Consolidated Financial Statements of

Timbercreek Mortgage Investment Corporation

Years ended December 31, 2015 and 2014

Timbercreek
Mortgage Investment Corporation

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 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

KPMG LLP

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 co-invested 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

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

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.