2015 Annual Report

Timbercreek
Mortgage Investment Corporation

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Timbercreek Mortgage Investment Corporation is a leading provider of non-bank mortgage financing offering shorter-duration, customized financing solutions to commercial real estate investors. By bringing together three core elements of thorough underwriting, active management and strong governance, we are able to fulfill the requirements of this borrower market while providing **strong risk-adjusted yield** for our shareholders. Our varied portfolio of mortgage investments is primarily secured by income-producing properties and is well-diversified by asset type, by borrower and across key growth markets throughout the country.

Drivers of Our Success

Our Strategy

Throughout 2015, our focus continued to be on making **high-quality investments secured by high-quality assets**.

This goal has been achieved primarily through mortgage loans secured by **income-producing properties** and disciplined **portfolio diversification**.

Together, these strategies allow us to generate superior risk-adjusted yield for shareholders.

Our People

Our investors benefit from Timbercreek's **robust orgination and asset management platform**.

Our origination team covers Canada from east to west, leveraging **strong relationships** with commercial real estate borrowers and extensive networks of mortgage broker and investment banker contacts.

The origination team, coupled with the underwriting, funding and servicing team at Timbercreek, are **seasoned specialists** with experience spanning varying economic cycles, and as such are a critical component of our success.

Superior Customer Service

Timbercreek works directly with borrowers to **develop customized solutions and formulate strong exit strategies** to help ensure a successful investment from start to finish.

This commitment, combined with ongoing communication with borrowers throughout the lifecycle of each loan, has earned Timbercreek a well-deserved reputation for exceptional customer service.

87%
of portfolio is secured by **income-producing properties**

$4.6 billion
in mortgage and loan originations by Timbercreek since inception

Repeat borrowers represent
76%
of new business since inception

2015 Company Highlights

11%
portfolio growth

13%
growth in earnings

78%
first mortgage positions

70%
weighted average loan-to-value

$262.6 million
in new mortgage investments funded (50 loans)

69%
portfolio turnover

Why Multi-Residential Real Estate?

61% of the loans in our portfolio are secured by multi-residential real estate

Mortgage Investment Corporations are required to invest at least 50% of their assets in mortgages secured by housing* which can include a wide range of residential property types including single-family homes, condominiums, residential land and development projects, retirement and multi-residential, among others.

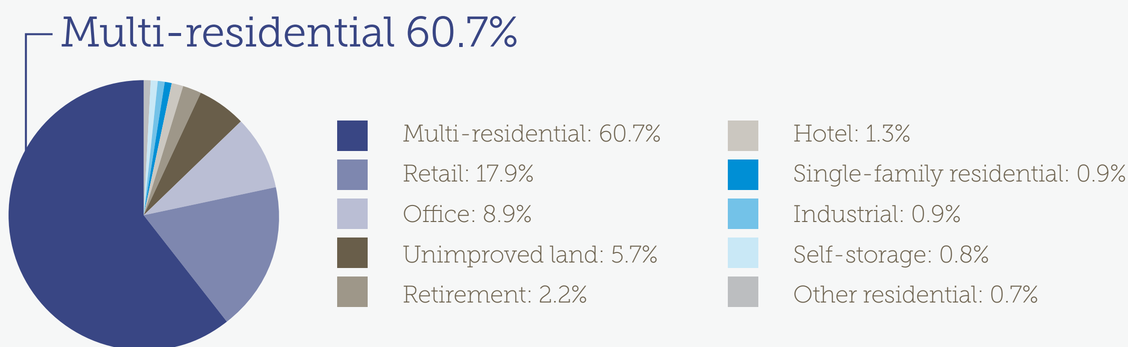
At Timbercreek, we have chosen to deliver on this requirement by lending primarily against **multi-residential real estate** for the following reasons:

> **Strong Exit Strategy**: compared to other commercial real estate sectors, including other residential property types, multi-residential real estate has the lowest historical vacancy rates and strongest historical risk-adjusted returns. These features combine to drive demand from investors.
>
> **Lower Probability of Default**: multi-residential real estate provides a strong, stable multi-tenant income stream which is available to service debt.

Why do multi-residential investors seek capital from Timbercreek? In short, our financing solutions allow multi-residential investors to:

- acquire assets when a conventional lender cannot accommodate tight closing timelines;
- provide financing through a renovation period when conventional financing, focused on income already in place, does not provide sufficient capital; and
- provide second mortgages against stabilized assets where the borrower is unlocking capital for new investments.

Diversification by Asset Type



88% of second mortgages secured by multi-residential real estate

* Income Tax Act

Sample Investments

Mixed-Use, Vancouver, BC

This newly-constructed, residential/retail complex is located in Grandview-Woodlands – a mature Vancouver neighbourhood characterized by a mix of commercial, industrial, single-family and multi-family residential stock, with rich ethnic features.

The loan was used to bridge financing during the lease-up period for the retail units within the property, and is secured by the 20 fully-leased, income-generating, high-end residential rental units, with a Starbucks-anchored retail component.

CRITERIA	INVESTMENT
Asset type	Mixed Use - Residential & Retail
Loan size	$6,000,000
Position	First Mortgage
Term	18 months
Loan-to-value	68.0%

Multi-residential, Saskatoon & Regina, SK

This blanket first-mortgage loan was used for the acquisition and improvement of a 759-suite portfolio of 11 multi-residential buildings located in prime downtown Saskatoon and Regina locations, in close proximity to schools, transit and retail amenities. Property improvements will include; exterior upgrades, modernization of lobbies and hallways and some in-suite enhancements.

Under new ownership, the portfolio will be repositioned with significant upside in expected income, making it an attractive portfolio for securing the loan.

CRITERIA	INVESTMENT
Asset type	Multi-residential
Loan size	$45,663,166
Position	First Mortgage
Term	24 months
Loan-to-value	55.8%

Letter to Shareholders

I am pleased to provide this report on the results that Timbercreek Mortgage Investment Corporation achieved in 2015 – a year in which we accomplished our stated goals, achieved healthy growth at no cost to credit quality, and maintained our deep focus on prudent risk management for our investors.

First, the headline results: **through 2015 we were able to grow the portfolio by over 10% and earnings by over 12%; all while reducing overall risk in the portfolio**. In 2015, our exposure to first mortgages increased to 78% (up 9% from 2014) and by the end of the year, 87% of our loans were secured by income-producing properties. Our earnings growth in 2015 also allowed us to generate distributable income in excess of dividends paid to shareholders.

During the course of the year, over $290 million was repaid across 55 loans; which confirms that our high-quality borrowers were able to execute on their projects effectively. At the same time, robust deal flow from our experienced origination team, supported by a thorough due diligence process, allowed us to deploy over $260 million in new deals.

The portfolio is currently comprised of 100 mortgage loans with an average size of $4.4 million. At the end of 2015, our exposure was well-diversified across major geographic markets with our largest exposure focused in Ontario (35%), Quebec (20%), and Saskatchewan (15.3%). We continuously monitor all markets and property types and seek to rebalance the portfolio with an eye on managing risk. At the end of 2015, we had just under 6% exposure in Alberta, one of the more volatile markets; which was a slight decrease from our exposure at the end of 2014 – and lower than all of our market peers.

For 2015, as in previous years, our attention continued to be on lending primarily against cash-flowing real estate. **Over 87% of our portfolio is secured by real estate with rental income in place**, compared to 84% a year earlier. Furthermore, we have maintained a high concentration of exposure to multi-residential real estate, which currently represents over 60% of our portfolio. In fact, in the last quarter, over 65% of total capital deployed was to loans secured by apartment buildings. We continue to target these assets because they display some of the strongest fundamentals when compared to other commercial real estate sectors, and because properties with rental income in place provide better stability compared to some other property types, such as land or properties under construction. This stability offers more certainty in our exit strategies, as rental income can service debt if required. After apartment buildings, our second-highest exposure is to retail properties (18%). These retail loans are primarily secured by grocery-anchored neighbourhood shopping centres, as well as certain infill mixed-use properties in Canada's largest cities.

While we have always maintained a very conservative approach to lending, over the past year our commitment to risk management strengthened. This renewed emphasis is illustrated by an uptick in our first-mortgage exposure – from 69.5% at the end of 2014 to 78.0% at the end of 2015 – as well as by our increased allocation to loans secured by cash-flowing properties. While this did contribute to a reduction in our weighted average interest rate, which declined slightly over the year from an average of 9.4% in 2014 to an average of 9.1% in 2015, we believe the improvements to credit quality have positioned the portfolio to withstand volatility in the market.

Another change over the course of 2015 was to our weighted average remaining term-to-maturity, which dropped slightly from 1.4 years at the end of 2014 to 1.2 years at the end of 2015. This short duration allows us to maintain a certain level of control as a lender, as it allows us to re-set interest rates and actively manage the portfolio through different market cycles.

When I look back at the results we produced in 2015 and forward to the accomplishments we expect in 2016, I am reminded that **these results were generated by the many people who have come together to produce our success**. At the forefront are you, our investors; who place your trust and confidence in our investment strategy – which is deployed by our investment team as they work to protect your capital and produce stable income. Thank you to each and every one of you, investment team member and investor alike. Of course, this work is also overseen by our Board of Directors and Mortgage Advisory Committee, to whom my appreciation goes out as well.

On behalf of everyone here at Timbercreek Mortgage Investment Corporation, my pledge to you is that we will carefully and thoughtfully implement our investment strategy in 2016. I look forward to reporting further success during the upcoming year.

Andrew Jones
Chief Executive Officer
Timbercreek Mortgage Investment Corporation
April 2016

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 24, 2016. 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 a mortgage investment corporation domiciled in Canada. The registered office of the Company is 25 Price Street, Toronto, Ontario M4W 1Z1. The Company is incorporated under the laws of the Province of Ontario by articles of incorporation dated April 30, 2008. The common shares of the Company are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "TMC".

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.

The Company has entered into a management agreement with Timbercreek Asset Management Inc. (the "Manager") dated September 13, 2013. The Manager is responsible for the day-to-day operations and providing all general management, mortgage servicing and administrative services to the Company.

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, 2015 (the "Year"). This MD&A should be read in conjunction with the consolidated financial statements for the years ended December 31, 2015 and 2014, which are prepared in accordance with International Financial Reporting Standards ("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 Company's ability to earn and distribute cash dividends to shareholders and to evaluate its 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.

- 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 portfolio – represents the daily average of net mortgage investments for the stated period;
- 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;

- 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;
- Leverage – represents the total of gross convertible debentures and the total credit facility balance divided by total assets less mortgage syndication liabilities;
- Weighted average interest rate for the period – represents the weighted average of daily interest rates (not including lender fees) on the net mortgage investments for the stated period;
- 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 fee is received but the mortgage investment is not fully funded, the denominator is adjusted to include the Company's unadvanced commitment;
- Adjusted net income and comprehensive income – represents net income and comprehensive income 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 and comprehensive income divided by the weighted average outstanding shares for the stated period;
- Targeted dividend yield – represents the average 2-Year Government of Canada Bond Yield for the stated period plus 550 basis points;
- Actual dividend yield – represents the annualized total per-share dividend for common shares divided by the trading close price as at the reporting date;
- Expense ratio – represents total expenses (excluding financing costs, net operating (income) loss on foreclosed properties held for sale ("FPHFS"), fair value adjustment on FPHFS 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; and
- Payout ratio – represents total common share dividends paid and declared for payment, divided by distributable income for the stated period.

RECENT DEVELOPMENTS AND OUTLOOK

The Company's performance through 2015 was strong. By successfully achieving our stated goal of maintaining full deployment of cash through the year, the Company was able to grow net interest income by over 17% and generate distributable income in excess of dividends paid to shareholders. Investment activity also remained healthy with more than $260 million in new mortgage investments funded resulting in portfolio growth of over 10%.

This portfolio growth was also achieved without compromising credit quality. More than ever, risk management is a top priority for our business. We achieve this through a number of strategies which include, focusing our lending in larger urban cities, targeting mortgage investments secured by cash-flowing properties, as well as through thorough underwriting of the asset, the stability of the cash-flow, the financial stability of the borrower and the experience of the manager among other risk factors. At year-end, over 87% of the Company's mortgage investments were secured by properties with existing rental income and 60% of the portfolio was secured by multi-residential real estate (apartment buildings) which we believe to be the most stable property type with well diversified cash-flow streams. The portfolio's exposure to first mortgages grew to 78% from 69% a year earlier and, as at December 31, 2015, weighted average loan-to-value in the portfolio was 70%. We also continue to maintain the lowest exposure to Alberta in the sector with just 5.7% allocation to that market down slightly from 6.1% at the end of Q3.

Aside from the Alberta market and certain areas of the office sector, we believe fundamentals in the commercial real estate market across Canada continue to remain healthy, creating a good environment for mortgage lending. This is primarily a result of continued demand for investment properties from both domestic investors benefiting from the lower cost of mortgage debt and foreign investors capitalizing on the attractively priced Canadian dollar.

We were pleased with the Company's strong performance in 2015 and continue to believe we hold one of the highest quality mortgage portfolios in the market today, providing an exceptional risk-adjusted yield to investors. With a fully deployed, well-diversified portfolio of mortgage investments primarily secured by income-producing properties, we expect to continue this strong momentum through 2016.

FINANCIAL HIGHLIGHTS
FINANCIAL POSITION

As at	December 31, 2015	December 31, 2014	December 31, 2013
KEY FINANCIAL POSITION INFORMATION			
Mortgage investments, including mortgage syndications	$ 750,703	$ 616,174	$ 442,166
Total assets	$ 766,734	$ 634,069	$ 467,406
Credit facility	$ 53,812	$ 9,075	$ –
Convertible debentures	$ 32,778	$ 32,387	$ –
Total liabilities	$ 404,404	$ 269,123	$ 130,838
CAPITAL STRUCTURE			
Shareholders' equity	$ 362,329	$ 364,946	$ 336,568
Convertible debentures, gross	$ 34,500	$ 34,500	$ –
Credit facility	$ 53,812	$ 9,075	$ –
Credit facility limit	$ 60,000	$ 35,000	$ 25,000
Leverage[1]	19.3%	10.5%	–
COMMON SHARE INFORMATION			
Number of common shares outstanding	40,523,728	40,701,528	36,964,028
Closing trading price	$ 7.58	$ 8.32	$ 9.17
Market capitalization	$ 307,170	$ 338,637	$ 338,960

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

OPERATING RESULTS

	Three months ended December 31,		Year ended December 31,		
	2015	2014	2015	2014	2013
Net interest income	$ 10,814	$ 9,774	$ 43,004	$ 36,710	$ 39,731
Income from operations	$ 8,427	$ 7,438	$ 32,750	$ 28,272	$ 25,487
Net income and comprehensive income	$ 6,905	$ 5,812	$ 28,021	$ 24,917	$ 507
Earnings per share (basic and diluted)	$ 0.17	$ 0.14	$ 0.69	$ 0.63	$ 0.65
Adjusted net income and comprehensive income[1]	$ 6,905	$ 5,812	$ 28,021	$ 24,917	$ 28,361
Adjusted earnings per share (basic and diluted)[1]	$ 0.17	$ 0.14	$ 0.69	$ 0.63	$ 0.74
Dividends to shareholders	$ 7,296	$ 7,326	$ 29,253	$ 30,263	$ 29,274
Distributable income	$ 7,256	$ 8,013	$ 29,484	$ 27,899	$ 30,204
Distributable income per share (basic and diluted)	$ 0.18	$ 0.20	$ 0.73	$ 0.71	$ 0.79
Targeted dividend yield[1]	6.07%	6.52%	6.05%	6.55%	6.61%
Actual dividend yield[1]	9.42%	8.58%	9.50%	9.16%	8.33%
Payout ratio[1]	100.6%	91.4%	99.2%	108.5%	96.9%
Dividends per share					
Class A	$ –	$ –	$ –	$ –	$ 0.630
Class B	$ –	$ –	$ –	$ –	$ 0.670
Common	$ 0.180	$ 0.180	$ 0.720	$ 0.762	$ 0.134

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

For the three months ended December 31, 2015 ("Q4 2015") and December 31, 2014 ("Q4 2014")

- The Company funded 10 new net mortgage investments (Q4 2014 – 17) totalling $62.6 million (Q4 2014 – $170.8 million), had additional advances on existing mortgage investments totalling $23.8 million (Q4 2014 – $14.9 million) and received full repayments on 20 mortgage investments (Q4 2014 – 12) and partial paydowns totalling $91.2 million (Q4 2014 – $134.4 million), resulting in net mortgage investments of $439.5 million as at December 31, 2015 (September 30, 2015 – $444.3 million).
- Net interest income earned by the Company was $10.8 million (Q4 2014 – $9.8 million), an increase of $1.0 million, or 10.6%, from Q4 2014. The increase over Q4 2014 is mainly due to an increase of over $84.1 million in the average net mortgage investments portfolio during Q4 2015 relative to Q4 2014. This was facilitated by increased use of the credit facility during Q4 2015. Weighted average interest rate for the period decresed to 8.9% compared to 9.5% during Q4 2014.
- Non-refundable cash lender fees received by the Company was $0.9 million (Q4 2014 – $2.5 million) or a weighted average lender fee of 1.4% (Q4 2014 – 1.5%). Fees generated in 2015 are within our target percentage range with Q4 2014 an exception on a nomial basis mainly due to a significant increase in advances on new mortgage investments of $108.2 million in Q4 2014 relative to Q4 2015.
- Income from operations generated by the Company was $8.4 million (Q4 2014 – $7.4 million), an increase of $1.0 million, or 13.3%, from Q4 2014. The increase in income from operations is mainly attributed to a larger average net mortgage investments portfolio during Q4 2015 relative to Q4 2014.
- The Company recorded a net unrealized fair value loss of $374 (Q4 2014 - $800) on its FPHFS.
- The Company generated net income and comprehensive income of $6.9 million (Q4 2014 – $5.8 million), an increase of $1.1 million, or 18.8%, from Q4 2014, resulting in earnings per share of $0.17 for Q4 2015 (Q4 2014 – $0.14).

- The Board of Directors declared dividends to common shareholders of $7.3 million (Q4 2014 – $7.3 million), or $0.18 (Q4 2014 – $0.18) per share, consistent with the previous quarter. 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.
- The Company acquired 22,700 common shares (Q4 2014 – nil) for cancellation under its normal course issuer bid (the "2014 bid") at a cost of $172 (Q4 2014 – nil) at an average purchase price of $7.59 per common share. Subsequent to year end, the Company reinstituted the normal course issuer bid (the "2015 bid") following TSX approval.

For the years ended December 31, 2015 (the "Year" or "2015") and December 31, 2014 ("2014")

- The Company funded 50 new net mortgage investments (2014 – 68) totalling $262.6 million (2014 – $401.3 million), had additional advances on existing mortgage investments totalling $70.9 million (2014 – $98.0 million) and received full repayments on 55 mortgage investments (2014 – 59) and partial paydowns totalling $291.3 million (2014 – $382.6 million), resulting in net mortgage investments of $439.5 million as at December 31, 2015 (December 31, 2014 – $397.3 million), an increase of 10.6% from December 31, 2014.
- Net interest income earned by the Company was $43.0 million (2014 – $36.7 million), an increase of $6.3 million, or 17.1%, from 2014. The increase over 2014 is mainly due an increase of $75.8 million in the average net mortgage investments portfolio during 2015, from increased use of the credit facility. Weighted average interest rate for the period decresed to 9.1% compared to 9.4% during 2014.
- Non-refundable cash lender fees received by the Company was $4.3 million (2014 – $5.8 million) or a weighted average lender fee of 1.2% (2014 – 1.6%). The decrease in lender fees is directly related to the significant increase in advances on new mortgage investments of $138.7 million made in 2014 relative to 2015.
- The Company generated income from operations of $32.8 million (2014 – $28.3 million), an increase of $4.5 million, or 15.8%, from 2014. The increase in income from operations is attributed to a larger average net mortgage investments portfolio during 2015, although reduced in part by a specific provision for mortgage investment loss, and higher management and performance fees.
- The Company recorded a $900 specific mortgage provision (2014 – nil), no collective mortgage provision (2014 - $250) along with a $524 (2014 - $650) fair value loss on its FPHFS.
- The Board of Directors declared dividends to common shareholders of $29.3 million (2014 – $30.3 million), or $0.720 (2014 – $0.762) per share. 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.
- The Company generated net income and comprehensive income of $28.0 million (2014 – $24.9 million), an increase of $3.1 million, or 12.5%, from 2014, resulting in earnings per share of $0.69 for 2015 (2014 – $0.63).
- The Company acquired 177,800 common shares (2014 – nil) for cancellation under its 2014 bid at a cost of $1.4 million (2014 – nil) at an average purchase price of $7.79 per common share.
- 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 in the form of deferred share units ("DSUs"). For 2015, the directors, on average, have elected to receive 94% of their compensation in DSUs. For 2015, 17,022 DSUs were issued and outstanding totalling $0.1 million.

ANALYSIS OF FINANCIAL INFORMATION FOR THE PERIOD

Distributable income

	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Net income and comprehensive income	$ 6,905	$ 5,812	$ 28,021	$ 24,917
Less: amortization of lender fees	(1,076)	(1,297)	(4,966)	(4,437)
Add: lender fees received	950	2,482	4,280	5,820
Add: amortization of financing costs, credit facility	56	35	221	129
Add: amortization of financing costs, debentures	(10)	94	277	303
Add: accretion expense, debentures	29	29	113	96
Add: net operating (income) loss from FPHFS	28	58	114	171
Add: unrealized fair value adjustments on FPHFS	374	800	524	650
Add: provision for mortgage investments loss	–	–	900	250
Distributable income	7,256	8,013	29,484	27,899
Less: dividends on common shares	(7,296)	(7,326)	(29,253)	(30,263)
(Over)/under distribution	**$ (40)**	**$ 687**	**$ 231**	**$ (2,364)**
Distributable income per share (basic and diluted)	$ 0.18	$ 0.20	$ 0.73	$ 0.71
Payout ratio	100.6%	91.4%	99.2%	108.5%
Turnover ratio	21.1%	37.3%	69.2%	112.6%

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 Company expects minor fluctuations in payout ratios throughout the year as dividends are straight-lined while we experience fluctuations in distributable income.

During 2015, the Company increased utilization of the credit facility which resulted in an increase in net interest income over the comparable 2014 periods. As a result, the Company was able to achieve a strong year with distributable income in excess of our current distribution and a payout ratio of just under 100%.

Statements of income and comprehensive income

	Three months ended December 31,			Year ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Net interest income	$ 10,814	$ 9,774	10.6%	$ 43,004	$ 36,710	17.1%
Expenses	(2,387)	(2,336)	(2.2%)	(10,253)	(8,438)	(21.5%)
Income from operations	8,427	7,438	13.3%	32,750	28,272	15.8%
Net operating (loss) from foreclosed properties held for sale	(28)	(58)	51.6%	(114)	(171)	33.0%
Fair value adjustment of foreclosed properties held for sale	(374)	(800)	53.3%	(524)	(650)	19.4%
Financing costs:						
Interest on credit facility	(554)	(87)	(544.0%)	(1,520)	(275)	(453.5%)
Interest on convertible debentures	(566)	(681)	16.8%	(2,571)	(2,259)	(13.8)%
Net income and comprehensive income	**$ 6,905**	**$ 5,812**	**18.8%**	**$ 28,021**	**$ 24,917**	**12.5%**
Earnings per share (basic and diluted)	**$ 0.17**	**$ 0.14**		**$ 0.69**	**$ 0.63**	

Net interest income[1]

For Q4 2015 and the Year, the Company earned net interest income of $10.8 million and $43.0 million (Q4 2014 – $9.8 million; 2014 – $36.7 million). Net interest income includes the following:

(a) Interest income

For Q4 2015 and the Year, the Company earned $9.7 million and $37.9 million (Q4 2014 – $8.4 million; 2014 – $32.0 million) in interest income on the net mortgage investments or an increase of 16.5% and 19.5%, respectively. The increase over the 2014 comparable periods is mainly due to a larger average net mortgage investments portfolio driven by increased utilization of the Company's credit facility borrowing. The weighted average interest rate for Q4 2015 and 2015 was 8.9% and 9.1% (Q4 2014 – 9.5%; 2014 – 9.4%) on the net mortgage investments. The weighted average interest rate has declined as a result of higher allocation towards first mortgages which tend to carry lower risk along with downward pressure on interest rates in the market.

(b) Lender fee income

During Q4 2015 and the Year, the Company received lender fees of $0.9 million and $4.3 million (Q4 2014 – $2.5 million; 2014 – $5.8 million), or a weighted average lender fee of 1.4% and 1.2% (Q4 2014 – 1.5%; 2014 – 1.6%). The decreasein lender fees is directly related to the significant increase in advances on new mortgage investments of $138.7 million made in 2014 relative to 2015. The lender fees are amortized using the effective interest rate method over the expected life of the mortgage investments to lender fee income but are paid out in the year they are received (see Distributable Income section). For Q4 2015 and 2015, lender fees of $1.1 million and $5.0 million (Q4 2014 – $1.3 million; 2014 – $4.4 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 in order to ensure management's interests are aligned with shareholders.

Expenses

For Q4 2015 and the Year, the Company's expense ratio was 2.1% and 2.0% (Q4 2014 – 2.2%; 2014 – 2.0%), including a fixed expense ratio of 1.6% and 1.5% (Q4 2014 – 1.5%; 2014 – 1.5%). The increase in expenses is mainly related to higher professional fees and directors fees as compared to 2014.

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.

Management fees

(a) Management fees

The Company has entered into a management agreement with Timbercreek Asset Management Inc. (the "Manager") and under the 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 2015 and the Year, the Company incurred management fees of $1.6 million and $6.0 million (Q4 2014 – $1.4 million; 2014 – $5.4 million). The increase is directly related to the increase in gross assets averaging $444.2 million in 2015, in comparison to $399.8 million in 2014.

(b) Performance fees

Under the management agreement, the Manager is 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 2015 and 2015, the Company accrued performance fees of $0.6 million and $2.4 million (Q4 2014 – $0.7 million; 2014 – $2.0 million), which represents a decrease of $0.1 million and an increase of $0.4 million, or (20.6%) and 24.1%, respectively. The increase in performance fee is attributed to a decrease in the average 2-Yr GOC Yield from 1.02% and 1.05% for Q4 2014 and 2014 to 0.57% and 0.55% for Q4 2015 and 2015, coupled with an increase in the Company's net earnings available to distribute over the Hurdle Rate.

Provision for mortgage investments loss

For Q4 2015 and 2015, the Company has recognized a specific impairment allowance of nil and $0.9 million (Q4 2014 – nil; 2014 – nil) relating to a mortgage investment which represents the total outstanding balance as at December 31, 2015. For Q4 2015 and 2015, the Company did not recognize a collective impairment allowance (Q4 2014 – nil; 2014 – $0.3 million).

General and administrative

For Q4 2015 and 2015, the Company incurred general and administrative expenses of $228 and $967 (Q4 2014 – $197; 2014 – $811). 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 investments portfolio. The increase in general and administrative expenses relative to the comparable 2014 periods is attributed to increased professional fees and director fees related to the new DSU plan. The operating expense ratio for Q4 2015 and 2015 equated to 0.2% (0.2% for both Q4 2014 and 2014).

Net operating loss from foreclosed properties held for sale

The Company consolidates the operating activities of the foreclosed properties held for sale. The net operating loss from foreclosed properties held for sale for Q4 2015 and 2015 were $28 and $114 (Q4 2014 – $58; 2014 – $171). The loss is primarily attributable to fixed operating expenses at our property located in Montreal, QC which are being incurred while the property is held for sale.

Fair value adjustment on foreclosed properties held for sale

During Q4 2015 and 2015, the Company recorded an unrealized fair value loss of $374 and $524 (Q4 2014 – $800; 2014 – $650), respectively on the FPHFS.

Interest on credit facility

The Company actively monitors its advances and repayments while efficiently using bankers' acceptances ("BA") for the majority of its borrowings to minimize interest costs. Financing costs include interest paid on amounts drawn on the credit facility, standby 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 2015 and 2015 relating to the credit facility were $554 and $1,520 (Q4 2014 – $86; 2014 – $274). The increase over the

comparable 2014 periods are directly related to the significant increase in credit facility utilization during Q4 2015 and 2015. The weighted average credit utilization for Q4 2015 and 2015 was $51.4 million and $30.9 million.

The Company incurred $0.2 million of financing costs during 2015 on the increase of the credit facility. These costs are amortized over the 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 2015 and 2015, interest on the debentures of $0.6 million and $2.6 million (Q4 2014 – $0.7 million; 2014 – $2.3 million), is made up of the following:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Interest on the convertible debentures	$ 548	$ 558	$ 2,180	$ 1,860
Amortization of issue costs	(10)	93	277	303
Accretion of equity component of the convertible debentures	29	29	113	96
	$ 567	**$ 680**	**$ 2,570**	**$ 2,259**

Earnings per share

For Q4 2015 and 2015, earnings per share increased to $0.17 and $0.69 (Q4 2014 - $0.14; 2014, - $0.63). Overall, net income and comprehensive income for Q4 2015 and 2015 was higher from the comparable 2014 periods, primarily due to higher net interest income generated from a larger net mortgage investments portfolio, but was reduced in part by higher management and performance fees and a specific provision for mortgage investments loss.

STATEMENT OF FINANCIAL POSITION

Net mortgage investments

The balance of net mortgage investments is as follows:

	December 31, 2015	December 31, 2014
Mortgage investments, including mortgage syndications	$ 750,703	$ 616,174
Mortgage syndication liabilities	(310,049)	(219,581)
	440,654	396,593
Interest receivable	(6,534)	(4,392)
Unamortized lender fees	4,204	4,890
Allowance for mortgage investment loss	1,150	250
Net mortgage investments	**$ 439,474**	**$ 397,341**

	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Net mortgage investments statistics and ratios[1]				
Total number of net mortgage investments	100	105	100	105
Average net mortgage investment	$ 4,395	$ 3,784	$ 4,395	$ 3,784
Average net mortgage investment portfolio	$ 435,374	$ 351,251	$ 415,840	$ 340,009
Weighted average interest rate for the period	8.9%	9.5%	9.1%	9.4%
Weighted average lender fees	1.4%	1.5%	1.2%	1.6%
Turnover ratio	21.1%	37.3%	69.2%	112.6%
Weighted average term (years)	2.1	2.1	2.1	2.1
Remaining term to maturity (years)	1.2	1.4	1.2	1.4
Net mortgage investments secured by cash-flowing properties	87.2%	83.8%	87.2%	83.8%
Weighted average loan-to-value	70.4%	70.8%	70.4%	70.8%

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

The Company has developed a lending niche predominantly targeting short-term mortgage investments, secured by cash-flowing properties, while specializing in multi-residential real estate assets. The Company focuses its efforts on diversifying the mortgage investment portfolio, with its greatest concentration in Canada's largest provinces. As at December 31, 2015, 70.1% (December 31, 2014 – 74.9%) of the net mortgage investments were allocated across Ontario, Quebec, British Columbia and Alberta. 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.

Portfolio allocation

The Company's net mortgage investments were allocated across the following categories:

(a) Security Position

	December 31, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
First mortgages	82	78.0%	84	69.5%
Non-first mortgages	18	22.0%	21	30.5%
	100	**100.0%**	**105**	**100.0%**

(b) Region

	December 31, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
ON	36	35.1%	50	44.4%
QC	22	19.9%	16	14.3%
SK	9	15.3%	7	15.3%
OT	4	9.5%	3	5.3%
BC	12	9.4%	10	9.9%
AB	7	5.7%	11	6.3%
MB	8	4.2%	6	3.3%
NS	2	0.9%	2	1.2%
	100	**100.0%**	**105**	**100.0%**

(c) Maturity

	December 31, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Maturing 2015	–	–	42	38.5%
Maturing 2016	41	45.4%	32	34.2%
Maturing 2017	49	35.8%	30	24.9%
Maturing 2018	10	18.8%	1	2.4%
	100	**100.0%**	**105**	**100.0%**

(d) Asset Type

	December 31, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Multi-residential	59	60.7%	50	60.7%
Retail	12	17.9%	14	14.3%
Office	8	8.9%	15	8.0%
Unimproved land	6	5.7%	8	6.9%
Retirement	5	2.2%	5	3.0%
Hotels	2	1.3%	3	3.1%
Single-family residential	1	0.9%	2	1.1%
Industrial	3	0.9%	4	1.6%
Self-storage	1	0.8%	2	0.9%
Other residential	3	0.7%	2	0.4%
	100	**100.0%**	**105**	**100.0%**

(e) Interest Rate

	December 31, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
9.99% or lower	75	86.1%	67	76.4%
10.00%-10.99%	11	6.3%	21	9.1%
11.00% or greater	14	7.6%	17	14.5%
	100	**100.0%**	**105**	**100.0%**

(f) Loan-to-value

	December 31, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
55% or less	19	7.7%	20	9.3%
56%-60%	8	16.4%	10	7.2%
61%-65%	8	8.3%	13	8.8%
66%-70%	16	16.5%	11	14.5%
71%-75%	16	7.2%	17	18.6%
76%-80%	15	16.0%	19	11.5%
81%-85%	18	27.9%	15	30.1%
	100	**100.0%**	**105**	**100.0%**

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 2015, the mortgage syndication liabilities have increased to $310.0 million (December 31, 2014 – $219.6 million) as the Company syndicated several mortgage investments. Mortgage syndication liabilities vary from quarter to quarter and are dependent on the type of investments seen at any particular time, and not necessarily indicative of a future trend.

Foreclosed properties held for sale
The fair value of the remaining foreclosed properties held for sale as at December 31, 2015 is $12.8 million (December 31, 2014 – $13.9 million). The Company has engaged third party managers to operate the properties while they are held for sale.

During 2015, the Company closed on the sale of three residential units (2014 – eight) on one of the foreclosed properties for net proceeds of $0.5 million (2014 – $1.0 million). During 2015, the Company recorded an unrealized fair value adjustment on the FPHFS of $0.5 million (Q4 2014 – $0.6 million).

During 2014, the Company foreclosed on the underlying security of two mortgage investments with outstanding principal and costs of $73.7 million and accrued interest of $2.5 million. This underlying security on mortgage investment was subsequently sold, with the proceeds of sale repaying all of the outstanding principal, costs and accrued interest from the mortgage investment and resulted in a gain of $0.1 million. The purchaser also obtained mortgage financing from the Company in respect of that property.

Allowance for mortgage investments loss
For Q4 2015 and 2015, the Company has recognized a specific impairment allowance of nil and $0.9 million (Q4 2014 – nil; 2014 – nil) relating to a mortgage investment which represents the total outstanding balance of the mortgage investment. The mortgage investment has been the subject of a litigation for several years and in Q3 2015 the litigation process moved into a settlement phase, the outcome of which remains uncertain. The Company has taken a provision for the entire amount as it felt that it was prudent to provide for a provision that captures the entire amount of mortgage investment. Should the future outcome be positive to the Company, upon finalization of the settlement, the provision will be reversed by the final settlement amount.

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. As at December 31, 2015, the Company has a collective impairment allowance of $0.3 million (December 31, 2014 – $0.3 million) and a specific impairment allowance of $0.9 million (December 31, 2014 – nil).

Net working capital
Net working capital increased by $1.7 million to $1.8 million at December 31, 2015 from $0.1 million at December 31, 2014. The change is mainly due to the increase in other assets and mortgage interest receivable for net mortgage investments where certain mortgages allow the borrowers to accrue interest.

Credit facility
As at December 31, 2015, the Company has a credit facility with an available limit of $60.0 million (December 31, 2014 – $35.0 million). On January 30, 2015, the Company completed a $15.0 million increase on the credit facility, taking its total available borrowing limit to $50.0 million. On March 24, 2015, the Company executed the accordion feature of the credit facility, increasing the available borrowing limit to $60.0 million. The credit facility bears interest at either the prime rate of interest plus 1.5%, or bankers' acceptances ("BA") with a stamping fee of 2.5% of the face amount of such BA. The credit facility is secured by a general security agreement over the Company's assets. The credit facility matures on October 31, 2016 and the Company expects to renew the facility at similar terms prior to the maturity date. As at December 31, 2015, $53.8 million was outstanding on the credit facility (December 31, 2014 – $9.1 million). The credit facility allows the Company to better manage the impact of unanticipated portfolio turnover and avoid holding a cash balance.

During Q4 2015 and 2015, the Company significantly increased its utilization of the credit facility relative to the comparable 2014 periods, with a significant portion of borrowing through BAs in order to reduce financing costs.

As at December 31, 2015, there were $188 (December 31, 2014 – $239) in unamortized financing costs related to the placement of the credit facility netted against the outstanding facility balance. For Q4 2015 and 2015, the Company has amortized financing costs of $57 and $221 (Q4 2014 – $35; 2014 – $129) to interest expense using the effective interest rate method.

Convertible debentures
In 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 December 31 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 available including the maximum credit facility amount plus the convertible debentures at December 31, 2015, equates to approximately 20% of total assets, net of mortgage syndications. 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.

Shareholders' equity

(a) 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 are 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.

(b) Dividends

The Company intends to pay dividends to shareholders on a monthly basis within 15 days following the end of each month. During Q4 2015 and 2015, the Board of Directors declared dividends of $7.3 million and $29.3 million, or $0.18 and $0.72 per common share (Q4 2014 – $7.3 million, $0.18 per common share; 2014 – $30.3 million, $0.762 per common share).

(c) Dividend reinvestment plan

The Company's dividend reinvestment plan (the "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.

Under the 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. During Q4 2015 and 2015, 106,425 and 397,612 common shares were purchased on the open market (Q4 2014 – 87,204; 2014 – 332,009 common shares).

(d) Normal course issuer bid

On November 13, 2014, the Company received the approval of the TSX to commence the 2014 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, at that time, on November 11, 2014 and expired on November 16, 2015. Furthermore, subject to certain exemptions for block purchases, the purchases were limited to 13,170 common shares on any one trading day. During Q4 2015 and 2015, the Company acquired 22,700 and 177,800 common shares for cancellation at a cost of $172 and $1.4 million at an average price of $7.59 and $7.79 per common share respectively.

Subsequent to year end, the Company received TSX approval to re-instate the 2015 bid to purchase for cancellation up to a maximum of 4,105,569 common shares, representing approximately 10% of the public float of common shares as of December 22, 2015. The 2015 bid commenced on January 6, 2016 and provides the Company with the flexibility to repurchase common shares for cancellation until its expiration on January 5, 2017, or such earlier date as the 2015 bid is complete. From January 6, 2016 to February 24, 2016, the Company did not acquire any common shares for cancellation.

(e) Non-executive director deferred share unit plan

Commencing January 1, 2015, the Company instituted a non-executive director deferred share unit plan for the purpose of: (i) enhancing the Company's ability to provide long-term incentive compensation to directors which is linked to performance of the Company and not dilutive to shareholders, (ii) assisting the Company in attracting, retaining and motivating its directors; and (iii) promoting a closer alignment of interests between directors and shareholders of the Company. Under the Plan, up to 100% of the compensation for a director may be paid to the director in the form of DSUs, credited quarterly in arrears. Directors may elect annually, in accordance with the Plan, as to how much (if any) of the 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. The fair market value is the volume weighted average price of a common share as reported on the TSX for the 20 trading days immediately preceding that day (the "Fair Market Value"). DSUs granted entitle the directors to also accumulate DSUs equal to the monthly cash dividends, assuming the reinvestment of the dividends into units is based upon the Fair Market Value of the common shares on the dividend payment date.

Following each calendar quarter, the director's DSU account will be credited with the number of DSUs calculated by multiplying the total compensation payable in DSUs divided by the Fair Market Value. Each director is also entitled to an additional number of DSUs that is equal to the result of multiplying 25% of the director's DSU issuance up to a maximum value of $5 per annum.

The Plan will pay a lump sum payment in cash equal to the number of DSUs held by each director multiplied by the Fair Market Value of one common share as of the 24th business day after publication of the consolidated financial statements following a director's departure from the Board of Directors.

In conjunction with the Plan, the Company has also adopted a share ownership guideline for the non-executive directors. The ownership guidelines require that each non-executive director acquire and maintain a level of ownership that has a value equal to at least three times their annual retainer and meeting fees, within a five year period.

For the Year, the directors, on average, have elected to receive 94% of their compensation in DSUs. For Q4 2015 and 2015, 5,303 and 17,022 DSUs were issued and outstanding and no DSUs were exercised or cancelled resulting in a DSU expense of $125, based on a Fair Market Value of $7.33 per common share. As at December 31, 2015, $51 in DSUs relating to Q4 2015 will be issued subsequent to year-end which are included in accrued expenses.

STATEMENT OF CASH FLOWS

Net cash from operating activities

Cash from operating activities for the Year was $30.9 million (2014 – $26.2 million), an increase of $4.7 million, or 18.1%. The increase is primarily a result of greater net income and comprehensive income and the change in non-cash operating items compared to 2014.

Net cash from financing activities

Uses of cash from financing activities for 2015 consisted of the Company's net advances on the credit facility of $44.7 million (2014 – $9.1 million), which were made in order to advance new net mortgage investments. The Company paid interest on the debentures and credit facility of $3.7 million (2014 – $1.7 million), common share dividends of $29.3 million (2014 – $30.3 million) as well as purchases of common shares under the 2014 bid of $1.4 million (2014 – nil). The net cash provided by financing activities for 2015 was $10.4 million (2014 – $42.8 million). In 2014, the Company raised proceeds of $32.5 million from the issuance of convertible debentures and $33.2 million from the issuance of common shares.

Net cash used in investing activities

Net cash used in investing activities for 2015 was $41.6 million (2014 – $80.9 million) and consisted of the funding of net mortgage investments of $333.5 million (2014 – $498.9 million), which was offset by the repayments of net mortgage investments of $291.3 million (2014 – $382.6 million). In addition, the Company received proceeds from disposal of FPHFS of $0.5 million (2014 – $35.4 million).

QUARTERLY FINANCIAL INFORMATION

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

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	$ 10,814	$ 10,161	$ 11,532	$ 10,496	$ 9,774	$ 8,660	$ 9,465	$ 8,811
Expenses	(2,387)	(3,146)	(2,481)	(2,239)	(2,336)	(2,042)	(2,049)	(2,011)
Income from operations	8,427	7,015	9,051	8,257	7,438	6,618	7,416	6,800
Net operating income (loss) from FPHFS	(28)	26	(30)	(82)	(58)	81	(97)	(97)
Fair value adjustment of FPHFS	(374)	–	(150)	–	(800)	149	–	–
Financing costs:								
Interest on credit facility	(554)	(208)	(477)	(281)	(87)	(67)	(57)	(64)
Interest on convertible debentures	(566)	(673)	(672)	(660)	(681)	(671)	(664)	(243)
Total financing costs	(1,120)	881	(1,149)	(941)	(768)	(738)	(721)	(307)
Net income and comprehensive income	**$ 6,905**	**$ 6,160**	**$ 7,722**	**$ 7,234**	**$ 5,812**	**$ 6,110**	**$ 6,598**	**$ 6,396**
Earnings per share (basic and diluted)	**$ 0.17**	**$ 0.15**	**$ 0.19**	**$ 0.18**	**$ 0.14**	**$ 0.15**	**$ 0.17**	**$ 0.17**

The variations in net income and comprehensive income 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 in any quarter;

(iii) In any given quarter, the Company is subject to volatility from fair value adjustments to FPHFS and provision for mortgage investment loan resulting in fluctuations in quarterly net income and comprehensive income; and

(iv) The utilization of the credit facility to fund mortgage investments results in higher net interest income, which is partially offset by higher financing costs.

RELATED PARTY TRANSACTIONS

As at December 31, 2015, due to Manager includes management and performance fees payable of $2.4 million (December 31, 2014 – $2.0 million) and nil (December 31, 2014 – $6) 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 company controlled by the Manager, is the Company's mortgage servicer and administrator. As at December 31, 2015, included in other assets is $2.2 million (December 31, 2014 – $3.0 million) of cash held in trust for the Company by TMSI, the balance of which relates to mortgage funding holdbacks, prepaid mortgage interest and lender fees received from various borrowers.

In addition to the above related party transactions, the Company has transacted with other entities managed by the Manager. As at December 31, 2015, the Company, Timbercreek Senior Mortgage Investments Corporation ("TSMIC"), Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), Timbercreek Global Real Estate Fund and Timbercreek Canadian Direct LP, related parties by virtue of common management, have co-invested in

several gross mortgage investments totalling $702.6 million (December 31, 2014 – $701.9 million). During 2015, the Company, along with its related parties, funded $355.7 million in co-invested gross mortgage investments and received repayments of $364.6 million. As at December 31, 2015, the Company's share in these gross mortgage investments is $286.3 million (December 31, 2014 – $268.9 million). Included in these amounts is a net mortgage investment of $1.3 million (December 31, 2014 – $1.1 million) loaned to a limited partnership in which T4Q is invested.

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 investments. 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: (i) payment default by a borrower; (ii) whether security of the mortgage negatively impacted by some event; and (iii) 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 17 to the consolidated financial statements for the year ended December 31, 2015.

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, 2015 and 2014.

(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) Non-executive director deferred share unit plan

Commencing January 1, 2015, the Company's non-executive directors are participating in a deferred share unit plan (the "Plan") in respect of their compensation as directors of the Company. The benefit resulting from the grant of DSUs under the Plan is recorded in profit and loss when awarded. DSUs granted are included within accrued expenses based on the fair market value of the DSUs on the date of grant and are subsequently measured at each reporting date at their fair value with changes in the carrying amount recognized in profit and loss.

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.

(a) Annual Improvements to IFRS (2012-2014) cycle

On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. One of the amendments was made to clarify the disclosure of information "elsewhere in the interim financial report" under IAS 34 Interim Financial Reporting. The amendment will apply for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on its financial statements.

(b) Disclosure Initiative: Amendments to IAS 1

On December 18, 2014, the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on its financial statements.

(c) 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 mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively, with some exemptions, with early adoption permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

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

In May 2014, the IASB issued IFRS 15, which provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall within the scope of other IFRSs. The new standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with earlier application permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue: Barter Transactions Involving Advertising Services. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the standard to have a material impact on its financial statements.

OUTSTANDING SHARE DATA

As at February 24, 2016, the Company's authorized capital consists of an unlimited number of common shares, of which 40,523,728 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 2015, the Company further increased the available borrowing limit of the credit facility to complement the common shares and convertible debentures. The Company believes that the modest amount of structural leverage gained from the debentures and credit facility 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, the credit facility and syndicating mortgage investments to partners. The Company has a borrowing ability of $60.0 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. As at December 31, 2015, 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, 2015, including expected interest payments:

	Carrying values	Contractual cash flows	Within a year	Following year	3-5 years
Accounts payable and accrued expenses	$ 1,104	$ 1,104	$ 1,104	$ –	$ –
Dividends payable	2,431	2,431	2,431	–	–
Due to Manager	2,425	2,425	2,425	–	–
Mortgage funding holdbacks	822	822	822	–	–
Prepaid mortgage interest	1,170	1,170	1,170	–	–
Credit facility[1]	53,812	55,701	55,701	–	–
Convertible debentures	32,778	41,619	2,191	2,191	37,237
Total liabilities	$ 94,542	$ 105,272	$ 65,844	$ 2,191	$ 37,237
Unadvanced gross mortgage commitments[2]	–	119,888	119,888	–	–
Total contractual liabilities	**$ 94,542**	**$ 225,160**	**$ 185,732**	**$ 2,191**	**$ 37,237**

1 Includes interest based upon the current prime interest rate plus 1.5% on the credit facility, assuming the outstanding balance is not repaid until its maturity in October 2016.

2 Unadvanced mortgage commitments include syndication commitments from third party investors totaling $75.3 million.

As at December 31, 2015, the Company had a cash position of $140 (December 31, 2014 – $463) and an unutilized credit facility of $6.2 million (December 31, 2014 – $25.9 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 $75.3 million (December 31, 2014 – $42.8 million) relating to the Company's syndication partners. The Company expects the syndication partners to fund this amount.

FINANCIAL INSTRUMENTS

Financial assets

The Company's other assets and mortgage investments, including mortgage syndications, are designated as loans and receivables and are measured at amortized cost. The fair values of 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. There have been no changes to the Company, which may affect the overall risk of the Company.

(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, 2015, $94.3 million of mortgage investments bear interest at variable rates. Of these, $91.1 million of mortgage investments include a "floor rate" to protect their negative exposure, while two mortgage investments totalling $3.0 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 $16. 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 $53.8 million as at December 31, 2015. Based on the outstanding balance of the credit facility as at December 31, 2015, a 0.50% decrease in interest rates, with all other variables constant, would increase net income by $269 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 include 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) ensuring 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, 2015 is the carrying values of its net mortgage investments, including interest receivable, amounting to $446.0 million (December 31, 2014 – $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 CONTROLS 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, 2015.

As at December 31, 2015, 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, 2015.

During 2015, the Manager implemented a new mortgage administration and portfolio management software. This new software allows the Manager to monitor the portfolio in real time. The Manager has assessed that the new software did not cause significant or material changes to the design of internal controls over financial reporting.

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, 2015. 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 Internal Control Integrated 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.

ADDITIONAL INFORMATION

Phone

Call the Company at 1-844-304-9967, Carrie Morris, Managing Director Capital Markets & Corporate Communications.

Shareholders who wish to enroll in the dividend reinvestment plan or who would like further information about the plan should contact Corporate Communications at (416) 923-9967 ext. 7266. (collect if calling long distance.)

Internet

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

Mail

Write to the Company at:
Timbercreek Mortgage Investment Corporation
Attention: Corporate Communications
25 Price Street
Toronto, Ontario M4W 1Z1

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, 2015 and December 31, 2014, the consolidated statements of net income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
entation 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, 2015 and December 31, 2014, 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

February 24, 2016
Toronto, Canada

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,		
		2015		2014
ASSETS				
Cash and cash equivalents	$	139,871	$	463,092
Other assets (note 12(b))		3,054,095		3,582,038
Mortgage investments, including mortgage syndications (note 4)		750,703,077		616,173,629
Foreclosed properties held for sale (note 5)		12,836,466		13,850,521
Total assets	**$**	**766,733,509**	**$**	**634,069,280**
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	$	1,103,565	$	855,527
Dividends payable (note 8(b))		2,431,424		2,442,092
Due to Manager (note 12(a))		2,425,700		1,975,958
Mortgage funding holdbacks		821,876		483,762
Prepaid mortgage interest		1,169,805		2,560,472
Credit facility (note 6)		53,624,816		8,836,959
Convertible debentures (note 7)		32,778,187		32,387,457
Mortgage syndication liabilities (note 4)		310,048,650		219,581,032
Total liabilities		**404,404,023**		**269,123,259**
Shareholders' equity		**362,329,486**		**364,946,021**
Total liabilities and equity	**$**	**766,733,509**	**$**	**634,069,280**
Commitments and contingencies (notes 4 and 18)				

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

	Years ended December 31,	
	2015	2014
Interest income:		
Interest, including mortgage syndications	$ 49,292,049	$ 37,043,393
Fees and other income, including mortgage syndications	5,901,313	5,144,675
Gross interest income	55,193,362	42,188,068
Interest and fees expense on mortgage syndications (note 4(b))	(12,189,740)	(5,477,861)
Net interest income	43,003,622	36,710,207
Expenses:		
Management fees (note 10)	5,955,934	5,421,686
Performance fees (note 10)	2,430,086	1,954,557
Provision for mortgage investments loss (note 4(c))	900,000	250,000
General and administrative	967,314	811,673
Total expenses	10,253,334	8,437,916
Income from operations	32,750,288	28,272,291
Net operating loss from foreclosed properties held for sale	114,345	170,748
Fair value adjustment on foreclosed properties held for sale (note 5)	523,944	650,421
Financing costs:		
Interest on credit facility (note 6)	1,519,579	274,550
Interest on convertible debentures (note 7)	2,570,977	2,259,432
Total financing costs	4,090,556	2,533,982
Net income and comprehensive income	**$ 28,021,443**	**$ 24,917,140**
Earnings per share (note 11)		
Basic and diluted	$ 0.69	$ 0.63

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended December 31, 2015	Common Shares	Retained Earnings	Equity Component of Convertible Debentures	Total
Shareholders' equity, beginning of year	$ 370,547,438	$ (6,145,974)	$ 544,557	$ 364,946,021
Dividends	–	(29,252,594)	–	(29,252,594)
Issuance of common shares under dividend reinvestment plan	3,161,373	–	–	3,161,373
Repurchase of common shares under dividend reinvestment plan	(3,161,373)	–	–	(3,161,373)
Repurchase of common shares under normal course issuer bid	(1,385,384)	–	–	(1,385,384)
Net income and comprehensive income	–	28,021,443	–	28,021,443
Shareholders' equity, end of year	**$ 369,162,054**	**$ (7,377,125)**	**$ 544,557**	**$ 362,329,486**

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	33,179,940	–	–	33,179,940
Equity component of convertible debentures, net	–	–	544,557	544,557
Dividends	–	(30,263,327)	–	(30,263,327)
Issuance of common shares under dividend reinvestment plan	3,047,862	–	–	3,047,862
Repurchase of common shares under dividend reinvestment plan	(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**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2015	**2014**
OPERATING ACTIVITIES		
Net income and comprehensive income	$ 28,021,443	$ 24,917,140
Amortization of lender fees	(4,965,838)	(4,437,326)
Lender fees received	4,279,673	5,819,505
Provision for mortgage investment loss	900,000	250,000
Financing costs	4,090,556	2,533,982
Net foreign exchange loss	–	33,456
Fair value adjustment on foreclosed properties held for sale	523,944	650,421
Change in non-cash operating items:		
Interest receivable	(2,485,665)	(2,595,527)
Other assets	914,599	(2,277,526)
Accounts payable and accrued expenses	236,103	(339,195)
Due to Manager	449,742	(373,778)
Prepaid mortgage interest	(1,390,667)	1,548,907
Mortgage funding holdbacks	338,114	454,953
	30,912,004	**26,185,012**
FINANCING ACTIVITIES		
Proceeds from issuance of convertible debentures, net	–	32,533,220
Proceeds from issuance of common shares, net	–	33,179,940
Repurchase of common shares for cancellation	(1,385,382)	–
Advances from (repayments of) credit facility, net	44,736,549	9,075,926
Interest paid	(3,679,818)	(1,694,372)
Dividends paid	(29,263,262)	(30,297,827)
	10,408,087	**42,796,887**
INVESTING ACTIVITIES		
Capital improvements to foreclosed properties held for sale	(59,703)	(331,838)
Proceeds from disposition of foreclosed properties held for sale	549,814	35,776,846
Funding of mortgage investments, net of mortgage syndications	(333,478,035)	(498,944,602)
Discharges of mortgage investments, net of mortgage syndications	291,344,612	382,632,338
	(41,643,312)	**(80,867,256)**
Decrease in cash and cash equivalents	(323,221)	(11,885,357)
Cash and cash equivalents, beginning of year	463,092	12,348,449
Cash and cash equivalents, end of year	**$ 139,871**	**$ 463,092**

See accompanying notes to the consolidated financial statements.

1. CORPORATE INFORMATION

Timbercreek Mortgage Investment Corporation (the "Company") is a mortgage investment corporation domiciled in Canada. The registered office of the Company is 25 Price Street, Toronto, Ontario M4W 1Z1. The Company is incorporated under the laws of the Province of Ontario by Articles of Incorporation dated April 30, 2008. The common shares of the Company are traded on the Toronto Stock Exchange ("TSX") under the symbol "TMC".

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.

The Company has entered into a management agreement with Timbercreek Asset Management Inc. (the "Manager") dated September 13, 2013. The Manager is responsible for the day-to-day operations and for providing all general management, mortgage servicing and administrative services to the Company.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the Board of Directors on February 24, 2016.

(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, 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 16 – 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

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. 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 is 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) 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 remeasured 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.

(e) 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.

(f) 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 classified as 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 16.

(g) 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.

(h) 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.

(i) Non-executive director deferred share unit plan

Commencing January 1, 2015, the Company's non-executive directors began participating in a deferred share unit plan (the "Plan") which allows the directors to elect to receive their compensation in the form of deferred share units ("DSUs"). The benefit resulting from the grant of DSUs under the Plan is recorded in profit and loss when awarded. DSUs granted are included within accrued expenses based on the fair market value of the DSUs on the date of grant and are subsequently measured at each reporting date at their fair value with changes in the carrying amount recognized in profit and loss.

(j) 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) Annual Improvements to IFRS (2012-2014) cycle

On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. One of the amendments was made to clarify the disclosure of information "elsewhere in the interim financial report" under IAS 34 Interim Financial Reporting. The amendment will apply for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on its financial statements.

(ii) Disclosure Initiative: Amendments to IAS 1

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on its financial statements.

(iii) 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 mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions with early adoption permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

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

In May 2014, the IASB issued IFRS 15 which provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall within the scope of other IFRSs. The new standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with earlier application permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue: Barter Transactions Involving Advertising Services. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

4. MORTGAGE INVESTMENTS, INCLUDING MORTGAGE SYNDICATIONS

As at December 31, 2015	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications (notes 4(a) and (b))	$ 749,225,216	$ (309,751,038)	$ 439,474,178
Interest receivable	7,648,090	(1,113,951)	6,534,139
	756,873,306	(310,864,989)	446,008,317
Unamortized lender fees	(5,020,229)	816,339	(4,203,890)
Allowance for mortgage investments loss (note 4(c))	(1,150,000)	–	(1,150,000)
	$ 750,703,077	**$ (310,048,650)**	**$ 440,654,427**

As at December 31, 2014	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications (notes 4(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 (note 4(c))	(250,000)	–	(250,000)
	$ 616,173,629	**$ (219,581,032)**	**$ 396,592,597**

As at December 31, 2015, unadvanced mortgage commitments under the existing gross mortgage investments amounted to $119,887,655 (December 31, 2014 – $107,366,854).

(a) Net mortgage investments

	%	December 31, 2015	%	December 31, 2014
Interest in first mortgages	78	$ 342,572,965	69	$ 276,022,401
Interest in non-first mortgages	22	96,901,213	31	121,318,354
	100	**$ 439,474,178**	**100**	**$ 397,340,755**

The mortgage investments are secured by real property and mature between 2016 and 2018 (December 31, 2014 – 2015 and 2018). The weighted average interest rate earned on net mortgage investments for the year ended December 31, 2015 was 9.1% (December 31, 2014 – 9.4%).

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, 2015, the Company received total lender fees, net of fees relating to mortgage syndication liabilities, of $4,279,673 (December 31, 2014 – $5,819,505), 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:

2016	$ 199,567,023
2017	157,207,885
2018	82,699,270
Total	**$ 439,474,178**

(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 derecognition 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 that meet the criteria for derecognition under IFRS.

As at December 31, 2015, 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 $310,048,650 (December 31, 2014 – $219,581,032). For the year ended December 31, 2015, the Company has also recognized interest income of $11,375,469 (December 31, 2014 – $4,998,260) and fee income of $814,271 (2014 – $479,601) and a corresponding interest and fee expense of $12,189,740 (2014 – $5,477,861) 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 12).

(c) Allowance for mortgage investments loss

During the year ended December 31, 2015, the Company has recognized a specific impairment allowance of $900,000 (2014 – nil) relating to one impaired mortgage investment, which represents the outstanding principal and accrued interest as at December 31, 2015.

The Company also assesses for impairment to identify potential future losses on a collective 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 2015, no additional collective impairment allowance (December 31, 2014 – $250,000) was recognized.

During 2014, the Company foreclosed on the underlying security relating to one impaired mortgage investment and reclassified $550,000 from allowance for mortgage investments loss to foreclosed properties held for sale ("FPHFS").

The changes in the allowance for mortgage investments loss during the years ended December 31, 2015 and 2014 were as follows:

	Years ended December 31,	
	2015	**2014**
Balance, beginning of year	$ 250,000	$ 550,000
Provision for mortgage investments loss	900,000	250,000
Allowance for mortgage investments loss reclassified to FPHFS	–	(550,000)
Balance, end of year	**$ 1,150,000**	**$ 250,000**

5. FORECLOSED PROPERTIES HELD FOR SALE

As at December 31, 2015, there are three FPHFS (December 31, 2014 – three), which are recorded at their fair value of $12,836,466 (December 31, 2014 – $13,850,521). The fair value has been categorized as a level 3 fair value, based on inputs to the valuation techniques used. The changes in the FPHFS during the years ended December 31, 2015 and 2014 were as follows:

	Years ended December 31,	
	2015	**2014**
Balance, beginning of year	$ 13,850,521	$ 11,351,435
Foreclosed properties reclassified from mortgage investments	–	75,681,402
Capital improvements	59,703	331,838
Fair market value adjustment, net	(523,944)	(650,421)
Disposition of foreclosed properties	(549,814)	(72,863,733)
Balance, end of year	**$ 12,836,466**	**$ 13,850,521**

During the year ended December 31, 2015, the Company closed on the sale of three (2014 – eight) residential units in one of the foreclosed properties for net proceeds of $549,814 (2014 – $1,363,733). During the year ended December 31, 2015, the Company recorded an unrealized fair market value adjustment of $523,944 (2014 – $800,000) on foreclosed properties.

During the year ended December 31, 2014, the Company foreclosed on underlying security of two mortgage investments with outstanding principal and costs of $73,720,203 and accrued interest of $2,511,199. The underlying security on one mortgage investment was subsequently sold, with the proceeds of sale repaying all of the outstanding principal, 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 that property.

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 by 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 takes 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

	December 31, 2015		December 31, 2014	
Credit facility balance	$	53,812,475	$	9,075,926
Unamortized financing costs		(187,659)		(238,967)
Total credit facility	**$**	**53,624,816**	**$**	**8,836,959**

The Company has a credit facility with a syndicate of lenders with an available limit of $60,000,000 (December 31, 2014 – $35,000,000) bearing interest at either the prime rate of interest plus 1.5%, or bankers' acceptances ("BA") with a stamping fee of 2.5% of the face amount of such BA. The credit facility is secured by a general security agreement over the Company's assets. The credit facility matures on October 31, 2016.

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For the year ended December 31, 2015, included in financing costs is interest on the credit facility of $1,298,407 (2014 – $145,222) and financing costs amortization of $221,172 (2014 – $129,328).

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 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:

		December 31, 2015
Issued	$	34,500,000
Issue costs, net of amortization		(1,386,828)
Equity component		(577,478)
Issue costs attributed to equity component		32,921
Cumulative accretion of equity component		209,572
Debentures, end of year	**$**	**32,778,187**

Interest costs related to the debentures are recorded in financing costs using the effective interest rate method. Interest on the debentures is included in financing costs and is made up of the following:

	Years ended December 31,			
		2015		2014
Interest on the convertible debentures	$	2,180,247	$	1,860,638
Amortization of issue costs		277,408		302,544
Accretion of equity component of the convertible debentures		113,322		96,250
Total	**$**	**2,570,977**	**$**	**2,259,432**

8. COMMON SHARES

The Company is authorized to issue an unlimited number of common shares. Holders of common shares are entitled to receive notice of and to attend and vote at all shareholder meetings. The holders of the common shares are 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 outstanding were as follows:

	Years ended December 31,	
	2015	**2014**
Balance, beginning of year	40,701,528	36,964,028
Issued	–	3,737,500
Repurchased under normal course issuer bid	(177,800)	–
Repurchased under dividend reinvestment plan	(397,612)	(332,009)
Issued under dividend reinvestment plan	397,612	332,009
Balance, end of year	**40,523,728**	**40,701,528**

(a) Dividend reinvestment plan

The Company's dividend reinvestment plan (the "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. Under the 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, 2015, 397,612 (2014 – 332,009) common shares were purchased on the open market.

(b) Dividends

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, 2015, the Company declared dividends of $29,252,594, or $0.72 per share (2014 – $30,263,327, $0.762 per share). As at December 31, 2015, $2,431,424 (December 31, 2014 – $2,442,092) was payable to the holders of common shares. Subsequent to December 31, 2015, the Board of Directors declared dividends of $0.06 per common share, paid on February 12, 2016 to common shareholders of record on January 29, 2016.

(c) Normal course issuer bid

On November 13, 2014, the Company received the approval of the TSX to reinstitute a normal course issuer 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, at that time, on November 11, 2014 and expired on November 16, 2015. During the year ended December 31, 2015, the Company acquired 177,800 common shares (2014 – nil) for cancellation at a cost of $1,385,384 (2014 – nil).

On January 4, 2016, the Company received TSX approval to commence a normal course issuer bid (the "Bid") to purchase for cancellation up to a maximum of 4,105,569 common shares, representing approximately 10% of the public float of common shares as of December 22, 2015. The Bid commenced on January 6, 2016 and provides the Company with the flexibility to repurchase common shares for cancellation until its expiration on January 5, 2017, or such earlier date as the Bid is complete. From January 6, 2016 to February 24, 2016, the Company did not acquire any common shares for cancellation.

9. NON-EXECUTIVE DIRECTOR DEFERRED SHARE UNIT PLAN

Commencing January 1, 2015, the Company instituted a non-executive director deferred share unit plan, whereby up to 100% of the compensation for a director may be paid in the form of DSUs, credited quarterly in arrears. Directors may elect annually, in accordance with the Plan, as to how much (if any) of the 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 fair market value is the volume weighted average price of a common share as reported on the TSX for the 20 trading days immediately preceding that day (the "Fair Market Value").

DSUs granted entitle the directors to also accumulate DSUs equal to the monthly cash dividends, assuming reinvestment of the dividends into units based upon the Fair Market Value of the common shares on the dividend payment date.

Following each calendar quarter, the director DSU accounts will be credited with the number of DSUs calculated by multiplying the total compensation payable in DSUs divided by the Fair Market Value. Each director is also entitled to an additional number of DSUs that is equal to the result of multiplying 25% of the DSU issued in the quarter up to a maximum value of $5,000 per annum.

The Plan will pay a lump sum payment in cash equal to the number of DSUs held by each director multiplied by the Fair Market Value of one common share as of the 24th business day after publication of the consolidated financial statements following a director's departure from the Board of Directors.

For the year ended December 2015, 17,022 DSUs were issued and outstanding and no DSUs were exercised or cancelled resulting in a DSU expense of $124,774 based on a Fair Market Value of $7.33 per common share. As at December 31, 2015, $50,938 in DSUs relating to Q4 2015 will be issued subsequent to year-end which are included in accrued expenses.

10. 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. Under the 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 management agreement is 10 years from September 13, 2013 and is renewed for successive five year terms at the expiration of the initial term. For the year ended December 31, 2015, the Company incurred management fees of $5,955,934 (2014 – $5,421,686).

Under the management agreement, the Manager is 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. For the year ended December 31, 2015, the performance fee was $2,430,086 (2014 – 1,954,557).

11. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing net income and comprehensive income by the weighted average number of common shares during the period.

	Years ended December 31,	
	2015	2014
Numerator for earnings per share:		
Net income and comprehensive income	$ 28,021,443	$ 24,917,140
Denominator for earnings per share:		
Weighted average number of common shares (basic and diluted)	40,631,219	39,544,439
Earnings per share – basic and diluted	**$ 0.69**	**$ 0.63**

12. RELATED PARTY TRANSACTIONS

(a) As at December 31, 2015, due to Manager includes management and performance fees payable of $2,425,700 (December 31, 2014 – $1,970,131) and no amounts payable (December 31, 2014 – $5,827) related to costs incurred by the Manager on behalf of the Company.

(b) As at December 31, 2015, included in other assets is $2,188,556 (December 31, 2014 – $3,044,234) 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, prepaid mortgage interest and lender fees received from various borrowers.

(c) In addition to the above related party transactions, the Company has transacted with other funds managed by the Manager, or one of its subsidiaries. As at December 31, 2015, the Company, Timbercreek Senior Mortgage Investment Corporation ("TSMIC"), Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), Timbercreek Global Real Estate Fund and Timbercreek Canadian Direct LP, related parties by virtue of common management, have coinvested in several gross mortgage investments totaling $702,623,518 (December 31, 2014 – $701,930,591). During the year ended December 31, 2015, the Company, along with its related parties, funded $355,733,675 in co-invested gross mortgage investments and received repayments of $364,633,157. As at December 31, 2015, the Company's share in these gross mortgage investments is $286,310,931 (December 31, 2014 – $268,906,244). Included in these amounts is a net mortgage investment of $1,265,625 (December 31, 2014 – $1,147,226) loaned to a limited partnership in which T4Q is invested.

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.

13. INCOME TAXES

As of December 31, 2015, the Company has non-capital losses carried forward for income tax purposes of $24,511,000 (December 31, 2014 – $19,938,146), which will expire between 2028 and 2035 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 $10,524,000 (December 31, 2014 – $14,608,322).

14. 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, 2015, 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, 2015, the Company was in compliance with all financial covenants.

15. 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, 2015, $94,286,772 of net mortgage investments bear interest at variable rates. Of these, $91,066,433 of net mortgage investments include a "floor rate" to protect their negative exposure, while two mortgage investments totalling $3,022,339 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 $16,102. 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 $471,434. 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 $53,812,475 as at December 31, 2015. Based on the outstanding credit facility balance as at December 31, 2015, a 0.50% decrease in interest rates, with all other variables constant, will increase net income by $269,062 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, as well as interest receivable, accounts receivable other, 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 risk 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) ensuring 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, 2015 is the carrying values of its net mortgage investments, including interest receivable, amounting to $446,008,316 (December 31, 2014 – $401,732,652). 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, 2015, including expected interest payments:

December 31, 2015	Carrying value	Contractual cash flow	Within a year	Following year	3–5 years
Accounts payable and accrued expenses	$ 1,103,565	$ 1,103,565	$ 1,103,565	$ –	$ –
Dividends payable	2,431,424	2,431,424	2,431,424	–	–
Due to Manager	2,425,700	2,425,700	2,425,700	–	–
Mortgage funding holdbacks	821,876	821,876	821,876	–	–
Prepaid mortgage interest	1,169,805	1,169,805	1,169,805	–	–
Credit facility[1]	53,812,475	55,701,072	55,701,072	–	–
Convertible debentures	32,778,187	41,618,437	2,190,750	2,190,750	37,236,937
Total liabilities	$ 94,543,032	$ 105,271,879	$ 65,844,192	$ 2,190,750	$ 37,236,937
Unadvanced mortgage commitments[2]	–	119,887,655	119,887,655	–	–
Total contractual liabilities	**$ 94,543,032**	**$ 225,159,534**	**$ 185,731,847**	**$ 2,190,750**	**$ 37,236,937**

1 Includes interest based upon the current prime rate of interest plus 1.5% on the credit facility assuming the outstanding balance is not repaid until its maturity in October 2016.

2 Unadvanced mortgage commitments include syndication commitments.

As at December 31, 2015, the Company had a cash position of $139,871 (December 31, 2014 – $463,092) and an unutilized credit facility balance of $6,187,525 (December 31, 2014 – $25,924,074). 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 $75,274,469 relating to the Company's syndication partners. The Company expects the syndication partners to fund this amount.

16. FAIR VALUE MEASUREMENTS

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

	Carrying Value			
As at December 31, 2015	Loans and receivable	Fair value through profit and loss	Other financial liabilities	Fair value
Assets measured at fair value				
Foreclosed properties held for sale	$ –	$ 12,836,466	$ –	$ 12,836,466
Assets not measured at fair value				
Cash and cash equivalents	139,871	–	–	139,871
Other assets	3,054,095	–	–	3,054,095
Mortgage investments, including mortgage syndications	750,703,077	–	–	750,703,077
Financial liabilities not measured at fair value				
Accounts payable and accrued expenses	–	–	1,103,565	1,103,565
Dividends payable	–	–	2,431,424	2,431,424
Due to Manager	–	–	2,425,700	2,425,700
Mortgage funding holdbacks	–	–	821,876	821,876
Prepaid mortgage interest	–	–	1,169,805	1,169,805
Credit facility	–	–	53,624,816	53,624,816
Convertible debentures	–	–	32,778,187	34,758,750
Mortgage syndication liabilities	–	–	310,048,650	310,048,650

As at December 31, 2014	Carrying Value 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

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 mortgage investments, mortgage syndication liabilities and foreclosed properties held for sale. 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) Convertible debentures
The fair value of the convertible debentures is based on a level 1 input, which is the market closing price of convertible debentures at the reporting date.

There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy during the year ended December 31, 2015 and 2014.

17. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The compensation expense of the members of the Board of Directors amounts to $182,849 (2014 - $83,981), which is paid in a combination of DSUs and cash. The compensation to the senior management of the Manager is paid through the management fees paid to the Manager (note 10).

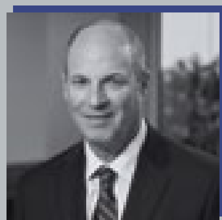
18. COMMITMENTS AND CONTINGENCIES

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.

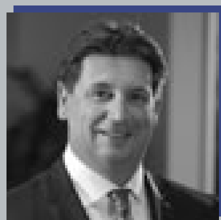
Board of Directors

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)

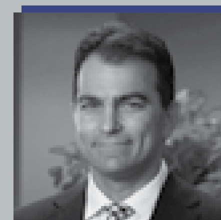


Ugo Bizzarri
Director, Timbercreek MIC

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

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President and CEO, Community Trust

Ken Lipson
President and CIO, TMDL Asset Management Inc.

Pamela Spackman
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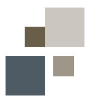

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