(h) Financial instruments

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale, or (v) other liabilities. Financial instruments are recognized initially at fair value, plus, in the case of financial instruments not FVTPL, any incremental direct transaction costs. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income. The classifications of the Company's financial instruments are outlined in note 18.

Prior to the Transition, net assets attributable to holders of redeemable shares were carried on the consolidated statements of financial position at net asset value. The presentation of net assets attributable to holders of redeemable shares reflected, in total, that the interests of the holders were limited to the net assets of the Company. After the Transition, redeemable shares were exchanged to common shares and are classified as shareholders' equity in the statement of financial position, as outlined in note 1.

(i) Derecognition of financial assets and liabilities

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Company enters into transactions whereby it transfers mortgage investments recognized on its statement of financial position, but retains either all, substantially all, or a portion of the risks and rewards of the transferred mortgage investments. If all or substantially all risks and rewards are retained, then the transferred mortgage or loan investments are not derecognized.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

(j) Interest and fee income

Interest income includes interest earned on the Company's mortgage investments and interest earned on cash and cash equivalents. Interest income earned on the mortgage investments is accounted for using the effective interest method. Lender fees received are an integral part of the yield on the mortgage investments and are amortized to profit and loss over the expected life of the specific mortgage investment using the effective interest rate method. Forfeited lender fees are taken to profit and loss at the time a borrower has not fulfilled the terms and conditions of a lending commitment and payment has been received.

(k) Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies set out to all periods presented in these consolidated financial statements. The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

(i) IAS 32, Financial Instruments: Presentation ("IAS 32")

In December 2011, the IASB published Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) and issued new disclosure requirements in IFRS 7, Financial Instruments: Disclosures, with the amendments applied retrospectively. The implementation of this standard had no impact on these consolidated financial statements.

(ii) IFRIC 21, Levies ("IFRIC 21")

In 2013, the IASB issued IFRIC 21. This standard addresses accounting for a liability to pay a levy within the scope of IAS 37, Provisions, contingent liabilities and contingent assets ("IAS 37"). A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes. The standard is applied retrospectively. The implementation of this standard had no impact on these consolidated financial statements.

(l) Future changes in accounting policies

A number of new standards, amendments to standards and interpretations are effective in future periods and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

(i) IFRS 9, Financial Instruments ("IFRS 9")

On July 24, 2014, the IASB issued IFRS 9. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. The standard will be effective for annual periods beginning on or after January 1, 2018 and will be applied retrospectively with some exemptions. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

(ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017 and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

4. MORTGAGE INVESTMENTS, INCLUDING MORTGAGE SYNDICATIONS

As at December 31, 2014	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications (a) and (b)	$ 617,038,177	$ (219,697,422)	$ 397,340,755
Interest receivable	5,125,457	(733,560)	4,391,897
	622,163,634	(220,430,982)	401,732,652
Unamortized lender fees	(5,740,005)	849,950	(4,890,055)
Allowance for mortgage investments loss (c)	(250,000)	–	(250,000)
	$ 616,173,629	**$ (219,581,032)**	**$ 396,592,597**

As at December 31, 2013	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications (a) and (b)	$ 441,136,647	$ (123,982,494)	$ 317,154,153
Interest receivable	5,384,798	(694,227)	4,690,571
	446,521,445	(124,676,721)	321,844,724
Unamortized lender fees	(3,805,668)	297,792	(3,507,876)
Allowance for mortgage investments loss (c)	(550,000)	–	(550,000)
	$ 442,165,777	**$ (124,378,929)**	**$ 317,786,848**

As at December 31, 2014, un-advanced mortgage commitments under the existing gross mortgage investments amounted to $107,366,854 (December 31, 2013 – $61,563,733). Subsequent to the year ended December 31, 2014, $4,867,098 of the commitments have been funded.

(a) Net mortgage investments

	%		December 31, 2014	%		December 31, 2013
Interest in first mortgages	69	$	276,022,401	61	$	193,574,221
Interest in non-first mortgages	31		121,318,354	39		123,579,932
	100	$	397,340,755	100	$	317,154,153

The mortgage investments are secured by real property, bear interest at a weighted average interest rate of 9.4% (December 31, 2013 – 9.8%) and mature between 2015 and 2018 (December 31, 2013 – 2014 and 2017).

A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance.

For the year ended December 31, 2014, the Company received total lender fees, net of fees relating to mortgage syndication liabilities, of $5,819,505 (2013 – $3,633,287), which are amortized to interest income over the term of the related mortgage investments using the effective interest rate method.

Principal repayments, net of mortgage syndications, based on contractual maturity dates are as follows:

2015	$	152,977,148
2016		135,955,083
2017		98,816,265
2018		9,592,259
Total	$	397,340,755

(b) Mortgage syndication liabilities

The Company has entered into certain mortgage participation agreements with third party lenders, using senior and subordinated participation, whereby the third party lenders take the senior position and the Company retains the subordinated position. The Company generally retains an option to repurchase the senior position, but not the obligation, at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest. Under certain participation agreements, the Company has retained a residual portion of the credit and/or default risk as it is holding the residual interest in the mortgage investment and therefore has not met the de-recognition criteria. As a result, the lender's portion of the mortgage is recorded as a mortgage investment with the transferred position recorded as a non-recourse mortgage syndication liability. The interest and fees earned on the transferred participation interests and the related interest expense is recognized in profit and loss. In addition, the Company may sell pari-pasu interests in certain mortgage investments which meet the criteria for de-recognition under IFRS.

As at December 31, 2014, the carrying value of the transferred assets in gross mortgage investments, including related interest receivable and unearned lender fees, and corresponding mortgage syndication liabilities is $219,581,032 (December 31, 2013 – $124,378,929). For the year ended December 31, 2014, the Company has also recognized interest income of $4,998,260 (2013 – $4,047,676) and fee income of $479,601 (2013 – $328,701) and a corresponding interest and fee expense of $5,477,861 (2013 – $4,376,377) in the statements of net income and comprehensive income. The fair value of the transferred assets and mortgage syndication liabilities approximate their carrying values (see note 18).

(c) Allowance for mortgage investments loss

As at December 31, 2014, the Company has concluded that there is no objective evidence of impairment on any individual mortgage investment. At a collective level, the Company assesses for impairment to identify losses that have been incurred, but not yet identified, on an individual basis. As part of the Company's analysis, it has grouped mortgage investments with similar risk characteristics, including geographical exposure, collateral type, loan-to-value, counterparty and other relevant groupings, and assesses them for impairment using statistical data. Based on the amounts determined by the analysis, the Company uses judgement to determine whether or not the actual future losses are expected to be greater or less than the amounts calculated.

For the year ended December 31, 2014, the Company recognized a collective impairment allowance of $250,000 (December 31, 2013 – nil) and specific impairment allowance of nil (December 31, 2013 – $2,150,000).

During the year ended December 31, 2014, the Company foreclosed on the underlying security relating to an impaired mortgage investment and reclassified $550,000 from allowance for mortgage investments loss to FPHFS.

For the year ended December 31, 2013 the Company recognized an impairment provision of $2,150,000 relating to impaired mortgage investments, which represented the total amount of the Manager's estimate of the shortfall between the principal balances, costs incurred and accrued interest and the estimated recoverable amount of the underlying security of the mortgage investment.

During the year ended December 31, 2013, the Company foreclosed on the underlying securities relating to two impaired mortgage investments and reclassified $1,600,000 from allowance for mortgage investments loss to FPHFS.

The changes in the allowance for mortgage investments loss during the years ended December 31, 2014 and 2013 were as follows:

	Years ended December 31, 2014	2013
Balance, beginning of year	$ 550,000	$ –
Provision for mortgage investments loss	250,000	2,150,000
Allowance for mortgage investments loss reclassified to FPHFS	(550,000)	(1,600,000)
Balance, end of year	**$ 250,000**	**$ 550,000**

5. FORECLOSED PROPERTIES HELD FOR SALE

As at December 31, 2014, there are three FPHFS (December 31, 2013 – two) which are recorded at their fair value of $13,850,521 (December 31, 2013 – $11,351,435). The changes in the FPHFS during the year ended December 31, 2014 were as follows:

	Years ended December 31, 2014	2013
Balance, beginning of year	$ 11,351,435	$ –
Foreclosed properties reclassified from mortgage investments	75,681,402	10,099,973
Capital improvements	331,838	1,251,462
Fair market value adjustment	(650,421)	–
Disposition of foreclosed properties	(72,863,733)	–
Balance, end of year	**$ 13,850,521**	**$ 11,351,435**

During the year ended December 31, 2014, the Company closed on the sale of eight residential units in one of the foreclosed properties for net proceeds of $1,363,733.

During the year ended December 31, 2014, the Company also foreclosed on the underlying security of a mortgage investment with outstanding principal and costs of $69,581,592 and accrued interest of $1,768,829. This underlying security was subsequently sold, with the proceeds of sale repaying all of the outstanding principal and costs and accrued interest from the mortgage investment and resulted in a gain of $149,579. The purchaser also obtained mortgage financing from the Company in respect of the property.

During the year ended December 31, 2014, the Company recorded an unrealized fair value loss of $800,000 on the FPHFS.

The fair value measurements have been categorized as a level 3 fair value based on inputs to the valuation techniques used. The key valuation techniques used in measuring the fair values of the FPHFS are set out in the following table:

Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Direct Capitalization Method. The valuation method is based on stabilized net operating income ('NOI') divided by an overall capitalization rate.	• Stabilized NOI is based on the location, type and quality of the property and supported current market rents for similar properties, adjusted for estimated vacancy rates and expected operating costs. • Capitalization rate is based on location, size and quality of the property and taking into account market data at the valuation date.	The estimated fair value would increase (decrease) if: • Stabilized NOI was higher (lower) • Overall capitalization rates were lower (higher)
Direct Sales Comparison	The fair value is based on comparison to recent sales of properties of similar types, locations and quality.	The significant unobservable input is adjustments due to characteristics specific to each property that could cause the fair value to differ from the property to which it is being compared.

6. CREDIT FACILITY

As at December 31, 2014, the Company has a credit facility with an available limit of $35,000,000 (December 31, 2013 – $25,000,000). The Company amended and restated the credit facility on October 31, 2014, extending the term for an additional two years and increasing the available limit to $35,000,000, with an option to increase the limit to $60,000,000, subject to certain terms and conditions. Subsequent to year end, the Company completed a $15,000,000 increase of the credit facility, taking its total available borrowing limit to $50,000,000. The credit facility is subject to an interest rate equal to the bank's prime rate of interest plus 1.50% (December 31, 2013 – bank's prime rate of interest plus 1.50%). The credit facility is secured by a general security agreement over the Company's assets. As at December 31, 2014, $9,075,926 was outstanding on the credit facility (December 31, 2013 – nil).

Interest costs related to the credit facility are recorded in financing costs using the effective interest rate method. For the year ended December 31, 2014, interest on the credit facility of $274,550 (2013 – $474,778) is included in financing costs.

As at December 31, 2014, there were $238,967 (December 31, 2013 – $107,603) in unamortized financing costs related to the placement of the credit facility netted against the outstanding balance. For the year ended December 31, 2014, the Company has amortized financing costs of $129,328 (2013 – $143,859) to interest expense using the effective interest rate method.

7. CONVERTIBLE DEBENTURES

On February 25, 2014, the Company completed a public offering of $30,000,000, with an overallotment option of $4,500,000 that was completed on March 3, 2014, of 6.35%, convertible unsecured subordinated debentures for net proceeds of $32,533,220 (the "debentures"). The debentures mature on March 31, 2019 with interest payable semi-annually on March 31 and September 30 of each year. The first interest payment occurred on September 30, 2014 and was for $1,302,447. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $11.25 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

The debentures will not be redeemable prior to March 31, 2017. On and after March 31, 2017 and prior to March 31, 2018, the debentures will be redeemable by the Company, in whole or in part, from time to time at the Company's sole option, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date of redemption on not more than 60 days' and not less than 30 days' prior written notice, provided that the current market price as of the date on which notice of redemption is given is not less than 125% of the conversion price. On and after March 31, 2018 and prior to the maturity date, the debentures will be redeemable, in whole or in part, from time-to-time at the Company's sole option at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of redemption on not more than 60 days' and not less than 30 days' prior written notice.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts of $577,478 has been recorded as equity, with the remaining $31,955,742 allocated to long-term debt.

The discount on the debentures is being accreted such that the liability at maturity will equal the face value of $34,500,000. The issue costs of $1,966,780 were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

The debentures are allocated as follows at year-end:

		December 31, 2014
Issued	$	34,500,000
Issue costs, net of amortization		(1,664,236)
Equity component		(577,478)
Issue costs attributed to equity component		32,921
Accretion for the year		96,250
Debentures, end of year	$	**32,387,457**

Interest costs related to the debentures are recorded in financing costs using the effective interest rate method. For the year ended December 31, 2014, interest on the debentures is included in financing costs and is made up of the following:

		Year ended December 31, 2014
Interest on the convertible debentures	$	1,860,638
Amortization of issue costs		302,544
Accretion of equity component of the convertible debentures		96,250
	$	2,259,432

8. FOREIGN EXCHANGE FORWARD CONTRACT

In May 2013, the Company entered into a foreign exchange forward contract with its bank to lock in the Company's rate to exchange U.S. dollars into Canadian dollars for a mortgage investment. In May 2014, the contract was terminated, resulting in a gain of $7,977 (2013 – $5,436 unrealized net foreign exchange loss) upon the repayment of the Company's U.S. dollar denominated mortgage investment.

9. VOTING SHARES

As part of the Transition outlined in note 1, on the Exchange Date, all voting shares were re-purchased for a nominal amount and cancelled. The voting shares were held by certain shareholders of the Manager.

10. REDEEMABLE SHARES

As part of the Transition outlined in note 1, on the Exchange Date all classes of redeemable shares, including Class A and Class B shares, were exchanged into common shares at the ratios specified in note 11.

Prior to the Transition, Class A shares were publicly listed on the TSX under the symbol 'TMC'. Class B shares were privately held and there was no market through which these shares could be sold. The Company was authorized to issue these classes of shares, which were redeemable at the holder's option and were subject to different fee structures. The Company classifies financial instruments issued as either financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The redeemable shares were classified as financial liabilities and presented as 'net assets attributable to holders of redeemable shares' in the statements of financial position.

The changes in the number of Class A and Class B shares were as follows:

Year ended December 31, 2013	Class A	Class B
Redeemable shares outstanding, beginning of year	34,561,122	3,742,597
Issued	–	508,647
Issuance of redeemable shares under dividend reinvestment plan	393,522	–
Exchanged	110,685	(104,420)
Redeemed	(1,678,568)	(259,771)
Repurchased	(557,748)	–
Exchanged to common shares	(32,829,013)	(3,887,053)
Redeemable shares outstanding, end of year	–	–

During the year ended December 31, 2013, the Company completed a non-brokered private placement of 508,647 Class B shares for gross proceeds of $5,000,000. In connection with the above-noted share offering, the Company incurred $2,680 in issuance costs. Under IFRS, Class A and Class B shares were considered debt instruments prior to the Transition, and accordingly, the Company recorded these issuance costs through profit and loss.

(a) Dividends to holders of redeemable shares

Prior to the Transition, the Company paid the following dividends to holders of redeemable shares:

Year ended December 31, 2013	Dividends per share	Total
Class A	$ 0.630	$ 21,876,011
Class B	0.670	2,445,056
Total		**$ 24,321,067**

(b) Normal course issuer bid

On June 6, 2013, the Company received the approval of the TSX to commence a normal course issuer bid (the "Bid") to purchase for cancellation up to 3,476,193 Class A shares, representing approximately 10% of the Class A shares float on June 4, 2013. The purchases were limited, during any 30-day period during the term of the Bid, to 695,458 Class A shares in the aggregate. The Bid commenced on June 10, 2013, and provided the Company with the flexibility to repurchase Class A shares for cancellation until its expiration on June 9, 2014, or such earlier date as the Bid is complete. From June 18, 2013 to November 29, 2013, the date of the exchange of the Company Class A shares to common shares, the Company acquired for cancellation 362,800 Class A shares at a cost of $3,351,744.

11. COMMON SHARES

As outlined in note 1, on the Effective Date, the shareholders of the Company approved the automatic exchange of all outstanding Class A shares and Class B shares into a new class of common shares. The exchange ratio approved was 1 to 1 for each Class A share and an exchange ratio for each of the Class B Shares equal to the quotient obtained by dividing the net redemption value per Class B share by the net redemption value per Class A share on the last business day of the month immediately preceding such exchange date. On the Exchange Date, 32,829,013 Class A shares and 3,887,053 Class B Shares were exchanged into 36,964,028 common shares.

On November 29, 2013, upon the completion of the exchange in accordance with the Company's articles, the common shares commenced trading on the TSX, continuing under the symbol 'TMC'.

The Company is authorized to issue an unlimited number of common shares. The holders of common shares are entitled to receive notice of and to attend and vote at all meetings of shareholders of the Company. The holders of the common shares shall be entitled to receive dividends as and when declared by the Board of Directors.

The common shares are classified within shareholders' equity in the statements of financial position. Any incremental costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity.

On April 24, 2014, the Company closed on a public offering for 3,737,500 common shares, including exercising the overallotment option, at a price of $9.35 per common share. The Company received gross proceeds of $34,945,625 and incurred $1,765,685 in issuance costs.

The changes in the number of common shares were as follows:

Years ended December 31,	2014	2013
Balance, beginning of year	36,964,028	–
Issued	3,737,500	–
Issued as a result of exchange	–	36,964,028
Repurchased	(332,009)	(35,250)
Issued under dividend reinvestment plan	332,009	35,250
Balance, end of year	**40,701,528**	**36,964,028**

(a) Dividend reinvestment plan

The Company amended and restated its dividend reinvestment plan effective as of November 20, 2013. The amended and restated dividend reinvestment plan (the "Amended DRIP") replaces in its entirety the original DRIP (the "Original DRIP") established by the Company on May 19, 2010.

The Amended DRIP provides eligible beneficial and registered holders of common shares of the Company with a means to reinvest dividends declared and payable on such common shares in additional common shares. For purposes of the Amended DRIP, "common shares" includes any Class A shares of the Company prior to their exchange into common shares on the Exchange Date, pursuant to the amendment to the articles of the Company that came into effect on September 13, 2013.

Under the Amended DRIP, shareholders may enroll to have their cash dividends reinvested to purchase additional common shares. The Manager can elect to purchase common shares on the open market or issue common shares from treasury. For the year ended December 31, 2014, 332,009 common shares were purchased on the open market under the Amended DRIP (2013 – 198,574 Class A shares issued and 194,948 Class A shares purchased on the open market under the Original DRIP; 35,250 common shares purchased on the open market under the Amended DRIP).

(b) Dividends to holders of common shares

The Company intends to pay dividends on a monthly basis within 15 days following the end of each month.

During the year ended December 31, 2014, the Company declared dividends of $30,263,327, or $0.762 per share, to the holders of common shares (2013 – $4,953,183, $0.134 per share). As at December 31, 2014, $2,442,092 (December 31, 2013 – $2,476,592) was payable to the holders of common shares. Subsequent to December 31, 2014, the Company declared dividends of $2,442,092 ($0.060 per share) to the holders of common shares.

(c) Normal course issuer bid

On November 13, 2014, the Company received the approval of the TSX to commence a second normal course issuer bid (the "Second Bid") to purchase for cancellation up to a maximum of 4,052,822 common shares, representing approximately 10% of the public float of common shares as of November 11, 2014. The Second Bid commenced on November 17, 2014 and provides the Company with the flexibility to repurchase common shares for cancellation until its expiration on November 16, 2015, or such earlier date as the Second Bid is complete. From November 17, 2014 to December 31, 2014, the Company did not acquire any common shares for cancellation.

12. EXPENSES

(a) Management and performance fees

The Manager is responsible for the day-to-day operations of the Company, including administration of the Company's mortgage investments. As a part of the Transition detailed in note 1, the Company entered into a new management agreement with the Manager effective from September 13, 2013. Under the new management agreement, the Company shall pay to the Manager, a management fee equal to 1.20% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes. Gross Assets is defined as the total assets of the Company before deducting any liabilities, less any amounts that are reflected as mortgage syndication liabilities related to syndicated mortgage investments that are held by third parties. The initial term of the new management agreement is 10 years from the Effective Date and is automatically renewed for successive five year terms at the expiration of the initial term. For the year ended December 31, 2014, the Company incurred management fees of $5,421,686 (2013 – $4,974,029).

Under the new management agreement, the Manager continues to be entitled to a performance fee. In any calendar year where the Company has net earnings available for distribution to shareholders in excess of the hurdle rate (the "Hurdle Rate"), which is defined as the average two-year Government of Canada Bond Yield for the 12-month period then ended plus 450 basis points, the Manager is entitled to receive from the Company a performance fee equal to 20% of the net earnings of the Company available to distribute over the Hurdle Rate, plus applicable taxes. The net earnings of the Company shall mean the net income before performance fees of the Company in accordance with applicable accounting principles and adjusted for certain other non-cash adjustments as defined in the management agreement. The performance fee is payable to the Manager within 15 days of the issuance of the Company's audited annual consolidated financial statements for that calendar year. The performance fee accrued for the year ended December 31, 2014 is $1,954,557 (2013 – $1,940,688).

(b) Trailer fees
Prior to September 13, 2013, the Company paid each registered dealer a trailer fee equal to 0.50% annually of the net redemption value per Class A share for each Class A share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter. In conjunction with the Transition, effective September 13, 2013 the Company no longer pays trailer fees on Class A shares to registered dealers. As such, the Company paid no Class A trailer fees for the year ended December 31, 2014 (2013 – $737,199).

13. EARNINGS PER SHARE

Earnings per share has been calculated as if the Transition occurred on January 1, 2013 and as a result, dividends to holders of redeemable shares and issuance costs of redeemable shares for the year ended December 31, 2013 have been added back to the net loss of the Company in the calculation of earnings per share.

(a) Basic and diluted earnings per share
Basic and diluted earnings per share are calculated by dividing net income attributable to common shares by the weighted average number of common shares during the year.

Years ended December 31,		2014		2013
Numerator for earnings per share:				
Net income and comprehensive income	$	24,917,140	$	506,932
Issuance costs of redeemable shares		–		2,680
Dividends to holders of redeemable shares		–		24,321,067
Net income attributable to common shares		24,917,140		24,830,679
Denominator for earnings per share:				
Weighted average of common shares (basic and diluted)	$	39,544,439	$	38,444,103
Earnings per share – basic and diluted	$	0.63	$	0.65

14. RELATED PARTY TRANSACTIONS

(a) As at December 31, 2014, due to Manager includes management and performance fees payable of $1,970,131 (December 31, 2013 – $2,346,745) and $5,827 (December 31, 2013 – $2,991) related to costs incurred by the Manager on behalf of the Company.

(b) As at December 31, 2014, no amount (December 31, 2013 – $281,126) is receivable by the Company from TSMIC relating to amounts paid by the Company on behalf of TSMIC.

(c) As at December 31, 2014, included in other assets is $3,044,234 (December 31, 2013 – $1,040,374) of cash held in trust by Timbercreek Mortgage Servicing Inc., the Company's mortgage servicing and administration provider, a company controlled by the Manager. The balance relates to mortgage funding holdbacks and prepaid mortgage interest received from various borrowers.

(d) As at December 31, 2014, the Company, Timbercreek Senior Mortgage Investment Corporation ("TSMIC"), Timbercreek Four Quadrant Global Real Estate Partners ("T4Q") and Timbercreek Canadian Direct LP, related parties by virtue of common management, have co invested in several mortgage investments totalling $701,930,591 (December 31, 2013 – $703,448,560). The Company's share in these mortgage investments is $268,906,244 (December 31, 2013 – $151,103,561).

(e) A mortgage investment of $1,147,226 (December 31, 2013 – $1,044,252) was provided to a limited partnership which is partially owned by T4Q.

(f) The Manager has borne total costs of $250,000 relating to the Transition, which are not included in the Transition related costs in the statements of income (loss) and comprehensive income (loss).

The above related party transactions are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

15. INCOME TAXES

As of December 31, 2014, the Company has non-capital losses carried forward for income tax purposes of $19,938,146 (December 31, 2013 – $14,672,000), which will expire between 2029 and 2034 if not used. The Company also has future deductible temporary differences resulting from share issuances, prepaid mortgage interest, unearned income and financing costs for income tax purposes of $14,608,322 (December 31, 2013 – $12,040,000).

16. CAPITAL RISK MANAGEMENT

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. The Company defines its capital structure to include common shares, debentures and the credit facility.

The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities, the availability of capital and anticipated changes in general economic conditions.

The Company's investment restrictions and asset allocation model incorporate various restrictions and investment parameters to manage the risk profile of the mortgage investments. There have been no changes in the process over the previous year.

At December 31, 2014, the Company was in compliance with its investment restrictions.

Pursuant to the terms of the credit facility, the Company is required to meet certain financial covenants, including a minimum interest coverage ratio, minimum adjusted shareholders' equity and maximum non-debenture indebtedness to adjusted shareholders' equity. For the year ended December 31, 2014, the Company was in compliance with all financial covenants.

17. RISK MANAGEMENT

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

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of December 31, 2014, $89,906,305 of net mortgage investments bear interest at variable rates. Of these, $84,887,448 of net mortgage investments include a "floor rate" to protect their negative exposure, while two mortgage investments totalling $5,018,857 bear interest at a variable rate without a "floor rate". If there were a decrease of 0.50% in interest rates, with all other variables constant, the impact from variable rate mortgage investments would be a decrease in net income of $25,094. However, if there were a 0.50% increase in interest rates, with all other variables constant, it would result in an increase in net income of $449,532. The Company manages its sensitivity to interest rate fluctuations by generally entering into fixed rate mortgage investments or adding a “floor-rate” to protect its negative exposure.

In addition, the Company is exposed to interest rate risk on the credit facility, which has a balance of $9,075,926 as at December 31, 2014. Based on the outstanding balance of the credit facility as at December 31, 2014, a 0.50% decrease in interest rates, with all other variables constant, will increase net income by $45,380 annually, arising mainly as a result of lower interest expense payable on the credit facility. A 0.50% increase in interest rates would have an equal but opposite effect on the net income of the Company.

The Company’s other assets, which includes interest receivable, accounts payable and accrued expenses, prepaid mortgage interest, mortgage funding holdbacks, dividends payable and due to Manager have no exposure to interest rate risk due to their short-term nature. Cash and cash equivalents carry a variable rate of interest and are subject to minimal interest rate risk and the debentures have no exposure to interest rate risk due to their fixed interest rate.

(b) Credit risk

Credit risk is the possibility that a borrower may be unable to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Company. The Company mitigates this risk by the following:

(i) adhering to the investment restrictions and operating policies included in the asset allocation model (subject to certain duly approved exceptions);

(ii) all mortgage investments are approved by the independent mortgage advisory committee before funding; and

(iii) actively monitoring the mortgage investments and initiating recovery procedures, in a timely manner, where required.

The maximum exposure to credit risk at December 31, 2014 is the carrying values of its net mortgage investments, including interest receivable, amounting to $401,732,652 (December 31, 2013 – $321,844,724). The Company has recourse under these mortgage investments in the event of default by the borrower; in which case, the Company would have a claim against the underlying collateral.

(c) Liquidity risk

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

The following are the contractual maturities of financial liabilities as at December 31, 2014, including expected interest payments:

December 31, 2014	Carrying values	Contractual cash flows	Within a year	Following year	3–5 years
Accounts payable and accrued expenses	$ 855,527	$ 855,527	$ 855,527	$ –	$ –
Dividends payable	2,442,092	2,442,092	2,442,092	–	–
Due to Manager	1,975,958	1,975,958	1,975,958	–	–
Mortgage funding holdbacks	483,762	483,762	483,762	–	–
Prepaid mortgage interest	2,560,472	2,560,472	2,560,472	–	–
Credit facility	9,075,926	9,824,690	408,417	9,416,273	–
Convertible debentures	32,387,457	43,803,185	2,190,750	2,196,752	39,415,683
Total liabilities	49,781,194	61,945,686	10,916,978	11,613,025	39,415,683
Unadvanced mortgage commitments	–	107,366,854	107,366,854	–	–
Total contractual liabilities	**$ 49,781,194**	**$ 169,312,540**	**$ 118,283,832**	**$ 11,613,025**	**$ 39,415,683**

As at December 31, 2014, the Company had a cash position of $463,092 (December 31, 2013 – $12,348,449) and an unutilized credit facility of $25,924,074 (December 31, 2013 – $25,000,000). The Company is confident that it will be able to finance its operations using the cash flow generated from operations and the credit facility. Included within the unadvanced mortgage commitments is $42,774,960 relating to the Company's syndication partners. The Company expects the syndication partners to fund this amount.

18. FAIR VALUE MEASUREMENTS

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

	Carrying Value			
As at December 31, 2014	**Loans and receivable**	**FVTPL**	**Other financial liabilities**	**Fair value**
Assets measured at fair value				
Foreclosed properties held for sale	$ –	$ 13,850,521	$ –	$ 13,850,521
Assets not measured at fair value				
Cash and cash equivalents	463,092	–	–	463,092
Other assets	3,582,038	–	–	3,582,038
Mortgage investments, including mortgage syndications	616,173,629	–	–	616,173,629
Financial liabilities not measured at fair value				
Accounts payable and accrued expenses	–	–	855,527	855,527
Dividends payable	–	–	2,442,092	2,442,092
Due to Manager	–	–	1,975,958	1,975,958
Mortgage funding holdbacks	–	–	483,762	483,762
Prepaid mortgage interest	–	–	2,560,472	2,560,472
Credit facility	–	–	8,836,959	8,836,959
Convertible debentures	–	–	32,387,457	35,017,500
Mortgage syndication liabilities	$ –	$ –	$ 219,581,032	$ 219,581,032

	Carrying Value			
As at December 31, 2013	**Loans and receivable**	**FVTPL**	**Other financial liabilities**	**Fair value**
Assets measured at fair value				
Foreclosed properties held for sale	$ –	$ 11,351,435	$ –	$ 11,351,435
Assets not measured at fair value				
Cash and cash equivalents	12,348,449	–	–	12,348,449
Other assets	1,540,102	–	–	1,540,102
Mortgage investments, including mortgage syndications	442,165,777	–	–	442,165,777
Financial liabilities measured at FVTPL				
Foreign exchange forward contract		71,696		71,696
Financial liabilities not measured at fair value				
Accounts payable and accrued expenses	–	–	520,725	520,725
Dividends payable	–	–	2,476,592	2,476,592
Due to Manager	–	–	2,349,736	2,349,736
Mortgage funding holdbacks	–	–	28,809	28,809
Prepaid mortgage interest	–	–	1,011,565	1,011,565
Mortgage syndication liabilities	$ –	$ –	$ 124,378,929	$ 124,378,929

The valuation techniques and the inputs used for the Company's financial instruments are as follows:

(a) Mortgage investments and mortgage syndication liabilities
There is no quoted price in an active market for the mortgage investments or mortgage syndication liabilities. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments and mortgage syndication liabilities approximate their carrying values given the amounts consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments is based on level 3 inputs.

(b) Other financial assets and liabilities
The fair values of cash and cash equivalents, other assets, accounts payable and accrued expenses, dividends payable, due to Manager, mortgage funding holdbacks, prepaid mortgage interest and credit facility approximate their carrying amounts due to their short-term maturities.

(c) Foreign exchange forward contracts
Foreign exchange forward contracts are measured at fair value using the market comparison technique. The fair values are based on broker quotes from Bloomberg. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. As a result, the fair value of foreign exchange forward contract is based on level 2 inputs.

(d) Convertible debentures
The fair value of the convertible debentures is based on the market closing price of convertible debentures at the reporting date.

There were no transfers between level 1, level 2 and level 3 during the year ended December 31, 2014 and 2013.

19. COMMITMENTS AND CONTINGENCIES

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

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a materially adverse effect on the Company's financial position.

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The Company paid $90,231 (2013 – $105,642) to the members of the Board of Directors and nil (2013 – $31,108) to the Independent Review Committee for their services to the Company. The compensation to the senior management of the Manager is paid through the management fees paid to the Manager (note 12(a)).

21. COMPARATIVES

Comparative figures have been re-classified, where necessary, to conform with changes in presentation in the current year.

22. SUBSEQUENT EVENTS

(a) Non-executive director deferred share unit plan

Commencing January 1, 2015, the Company instituted a non-executive director deferred share unit plan (the “Plan”) whereby, up to 100% of the compensation for a director may be paid to the director in the form of deferred share units (“DSUs”), payable quarterly in arrears. Directors may elect once every year, in accordance with the Plan, as to how much (if any) of his/her compensation will be paid in DSUs, having regard at all times for the ownership guidelines of the Plan. The portion of a director’s compensation which is not payable in the form of DSUs shall be paid by the Company in cash, quarterly in arrears.

(b) Credit facility amendment

Subsequent to year end, the Company completed a $15,000,000 increase on the credit facility, increasing its total available borrowing limit to $50,000,000.

Board of Directors

The directors of Timbercreek Mortgage Investment Corporation have deep experience, established reputations and extensive contacts in the commercial real estate and mortgage lending community, as well as in the capital markets and asset management sectors in Canada.

Zelick L. Altman
Independent Director, Timbercreek MIC

Managing Director, LaSalle Investment Management (Canada)

Ugo Bizzarri
Director, Timbercreek MIC

Co-Founder and Managing Director, Portfolio Management & Investments, Timbercreek Asset Management

Craig A. Geier
Independent Director and Audit Committee Chair, Timbercreek MIC

Chairman and CEO, Microbonds Inc.

Andrew Jones
Director and CEO, Timbercreek MIC

Managing Director, Debt Investments, Timbercreek Asset Management

W. Glenn Shyba
Independent Director and Audit Committee Chair, Timbercreek MIC

Principal, Origin Merchant Partners

Blair Tamblyn
Chairman, Timbercreek MIC

Co-Founder, Managing Director and CEO, Timbercreek Asset Management

Derek J. Watchorn, LL.B.
Independent Director, Timbercreek MIC

Consultant

Independent Mortgage Advisory Committee

Chris Humeniuk
President and CEO, Community Trust

Ken Lipson
President and CIO, TMDL Asset Management Inc.

Pamela Spackman
Committee Chair
Consultant

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