Consolidated Financial Statements of

Timbercreek Senior Mortgage Investment Corporation

Years ended December 31, 2014 and 2013

Timbercreek
Senior Mortgage Investment Corporation

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Timbercreek Senior Mortgage Investment Corporation

We have audited the accompanying consolidated financial statements of Timbercreek Senior Mortgage Investment Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, the consolidated statements of net income (loss) and comprehensive income (loss), consolidated statements of changes in shareholders' equity and net assets attributable to holders of redeemable shares and consolidated statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

February 24, 2015

Toronto, Canada

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,		
		2014		2013
ASSETS				
Other assets (note 11(c))	$	1,078,711	$	3,209,643
Mortgage investments, including mortgage syndications (note 4)		483,209,196		515,797,118
Total assets	$	**484,287,907**	$	**519,006,761**
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	$	287,264	$	1,091,467
Dividends payable (note 8(b))		1,577,831		1,577,831
Due to Manager (note 11(a))		29,969		322,505
Mortgage funding holdbacks		92,838		1,459,055
Prepaid mortgage interest		765,165		1,636,355
Credit facility (note 5)		141,233,024		108,745,727
Mortgage syndication liabilities (note 4)		51,757,277		115,412,273
Total liabilities		**195,743,368**		**230,245,213**
Shareholders' equity		**288,544,539**		**288,761,548**
Total liabilities and equity	$	**484,287,907**	$	**519,006,761**
Commitments and contingencies (notes 4 and 16)				
Subsequent events (notes 8(b) and 19)				

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Years ended December 31,	
	2014	2013
Interest income:		
Interest, including mortgage syndications	$ 28,850,308	$ 29,748,582
Fees and other income, including mortgage syndications	3,252,022	2,602,743
Gross interest income	32,102,330	32,351,325
Interest and fees expense on mortgage syndications (note 4(b))	(3,943,215)	(4,117,248)
Net interest income	28,159,115	28,234,077
Expenses:		
Management fees (note 9(a))	3,888,665	3,989,872
Trailer fees (note 9(b))	–	805,292
Transition related costs (note 1)	–	3,870,883
Provision for mortgage investments loss (note 4(c))	175,000	–
General and administrative	884,933	990,414
Total expenses	4,948,598	9,656,461
Income from operations	23,210,517	18,577,616
Financing costs:		
Interest on credit facility (note 5)	4,493,561	2,855,450
Issuance costs of redeemable shares (note 7)	–	3,301,363
Dividends to holders of redeemable shares (note 7(a))	–	18,873,760
Total financing costs	4,493,561	25,030,573
Net income (loss) and comprehensive income (loss)	**$ 18,716,956**	**$ (6,452,957)**
Earnings per share (note 10)		
Basic and diluted	$ 0.59	0.42

See accompanying notes to the consolidated financial statements.

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

Year ended December 31, 2014	Common Shares	Retained Earnings	Total
Shareholders' equity, beginning of year	$ 288,731,412	$ 30,136	$ 288,761,548
Dividends to holders of common shares	–	(18,933,965)	(18,933,965)
Issuance of common shares under dividend reinvestment plan	1,050,077	–	1,050,077
Repurchase of common shares	(1,050,077)	–	(1,050,077)
Net income and comprehensive income	–	18,716,956	18,716,956
Shareholders' equity, end of year	**$ 288,731,412**	**$ (186,873)**	**$ 288,544,539**

Year ended December 31, 2013	Class A Shares	Class B Shares	Class I Shares	Class J Shares	Common Shares	Retained Earnings	Total
Net assets attributable to holders of redeemable shares, beginning of year	$ 289,697,929	$ –	$ 3,261,849	$ 3,096,991	$ –	$ –	$ 296,056,769
Gross proceeds from issuance of redeemable shares	58,276,993	2,205,590	1,840,000	300,000	–	–	62,622,583
Issuance of redeemable shares under dividend reinvestment plan	1,339,079	–	–	–	–	–	1,339,079
Redemption of redeemable shares	(50,668,542)	(318,462)	(724,460)	–	–	–	(51,711,464)
Repurchase of redeemable shares under normal course issuer bid	(9,197,864)	–	–	–	–	–	(9,197,864)
Repurchase of redeemable shares under dividend reinvestment plan	(738,937)	–	–	–	–	–	(738,937)
Exchange of redeemable shares	2,792,360	(9,330)	(148,950)	(2,634,080)	–	–	–
Exchange of redeemable shares to common shares	(282,063,029)	(1,776,097)	(4,197,323)	(694,963)	288,731,412	–	–
Dividends to shareholders	–	–	–	–		(3,155,661)	(3,155,661)
Issuance of common shares under dividend reinvestment plan	–	–	–	–	63,791	–	63,791
Repurchase of common shares	–	–	–	–	(63,791)	–	(63,791)
Net income (loss) and comprehensive income (loss)	(9,437,989)	(101,701)	(31,116)	(67,948)	–	3,185,797	(6,452,957)
Shareholders' equity, end of year	**$ –**	**$ –**	**$ –**	**$ –**	**$ 288,731,412**	**$ 30,136**	**$ 288,761,548**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Years ended December 31,	
	2014	2013
OPERATING ACTIVITIES		
Net income (loss) and comprehensive income (loss)	$ 18,716,956	$ (6,452,957)
Amortization of lender fees	(2,858,560)	(2,330,218)
Lender fees received	1,726,651	3,266,812
Provision for mortgage investments loss	175,000	–
Financing costs	4,493,561	25,030,573
Interest income, net of syndications	(25,147,855)	(25,712,507)
Interest income received, net of syndications	24,877,606	25,157,841
Change in non-cash operating items:		
Restricted cash	–	1,404,562
Other assets	2,233,091	(2,475,335)
Accounts payable and accrued expenses	(759,850)	(341,554)
Due to Manager	(292,536)	310,225
Prepaid mortgage interest	(871,190)	235,854
Mortgage funding holdbacks	(1,366,217)	1,101,255
	20,926,657	**19,194,551**
FINANCING ACTIVITIES		
Proceeds from issuance of Class A redeemable shares	–	58,276,993
Redemption of Class A redeemable shares	–	(50,668,542)
Proceeds from issuance of Class B redeemable shares	–	2,205,590
Redemption of Class B redeemable shares	–	(318,462)
Proceeds from issuance of Class I redeemable shares	–	1,840,000
Redemption of Class I redeemable shares	–	(724,460)
Proceeds from issuance of Class J redeemable shares	–	300,000
Advances from credit facility	33,105,353	71,470,646
Interest paid	(5,258,129)	(2,381,559)
Repurchase of redeemable shares for cancellation	–	(9,197,864)
Issuance costs of redeemable shares	–	(3,301,363)
Dividends to holders of redeemable shares	–	(19,860,125)
Dividends to holders of common shares	(18,933,965)	(1,577,831)
	8,913,259	**46,063,023**
INVESTING ACTIVITIES		
Funding of mortgage investments, net of mortgage syndications	(271,422,751)	(398,507,517)
Discharge of mortgage investments, net of mortgage syndications	241,582,835	330,050,349
	(29,839,916)	**(68,457,168)**
Decrease in cash and cash equivalents	–	(3,199,594)
Cash and cash equivalents, beginning of year	–	3,199,594
Cash and cash equivalents, end of year	**$ –**	**$ –**

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Years ended December 31, 2014 and 2013

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

The Company is incorporated under the Canada Business Corporations Act by articles of incorporation dated December 1, 2011. On September 13, 2013 (the "Effective Date"), in connection with the Transition as defined in note 1 below, the Company filed articles of amendment (the "Articles") with the Ministry of Government Services of Ontario, as of the Effective Date, to amend, among other things, certain provisions of the Articles of the Company related to the rights attached to the existing redeemable Class A, Class B, Class I, Class J and voting classes of shares and provided for the creation of a new class of common shares for which all existing classes of redeemable shares were exchanged on November 29, 2013 (the "Exchange Date").

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 allowing the Company to pay monthly dividends to shareholders.

1. TRANSITION TO PUBLIC COMPANY REGIME

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

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

As part of the Transition, the Company provided a one-time special redemption right of up to 15% of the issued and outstanding shares of each class of redeemable shares (the "Special Redemption"). The Company redeemed requests from holders of 5,454,283 Class A shares, 32,933 Class B shares, 74,000 Class I shares and no Class J shares for the Special Redemption. The total redemptions payable of $51,549,583 was paid on November 27, 2013. On the Exchange Date, the Company exchanged all of the 30,825,108 outstanding Class A shares, 186,626 outstanding Class B shares, 424,700 outstanding Class I shares and 86,250 outstanding Class J shares into a newly created class of common shares. The common shares commenced trading on the Toronto Stock Exchange ("TSX") on the Exchange Date, continuing under the symbol 'MTG', and the Class A shares ceased to trade after the close of market on November 28, 2013.

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

In connection with the Transition, the Company had incurred total costs of $4,120,883, which included soliciting dealer fees, soliciting broker fees, audit fees, legal fees and other related costs. The Manager elected to assume responsibility for $250,000 of costs relating to the Transition.

2. BASIS OF PREPARATION

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standard Board ("IASB") and were approved by the Board of Directors on February 24, 2015.

(b) Functional and presentation currency:

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

(c) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis.

(d) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and a wholly owned subsidiary of the Company, Timbercreek Senior Mortgage Trust (the "Trust"). 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 pricing services, is used to measure fair values, then the Manager assesses 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 note 15.

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 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) Dividends

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

(d) 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 distribution results in the Company being effectively exempt from taxation and no provision for current or deferred taxes is required for the Company and its Trust.

(e) Financial instruments

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale, or (v) other liabilities. Financial instruments are recognized initially at fair value, plus in the case of financial instruments not FVTPL any incremental direct transaction costs. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income. The classification of the Company's financial instruments are outlined in note 15.

Prior to the Transition, net assets attributable to holders of redeemable shares were carried on the consolidated statements of financial position at net asset value. The presentation of net assets attributable to redeemable shares reflected, in total, that the interests of the holders were limited to the net assets of the Company. After the Transition, the redeemable shares were exchanged into common shares and are classified as shareholders' equity in the statement of financial position as at December 31, 2013, as outlined in note 1.

(f) 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 (loss) is recognized in profit or loss.

The Company enters into transactions whereby it transfers mortgage or 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 or a portion of them. 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.

(g) 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 at the time a borrower has not fulfilled the terms and conditions of a lending commitment and payment has been received.

(h) Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies set out to all periods presented in these consolidated financial statements.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2014.

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

In December 2011, the IASB published Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) and issued new disclosure requirements in IFRS 7, Financial Instruments: Disclosures, with the amendments applied retrospectively. The implementation of this amendment has resulted in presentation of cash and cash equivalents separately, which was previously offset against the advances from (repayments of) credit facility in the cash flow statement. For the year ended December 31, 2014, the impact of this change in financing activities is nil. For the year ended December 31, 2013, the impact of this change in financing activities is a decrease of $3,199,594 and an increase of cash and cash equivalents by $3,199,594 at December 31, 2012.

(i) Future changes in accounting policies

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

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

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

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

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

4. MORTGAGE INVESTMENTS, INCLUDING MORTGAGE SYNDICATIONS

December 31, 2014	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications	$ 482,999,547	$ (51,703,166)	$ 431,296,381
Interest receivable	2,653,304	(205,681)	2,447,623
	485,652,851	(51,908,847)	433,744,004
Unamortized lender fees	(2,268,655)	151,570	(2,117,085)
Allowance for mortgage investments loss (c)	(175,000)	–	(175,000)
	$ 483,209,196	**$ (51,757,277)**	**$ 431,451,919**

December 31, 2013	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications	$ 516,642,938	$ (115,186,473)	$ 401,456,465
Interest receivable	2,638,539	(461,165)	2,177,374
	519,281,477	(115,647,638)	403,633,839
Unamortized lender fees	(3,484,359)	235,365	(3,248,994)
	$ 515,797,118	**$ (115,412,273)**	**$ 400,384,845**

As at December 31, 2014, unadvanced mortgage commitments under the existing gross mortgage investments amounted to $129,494,810 (December 31, 2013 – $34,909,805). Subsequent to the year ended December 31, 2014, $4,918,436 of the commitments have been funded.

(a) Net mortgage investments

The net mortgage investments are secured by a first priority charge, bearing interest at a weighted average interest rate of 6.18% (December 31, 2013 – 6.52%) and mature between 2015 and 2019 (December 31, 2013 – 2014 and 2016).

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

For the year ended December 31, 2014, the Company received total lender fees, net of fees relating to mortgage syndication liabilities, of $1,726,651 (2013 – $3,266,812), respectively, which are amortized to interest income over the term of the related mortgage investments using the effective interest rate method.

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

2015	$ 186,423,538
2016	148,423,058
2017	93,349,785
2018	–
2019	3,100,000
Total	**$ 431,296,381**

(b) Mortgage syndication liabilities

The Company has entered into certain mortgage participation agreements with mainly third party lenders, using senior and subordinated participation, whereby the third party lenders take the senior position and the Company retains the subordinated position, all of which is secured by first mortgage positions. The Company generally retains an option to repurchase the senior position, not the obligation, at a purchase price equal to the outstanding principal amount of the lender's 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 which meet the criteria for derecognition under IFRS. The difference between the carrying value of such interest sold and the proceeds on sale are recognized as a gain or loss in profit and loss.

As at December 31, 2014 the carrying value of the transferred assets and corresponding non-recourse liabilities is $51,757,277 (December 31, 2013 – $115,412,273). The Company has also recognized interest income of $3,702,454 (2013 – $3,881,883) and fee income of $240,761 (2013 – $235,365) and a corresponding interest and fee expense of $3,943,215 (December 31, 2013 – $4,117,248) in the statements of net income (loss) and comprehensive income (loss). The fair value of the transferred assets and non-recourse mortgage syndicated liabilities approximate their carrying values (see note 15(a)).

(c) Allowance for mortgage investments loss

As at December 31, 2014, the Company has concluded that there is no objective evidence of impairment on any individual mortgage investments. 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, 2014, the Company has a collective impairment allowance of $175,000 (December 31, 2013 – nil).

5. CREDIT FACILITY

In December 2014, the Company increased the credit facility limit to $190,000,000 from $145,000,000 ,bearing interest at either the prime rate of interest plus 1% or bankers' acceptances ("BA") with a stamping fee of 2% of the face amount of such BA. The leverage of the Company in aggregate cannot exceed 40% of the aggregate value of the assets of the Company at any time. The credit facility is secured by a general security agreement over the Company's assets. The credit facility matures on June 23, 2016.

At December 31, 2014, $142,075,999 (December 31, 2013 – $108,970,646) was outstanding on the credit facility. Interest costs related to the credit facility are recorded in financing costs using the effective interest rate method. For the year ended December 31, 2014, interest on the credit facility of $4,493,561 (December 31, 2013 –$2,855,450), is included in financing costs.

As at December 31, 2014, there were $842,975 (December 31, 2013 – $224,919) in unamortized financing costs related to the credit facility netted against the outstanding balance. For the year ended December 31, 2014, the Company has amortized financing costs of $602,258 (2013 – $552,022) to interest expense using the effective interest rate method.

6. VOTING SHARES

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

7. REDEEMABLE SHARES

As part of the Transition outlined in note 1, on the Exchange Date all classes of redeemable shares including Class A, Class B, Class I and Class J shares were exchanged into common shares at the ratios specified in note 8.

Prior to the Transition, the Class A shares were publicly listed on the TSX under the symbol ‘MTG’. Class B shares were issued to fee-based and institutional investor accounts and were not listed on any stock exchange. Class I shares and Class J shares were issued by private placement from time to time to accredited investors, institutions, trusts, endowment funds and other discretionary pools of capital and were not listed on any stock exchange. The Company was authorized to issue these classes of shares, which were redeemable at the holder's option and were subject to different fee structures. The Company classifies financial instruments issued as either financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The redeemable shares were classified as financial liabilities and presented as "net assets attributable to holders of redeemable shares" in the statements of financial position.

The changes in the number of Class A, Class B, Class I and Class J shares are as follows:

Year ended December 31, 2013	Class A	Class B	Class I	Class J
Redeemable shares outstanding, beginning of year	31,029,785	–	329,700	331,000
Issued	5,916,446	220,559	184,000	31,250
Issuance of redeemable shares under dividend reinvestment plan	149,790	–	–	–
Exchanged	298,470	(1,000)	(15,000)	(276,000)
Redeemed	(5,472,086)	(32,933)	(74,000)	–
Repurchased	(1,097,297)	–	–	–
Exchanged to common shares	(30,825,108)	(186,626)	(424,700)	(86,250)
Redeemable shares outstanding, end of year	**–**	**–**	**–**	**–**

On January 8, 2013, the Company completed a public offering of 5,916,446 Class A shares, for gross proceeds of $58,276,993. The Company also completed an offering of 220,559 Class B shares, for gross proceeds of $2,205,590.

On May 13, 2013, the Company completed a private placement and issued 184,000 Class I shares for gross proceeds of $1,840,000.

On August 30, 2013, the Company completed a private placement and issued 31,250 Class J shares for gross proceeds of $300,000.

In connection with the above-noted share offerings, the Company incurred $3,301,363 in issuance costs for the year ended December 31, 2013. Under IFRS, Class A, B, I and J shares are considered debt instruments, and accordingly, the Company has recorded these issuance costs through profit and loss.

(a) Dividends to holders of redeemable shares

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

Year ended December 31, 2013	Dividends per share	Total
Class A shares	$ 0.500	$ 18,415,979
Class B shares	0.540	118,778
Class I shares	0.540	235,224
Class J shares	0.520	103,779
Total		**$ 18,873,760**

(b) Normal course issuer bid

On June 6, 2013, the Company received the approval of the TSX to commence a normal course issuer bid to purchase for cancellation up to 3,709,327 Class A shares, representing approximately 10% of the Class A shares float on June 4, 2013, with an expiry date of June 9, 2014 or such earlier date that the bid is complete. The purchases were limited during any 30-day period during the term to 742,045 Class A shares in aggregate. From June 10, 2013 to November 29, 2013, the date of the exchange of the Company's Class A shares to common shares, the Company acquired for cancellation 1,014,400 Class A shares at a cost of $9,197,864.

8. COMMON SHARES

As outlined in note 1, on the Effective Date the shareholders of the Company approved the automatic exchange of all outstanding Class A, Class B, Class I and Class J shares, on the Exchange date, into a new class of common shares. The exchange ratio approved was 1 to 1 for each Class A share and an exchange ratio for each of the Class B, Class I and Class J shares equal to the quotient obtained by dividing the net redemption value per Class B, Class I and Class J share by the net redemption value per Class A share on the last business day of the month immediately preceding such exchange date. On the Exchange Date, 30,825,108 Class A shares, 186,626 Class B shares, 424,700 Class I shares and 86,250 Class J shares were exchanged into 31,556,608 common shares.

On November 29, 2013, upon the completion of the exchange in accordance with the Company's Articles, the common shares commenced trading on the TSX.

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

The common shares are classified as 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.

The changes in the number of common shares for the years ended December 31, 2014 and 2013 are as follows:

	Years ended December 31,	
	2014	2013
Common shares outstanding, beginning of year	31,556,608	–
Common shares issued as a result of exchange	–	31,556,608
Common shares repurchased	(118,479)	(7,426)
Issuance of common shares under dividend reinvestment plan	118,479	7,426
Common shares outstanding, end of year	**31,556,608**	**31,556,608**

(a) Dividend reinvestment plan

The Company has amended and restated its dividend reinvestment plan effective as of November 20, 2013. The amended and restated dividend reinvestment plan (the "Amended DRIP") replaces in its entirety the original DRIP (the "Original DRIP") established by the Company on April 18, 2012.

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

Under the Amended DRIP, shareholders may enroll to have their cash dividends reinvested to purchase additional common shares. The Manager can elect to purchase common shares on the open market or issue common shares from treasury. For the year ended December 31, 2014, 118,479 common shares were purchased on the open market under the Amended DRIP (2013 – 66,893 Class A shares issued and 82,897 Class A shares purchased on the open market under the Original DRIP, 7,426 common shares purchased on the open market under the Amended DRIP.

(b) Dividends to holders of common shares

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

During the year ended December 31, 2014, the Company declared $18,933,965 ($0.60 per share) to the holders of common shares (2013 – $3,155,661 or $0.10 per share). As at December 31, 2014, $1,577,831 (December 31, 2013 – $1,577,831) was payable to the holders of common shares. Subsequent to December 31, 2014, the Company declared dividends of $1,577,831 ($0.05 per share) to the holders of common shares.

(c) Normal course issuer bid

On November 13, 2014 the Company received the approval of the TSX to commence a normal course issuer bid to purchase for cancellation up to 3,133,590 common shares, representing approximately 10% of the common shares float on November 11, 2014, with an expiry date of November 16, 2015 or such earlier date that the bid is complete. Subject to certain exemptions for block purchases, the maximum number of common shares that the Company may acquire on any one trading day is 8,454 common shares, such amount representing 25% of the average daily trading volume of the common shares for the six calendar months prior to the start of the normal course issuer bid. From November 13, 2014 to December 31, 2014, the Company did not acquire any common shares for cancellation.

9. EXPENSES

(a) Management fees

The Manager is responsible for the day-to-day operations of the Company, including administration of the Company's mortgage investments. As a part of the Transition detailed in note 1, the Company has entered into a new management agreement with the Manager as of the Effective Date. Under the new management agreement, the Company shall pay to the Manager, a management fee equal to 0.85% per annum of the gross assets of the Company (previously 1% per annum of the net assets of the Company), calculated and paid monthly in arrears, plus applicable taxes. Gross assets are defined as the total assets of the Company before deducting any liabilities, less any amounts that are reflected as mortgage syndication liabilities related to syndicated mortgage investments that are held by third parties. The initial term of the new management agreement is 10 years from the Effective Date and is automatically renewed for successive five year terms at the expiration of the initial term.

For the year ended December 31, 2014, the Company incurred management fees of $3,888,665 (2013 – $3,989,872).

(b) Trailer fees

Prior to the Effective Date, the Company paid each registered dealer a trailer fee equal to 0.50% annually of the net redemption value per Class A share for each Class A share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter. In conjunction with the Transition, as of the Effective Date the Company no longer pays trailer fees on Class A shares to registered dealers. As such, the Company paid no Class A trailer fees for the year ended December 31, 2014 (2013 – $802,497).

Prior to the Effective Date, the Company paid each registered dealer a trailer fee equal to 0.25% annually of the net redemption value per Class J share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter. As of the Effective Date, the Company no longer pays trailer fees on Class J shares to registered dealers. As such, the Company paid no class J trailer fees for the year ended December 31, 2014 (2013 – $2,795).

10. EARNINGS PER SHARE

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

(a) Basic and diluted earnings per share

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

	Years ended December 31,	
	2014	2013
Numerator for earnings per share:		
Net income (loss) and comprehensive income (loss)	$ 18,716,956	$ (6,452,957)
Issuance costs of redeemable shares	–	3,301,363
Dividends to holders of redeemable shares	–	18,873,760
Net income attributable to common shares	$ 18,716,956	$ 15,722,166
Denominator for earnings per share:		
Weighted average of common shares (basic and diluted)	31,556,608	37,031,011
Earnings per share – basic and diluted	$ 0.59	$ 0.42

11. RELATED PARTY TRANSACTIONS

(a) As at December 31, 2014, due to Manager includes management fees payable of $23,050 (December 31, 2013 – $318,266) and $6,919 (December 31, 2013 – $4,239) relating to costs incurred by the Manager on behalf of the Company.

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

(c) As at December 31, 2014, included in other assets is $858,003 (December 31, 2013 – $3,095,410), of cash held in trust for the Company by Timbercreek Mortgage Servicing Inc., the Company's mortgage servicing and administration provider, a company controlled by the Manager. The balance relates to mortgage funding holdbacks and prepaid mortgage interest received from various borrowers.

(d) The Company co-invested in a mortgage investment with a total gross commitment of $76,097,424, with the Company's share of the commitment totalling $48,594,072. The president of one of the co-investors in the financing is also an independent director of the Company. As at December 31, 2014, the Company has funded $8,255,778.

(e) The Company has entered into a mortgage investment with a total gross commitment of $84,108,000, with the Company's share of the commitment totalling $14,190,000. One independent director of the Company is an officer of an indirect investor in the borrower. Another independent director is an officer and a part-owner of another co-investor in the borrower. As at December 31, 2014, the Company funded $1,611,196.

(f) The Company has entered into a mortgage investment with a total gross commitment of $4,640,000, with the Company's share of the commitment totalling $3,901,095. An independent director is an officer and a part-owner of the borrower. During 2014, the Company funded a total amount of $3,901,095 and was subsequently repaid in full.

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

(h) In addition to the above related party transactions, the Company has transacted with other funds managed by the Manager, which are as follows:

i. As at December 31, 2014, the Company, Timbercreek Mortgage Investment Corporation ("TMIC"), Timbercreek Four Quadrant Global Real Estate Partners ("T4Q") and Timbercreek Canadian Direct LP, related parties by virtue of common management, have co-invested in several gross mortgage investments, totalling $566,814,488 (December 31, 2013 – $683,157,039). The Company's share in these net mortgage investments is $423,270,549 (December 31, 2013 – $465,961,118). Included in these amounts is net mortgage investment of $8,872,821 (December 31, 2013 – $7,669,738) was provided to a limited partnership, which is partially owned by T4Q.

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.

12. INCOME TAXES

As of December 31, 2014, the Company has non-capital losses carried forward for income tax purposes of $15,003,529 (December 31, 2013 – $8,971,000), which will expire between 2032 and 2034 (December 31, 2013 – 2032 and 2033), if not used. The Company also has future deductible temporary differences resulting from share issuances, prepaid mortgage and loan interest, unearned income and financing costs for income tax purposes of $14,000,707 (December 31, 2013 – $19,373,000).

13. 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 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. The investment restrictions also permit the Company to maintain constant leverage. The aggregate amount of borrowing by the Company may not exceed 40% of the total assets of the Company. At December 31, 2014, the Company was in compliance with its investment restrictions.

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

14. RISK MANAGEMENT

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

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of December 31, 2014, $53,866,636 of mortgage investments bear interest at variable rates, however of this amount, $52,255,440 of mortgage investments include a “floor-rate” to protect its negative exposure and one mortgage investments totalling $1,611,196 bears interest at a variable rate without a floor rate. If there were a 0.50% decrease in interest rates, with all other variables constant, the impact from variable rate mortgage investments would be a decrease in net income of $8,056; whereas a 0.50% increase in interest rates would result in an increase of $269,333 in net income of the Company. 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.

The Company is exposed to interest rate risk on the credit facility, which has a balance of $142,075,999 as at December 31, 2014. Based on the outstanding balance of the credit facility as at December 31, 2014,

a 0.50% decrease in interest rates, with all other variables constant, will increase net income by $710,380 annually, arising mainly as a result of lower interest expense payable on the credit facility. A 0.50% increase in interest rates would have an equal but opposite effect on the net income of the Company.

The Company's other assets, accounts payable and accrued expenses, dividends payable, due to Manager, mortgage funding holdbacks, and prepaid mortgage interest have no exposure to interest rate risk due to their short-term nature.

(b) Credit risk

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

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

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

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

The maximum exposure to credit risk at December 31, 2014 is the carrying values of its net mortgage investments and interest receivable, which total $433,744,004 (December 31, 2013 – 403,633,839). 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.

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

December 31, 2014	Carrying Values	Contractual cash flows	Within a year	Following year	3 – 5 years
Accounts payable and accrued expenses	$ 287,264	$ 287,264	$ 287,264	$ –	$ –
Dividends payable	1,577,831	1,577,831	1,577,831	–	–
Due to Manager	29,969	29,969	29,969	–	–
Mortgage funding holdbacks	92,838	92,838	92,838	–	–
Prepaid mortgage interest	765,165	765,165	765,165	–	–
Credit facility[1]	142,075,999	150,483,784	5,683,040	144,800,744	–
	144,829,066	153,236,851	8,436,107	144,800,744	–
Unadvanced mortgage commitments[2]	–	129,494,810	129,494,810	–	–
	$ 144,829,066	$ 282,731,661	$ 137,930,917	$ 144,800,744	$ –

1 Includes interest based upon a 4% interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity in June 2016.

2 Unadvanced mortgage commitments include syndication commitments.

15. FAIR VALUES MEASUREMENTS

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

	Carrying Value		
December 31, 2014	Loans and receivable	Other financial liabilities	Fair value
Financial assets not measured at fair value			
Other assets	$ 1,078,711	$ –	$ 1,078,711
Mortgage investments, including mortgage syndications	483,209,196	–	483,209,196
Financial liabilities not measured at fair value			
Accounts payable and accrued expenses	–	287,264	287,264
Dividends payable	–	1,577,831	1,577,831
Due to Manager	–	29,969	29,969
Mortgage funding holdbacks	–	92,838	92,838
Prepaid mortgage interest	–	765,165	765,165
Credit facility	–	141,233,024	141,233,024
Mortgage syndication liabilities	–	51,757,277	51,757,277

	Carrying Value		
December 31, 2013	Loans and receivable	Other financial liabilities	Fair value
Financial assets not measured at fair value			
Other assets	$ 3,209,643	$ –	$ 3,209,643
Mortgage investments, including mortgage syndications	515,797,118	–	515,797,118
Financial liabilities not measured at fair value			
Accounts payable and accrued expenses	–	1,091,467	1,091,467
Dividends payable	–	1,577,831	1,577,831
Due to Manager	–	322,505	322,505
Mortgage funding holdbacks	–	1,459,055	1,459,055
Prepaid mortgage interest	–	1,636,355	1,636,355
Credit facility	–	108,745,727	108,745,727
Mortgage syndication liabilities	–	115,412,273	115,412,273

The fair value hierarchy, valuation techniques and the inputs used for the Company's assets and liabilities are as follows:

(a) Mortgage investments and mortgage syndication liabilities

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

(b) Other financial assets and liabilities

The fair values of 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.

There were no transfers between Level 1, Level 2 and Level 3 in December 31, 2014 and 2013.

16. COMMITMENTS AND CONTINGENCIES

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

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

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The Company paid $94,759 (December 31, 2013 – $68,394) to members of the Board of Directors and Independent Review Committee for their services to the Company. The compensation to the senior management of the Manager is paid through the management fees paid to the Manager (note 9(a)).

18. COMPARATIVES

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

19. SUBSEQUENT EVENT

(a) Non-executive director deferred share unit plan

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