



Timbercreek Senior Mortgage Investment Corporation is a leading, non-bank lender providing shorter-duration, customised first mortgage financing solutions to professional real estate investors.

# Timbercreek Senior Mortgage Investment Corporation

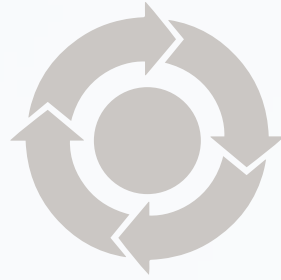
Annual Report 2014

Our sophisticated, service-oriented approach allows us to meet the needs of commercial real estate borrowers that are not typically satisfied through the conventional lending market. This includes the provision of smaller, shorter-duration mortgages with very flexible terms and fast execution. By employing thorough underwriting, active management and strong governance, we are able to meet the needs of this borrower market while **providing strong risk-adjusted returns to investors.**



# Drivers of Our Success

## Our Strategy



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



NO principal  
impairments  
since inception

## Our People



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



\$3.7 billion  
in mortgage originations by  
Timbercreek since inception

## Superior Customer Service



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



Repeat borrowers represent  
**65%**  
of new business

# 2014 Company Highlights

100%

first mortgages

56%

weighted average loan-to-value

\$220.3 million

in new mortgage investments funded (32 loans)

\$241.6 million

in full repayments and partial paydowns (32 loans fully repaid)

7%

portfolio growth

62%

portfolio turnover

# Disciplined Investment Strategy

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

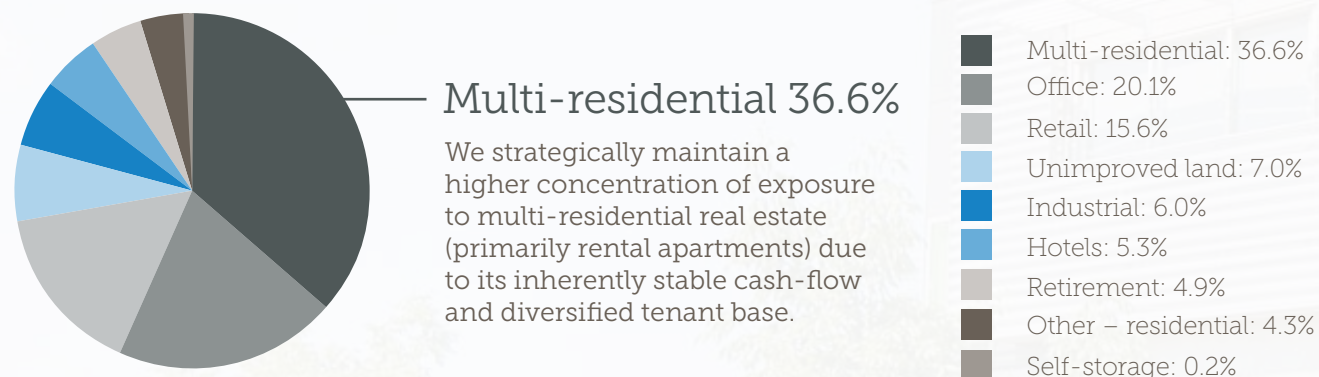
## Diversity by Region and Asset Type

Our portfolio currently consists of 62 loans spread across seven provinces and nine asset classes. We focus on loans secured by real estate with strong liquidity characteristics, such as properties located in urban markets with stable cash-flow.

### Regional Mix



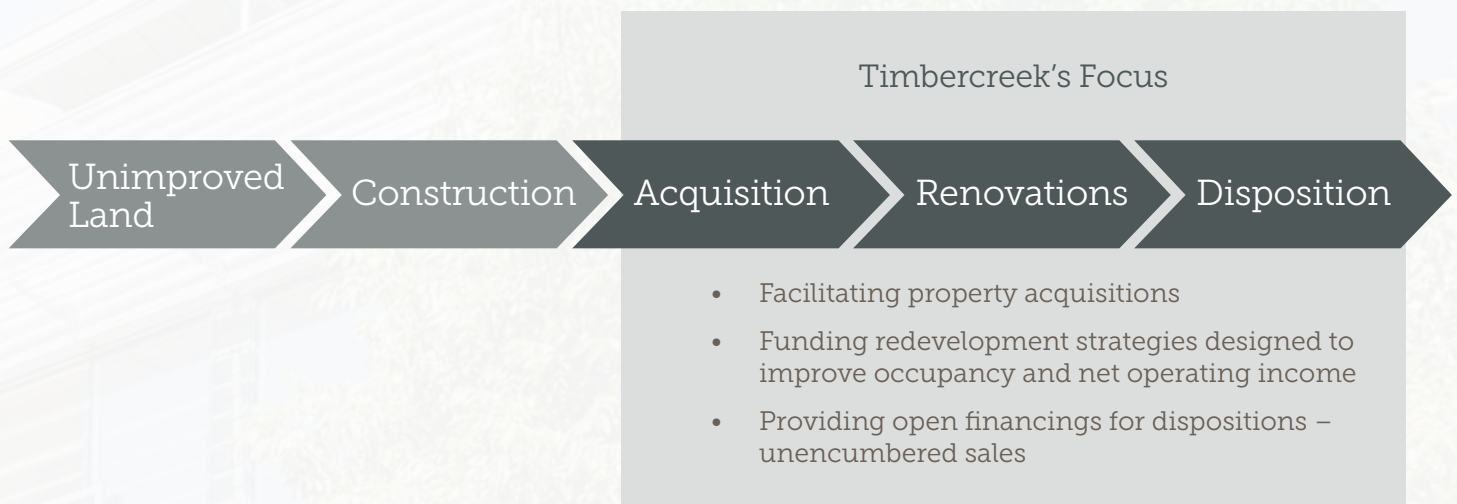
### Asset Type





# Our Differentiator: Income-Producing Properties

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



We focus on income-producing assets because they offer:

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

# Sample Investments

## Saskatoon, SK

Saskatoon, Saskatchewan's largest city, has one of Canada's fastest growing and youngest populations. Since young, skilled workers are the cornerstone of any economy, it is expected that Saskatoon's workforce will contribute to strong growth over the next several years. This multi-residential property is conveniently located close to all essential services, as well as parks, restaurants and a golf course. The investment is a first mortgage loan to facilitate completion of renovations that will allow for higher lease rates on the rental units.

### Criteria

Asset type

Loan size (\$1 – \$50M)

Term (6 months – 5 years)

Interest

Fees

### Investment

Multi-residential

\$29,520,000

22 months

5.25%

0.56%



## Québec City, QC

Home ownership in Québec City is made easier by costs that are extremely competitive compared to the rest of the country. With affordable education, efficient public transit and free healthcare, the overall cost of living is very attractive in Québec City. Boasting the lowest crime rate among large urban centers in North America, Québec City offers families a safe environment and has been named the safest metropolitan area to raise children in Canada. We have recently provided financing for a multi-residential property located in a newly-built section of the city. The mortgage was used to repay the construction loan and will finance the property through the lease-up period.

### Criteria

Asset type

Loan size (\$1 – \$50M)

Term (6 months – 5 years)

Interest

Fees

### Investment

Multi-residential

\$8,250,000

24 months

5.25%

0.75%





# Letter to Shareholders

I am pleased to report to you on the third year results for Timbercreek Senior Mortgage Investment Corporation.

Our priority, as always, is our investors. Since inception, our objective has been twofold. One, to **preserve your capital** by investing in only the highest quality mortgages; and two, to provide you with a **stable income stream**, which is enhanced by the fact that we pass on 100% of lender fees to you.

We protect your capital by utilizing **several strong risk-mitigating strategies**. One way we do this is by investing primarily in loans secured by income-producing properties. We believe that demand for properties with some form of rental income in-place is higher and more stable than demand for land or properties under construction. This stability provides more certainty in repayment strategies and allows us to sell properties faster in the event of foreclosure, minimizing the likelihood of impairment. We also believe there is a lower probability of default when the property has existing cash-flow to service the debt. **Our focus on cash-flowing properties is a key differentiator in our business model** and something we believe increases the overall quality of the portfolio while significantly reducing risk.

Additional risk-mitigating strategies include maintaining a conservative loan-to-value ratio and ensuring the portfolio is well diversified by asset type, location and borrower. Our portfolio currently consists of 62 loans across more than nine asset types in all major provinces. In 2014, in keeping with our conservative, active management philosophy, we reduced our exposure to Alberta and oil sector tenants to 4% of the portfolio.

The portfolio's quality is illustrated by the healthy turnover we've experienced since inception which we attribute to the quality of the underlying security and borrowers. We have funded over \$1.1 billion and averaged 66% turnover since our IPO in 2012. More than 90% of our loans are also repaid early, which means our clients are successfully executing on their business plans. This further illustrates the thoroughness of our underwriting process. In addition, our reputation for delivering exceptional customer service has resulted in more than 65% of the Company's business last year coming from existing clients.

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

Our total assets grew by approximately 7% in 2014 to \$431.3 million. We advanced 32 new investments totaling \$220.3 million and a further \$51.1 million on existing mortgages. Repayments and partial pay-downs on investments totalled \$241.6 million, with 32 mortgages fully repaid in 2014. We also maintained our **track record of zero principal impairments**.

Strong turnover coupled with a robust investment platform has allowed us to continue to grow the portfolio year-over-year. We are proud to say we have done this without compromising the quality of the underlying investments.

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

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

We are starting 2015 fully invested, with access to a larger credit facility in order to safeguard against unanticipated repayments, such as we experienced in the early part of 2014. As interest rates remain low, borrowers are less anxious to lock down long-term rates, resulting in a greater appetite for short-term loans. This environment is creating more opportunities for us to invest on terms with which we are comfortable. We will continue to invest with a view to the long-term and to achieving rates that are consistent with our forecasts and budgets while ensuring **we provide you with strong, stable, income**.

There are **many people to thank for all that has been accomplished this year**. Mostly to you – our shareholders – for your continued confidence and support. Also to the team for their commitment to ensuring the portfolio quality and deal flow strength. I would also like to express my gratitude to our Board of Directors and Mortgage Advisory Committee for their insight and guidance. I look forward to 2015 and to providing you with further updates on the business.



Andrew Jones  
Chief Executive Officer,  
Timbercreek Senior Mortgage Investment Corporation  
March 2015

# Management's Discussion and Analysis

For the year ended December 31, 2014

## FORWARD-LOOKING STATEMENTS

### Forward-looking statement advisory

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

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

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

This MD&A is dated February 24, 2015. Disclosure contained in this MD&A is current to that date, unless otherwise noted. Additional information on the Company, its dividend reinvestment plan and its mortgage investments is available on the Manager's website at [www.timbercreek seniormic.com](http://www.timbercreek seniormic.com). Additional information on the Company, including its AIF, can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).



## **BUSINESS OVERVIEW**

Timbercreek Senior Mortgage Investment Corporation (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 explained below, the Company filed articles of amendment 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 shares, and provide for the creation of a new class of common shares for which all existing classes of redeemable shares were exchanged. On November 29, 2013 (the "Exchange Date"), all issued and outstanding Class A, Class B, Class I and Class J shares were exchanged into common shares.

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

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

## **TRANSITION TO PUBLIC COMPANY REGIME**

On September 12, 2013, the Company received shareholder 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 an MD&A.

As part of the Transition, the Company provided a one-time special redemption right of up to 15% of the issued and outstanding redeemable shares of each class (the "Special Redemption"). The Company redeemed requests from holders of 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 \$51.5 million were paid on November 27, 2013. On the Exchange Date, the Company exchanged all of the outstanding 30,825,108 Class A shares, 186,626 Class B shares, 424,700 Class I shares and 86,250 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 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 incurred total costs of \$4.1 million which includes soliciting dealer fees, soliciting broker fees, audit fees, legal fees and other related costs. The Manager elected to assume responsibility for \$0.3 million of costs relating to the Transition.

## **BASIS OF PRESENTATION**

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

The functional and reporting currency of the Company is Canadian dollars and unless otherwise specified, all amounts in this MD&A are in thousands of Canadian dollars, except per share and other non-financial data. Copies of these documents have been filed electronically with securities regulators in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com).

## **NON-IFRS MEASURES**

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

- Expense ratio – represents total expenses (excluding financing costs, transition related costs and provision for mortgage investments loss) for the stated period, expressed as an annualized percentage of total assets less mortgage syndication liabilities;
- Net mortgage investments – represents total mortgage investments, net of mortgage syndication liabilities and before adjustments for interest receivable, unamortized lender fees and allowance for mortgage investments loss as at the reporting date;
- Average net mortgage investment – represents the total net mortgage investments divided by the total number of mortgage investments at the reporting date;
- Average net mortgage investment portfolio – represents the monthly average of the net mortgage investments portfolio over the stated period;
- Weighted average interest rate – represents the weighted average of interest rates (not including lender fees) on the net mortgage investments at the reporting date;
- Weighted average lender fees – represents the cash lender fees received on individual mortgage investments during the stated period, expressed as a percentage of the Company's advances on those net mortgage investments. If the entire lender fee is received but the mortgage investment is not fully funded, the denominator is adjusted to include the Company's unadvanced commitment;
- Weighted average loan-to-value – a measure of advanced and unadvanced mortgage commitments on a mortgage investment, including priority or pari-passu debt on the underlying real estate, as a percentage of the fair value of the underlying real estate collateral at the time of approval of the mortgage investment. For construction/redevelopment mortgage investments, fair value is based on an 'as completed' basis;
- Leverage – represents the total credit facility balance divided by total assets less any amounts that are reflected as mortgage syndication liabilities;
- Targeted dividend yield – represents the average 2-Year Government of Canada Bond Yield plus 350 basis points;
- Actual dividend yield – represents the total per share dividend for the stated period for Class A shares and common shares divided by the trading close price for the stated period;
- Adjusted net income (loss) and comprehensive income (loss) – represents net income (loss) and comprehensive income (loss) for the stated period excluding Transition related costs, issuance costs of redeemable shares and dividends to holders of redeemable shares;



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

## **RECENT DEVELOPMENTS AND OUTLOOK**

The Company had a very active year in 2014 and was successful in maintaining a well-diversified portfolio of first mortgage loans primarily secured by income-producing real estate. Portfolio turnover remained strong with \$242 million repaid in 2014 equating to 62% turnover in the portfolio. In spite of the extraordinary repayments experienced in the second quarter, the Company funded \$271 million throughout 2014 which resulted in portfolio growth of 7% year-over-year. Given the performance of the portfolio, we also weren't required to recognize any specific impairments in 2014, demonstrating the quality of the mortgage investments.

Despite higher levels of competition and downward pressures on bond yields, the Company continued to source quality mortgage investment opportunities that achieved a weighted average interest rate on the portfolio of 6.2%. While this weighted average interest rate was slightly lower than the end of 2013, this was partially offset by increased credit facility utilization and lender fees from high turnover.

Strong investment activity in the last two quarters also allowed the Company to fund \$141 million from the credit facility which increased our utilization. While the under-utilization of the facility in the first two quarters resulted in a modest over-distribution of income, income generated in the third and fourth quarter exceeded the respective quarterly dividend obligations and brought the annual payout ratio closer to our target of 100%. To mitigate against the impacts of higher-than-expected turnover, the Company increased the size of the credit facility to \$190 million in December. The objective will be to increase leverage to better manage lumpy investment activity throughout the year and allow the Company to consistently maintain its target utilization level.

The Company has maintained minimal exposure to the Alberta real estate market in recent quarters due to the Manager's concerns around aggressive valuations and competition. As at December 31, the Company had only 4% of the portfolio invested in Alberta. As a result, the Company does not feel that it is directly exposed in any material way to downward pressure on oil prices. However, under the current conditions and the abrupt exit of conventional lenders, the Alberta market has become more attractive. The Company will be actively seeking opportunities to capitalize on the lack of capital available in this market to generate strong risk-adjusted returns.

Overall, performance in 2014 was strong and the Company is well positioned for a successful 2015. Additional capacity on the credit facility will allow the Company to increase utilization throughout the year and the Manager believes it will be able to continue to source investment opportunities at interest rates that will allow the Company to continue to meet its dividend obligation going forward.

**FINANCIAL HIGHLIGHTS**  
**STATEMENT OF FINANCIAL POSITION HIGHLIGHTS**

<b>As at</b>	<b>December 31, December 31, December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>KEY FINANCIAL POSITION INFORMATION</b>			
Mortgage investments, including mortgage syndications	\$ 483,209	\$ 515,797	\$ 373,929
Total assets	484,288	519,007	376,067
Credit facility	141,233	108,746	33,602
Total liabilities	195,743	230,245	80,010
<b>CAPITAL STRUCTURE</b>			
Net assets attributable to holders of redeemable shares	–	–	296,057
Shareholders' equity	288,544	288,762	–
Credit facility limit	190,000	130,000	130,000
Credit facility balance at year end	142,076	108,971	37,500
Leverage <sup>1</sup>	32.9%	27.0%	11.1%
<b>COMMON SHARE INFORMATION</b>			
Number of common shares outstanding	31,556,608	31,556,608	–
Number of Class A redeemable shares outstanding	–	–	31,029,785
Number of Class I redeemable shares outstanding	–	–	329,700
Number of Class J redeemable shares outstanding	–	–	331,000
Closing trading price	8.71	8.54	9.80
Market capitalization	\$ 274,858	\$ 269,493	\$ 304,092

<sup>1</sup> Refer to non-IFRS Measures section, where applicable.



## Operating Results Highlights

	Three months ended December 31,		Year ended December 31,		
	2014	2013	2014	2013	2012
Net interest income	\$ 7,174	\$ 7,325	\$ 28,159	\$ 28,234	\$ 12,941
Income from operations	5,900	5,889	23,211	18,578	9,165
Net income (loss) and comprehensive income (loss)	4,625	2,986	18,717	(6,453)	(18,656)
Earnings per share (basic and diluted) <sup>1</sup>	0.15	0.14	0.59	0.42	n/a
Adjusted net income (loss) and comprehensive income (loss) <sup>2</sup>	4,625	4,979	18,717	19,593	8,170
Adjusted earnings per share (basic and diluted) <sup>2</sup>	0.15	0.14	0.59	0.53	0.34
Dividends to shareholders	4,733	5,007	18,934	22,030	13,391
Cash flow from operating activities	6,678	4,282	20,927	19,195	10,920
Distributable income	4,573	5,579	18,362	21,082	10,828
Distributable income per share (basic and diluted) <sup>1</sup>	0.14	0.16	0.58	0.57	0.44
Targeted dividend yield <sup>2</sup>	4.52%	4.61%	4.55%	4.61%	4.61%
Actual dividend yield <sup>2</sup>	6.83%	6.97%	6.89%	7.03%	5.61%
Payout ratio <sup>3</sup>	103.5%	89.7%	103.1%	104.5%	123.7%
Dividends per share:					
Class A	–	0.050	–	0.500	0.550
Class B	–	0.054	–	0.540	–
Class I	–	0.054	–	0.540	0.324
Class J	–	0.052	–	0.520	0.364
Common	0.150	0.100	0.600	0.100	–
<b>NET MORTGAGE INVESTMENTS INFORMATION<sup>2</sup></b>					
Net mortgage investments	431,296	401,456	431,296	401,456	332,999
Total number of net mortgage investments	62	62	62	62	32
Average net mortgage investment	\$ 6,956	\$ 6,475	\$ 6,956	\$ 6,475	\$ 10,406
Weighted average interest rate	6.2%	6.5%	6.2%	6.5%	6.7%
Weighted average lender fee <sup>4</sup>	0.5%	0.7%	0.6%	0.9%	0.7%
Turnover ratio	13.0%	28.3%	61.5%	84.4%	52.6%

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

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

3 2014 over distribution mainly due to a reduced weighted average interest rate coupled with lower than planned leverage utilization caused by high turnover. See "Distributable Income."

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

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

- The Company advanced five new net mortgage investments (Q4 2013 – 13) totalling \$50.8 million (Q4 2013 – \$124.3 million), had additional advances on existing net mortgage investments totalling \$17.6 million (Q4 2013 – \$0.7 million) and received full repayments on eight net mortgage investments (Q4 2013 – eight) and partial paydowns totalling \$54.8 million (Q4 2013 – \$116.3 million), resulting in net mortgage investments of \$431.3 million as at December 31, 2014 (September 30, 2014 – \$417.7 million).
- The Company received non-refundable lender fees of \$0.4 million (Q4 2013 – \$1.1 million) or weighted average lender fees of 0.5% (Q4 2013 – 0.7%). The Company generates lender fees predominantly from fundings of new mortgage investments which were lower in Q4 2014 in relation to Q4 2013 predominantly from being near capacity on its credit facility prior to the credit facility limit increase.
- Net interest income earned by the Company was \$7.2 million (Q4 2013 – \$7.3 million), a decrease of \$0.1 million, or 2.1%, from the same period last year. The slight decrease over the same period last year is primarily a result of lower weighted average interest rate of 6.2% (Q4 2013 – 6.5%).
- The Company generated income from operations of \$5.9 million (Q4 2013 – \$5.9 million). Although income from operations has remained in-line with Q4 2013, the net interest income in Q4 2014 was lower than Q4 2013 and has been offset by the reduction in expenses.
- The Company declared dividends of \$0.15 per common share for a total of \$4.7 million (Q4 2013 – \$0.10; \$3.2 million). Prior to the Transition, during Q4 2013 the Company paid dividends of \$0.05 per Class A share for a total of \$1.8 million, \$0.054 per Class B share for a total of \$0.01 million, \$0.054 per Class I share for a total of \$0.03 million and \$0.052 per Class J share for a total of \$0.01 million.
- On December 18, 2014, the Company exercised the option to increase the credit facility limit by \$45.0 million to \$190.0 million (December 31, 2013 – \$130.0 million).

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

- The Company advanced 32 new net mortgage investments (2013 – 55) totalling \$220.3 million (2013 – \$378.3 million), had additional advances on existing net mortgage investments of \$51.1 million (2013 – \$20.2 million) and received full repayments on 32 net mortgage investments (2013 – 25) and partial pay downs totalling \$241.6 million (2013 – \$330.1 million), resulting in net mortgage investments of \$431.3 million (2013 – \$401.5 million).
- The Company received non-refundable lender fees of \$1.7 million (2013 – \$3.3 million) or weighted average lender fees of 0.6% (2013 – 0.9%). The Company generates lender fees predominantly from fundings of new mortgages which is directly impacted by \$59.3 million of net equity raised in 2013 and higher turnover experienced in 2013.
- Net interest income earned by the Company was \$28.2 million (2013 – \$28.2 million). Even though net interest income is the same as the prior year, the weighted average interest rates were lower in 2014 than the same period in 2013 resulting in lower interest income which was offset by increased lender fee amortization in 2014.
- The Company generated income from operations of \$23.2 million (2013 – \$18.6 million), an increase of \$4.6 million, from the last year. Although 2014 has generated lower net interest income relative to 2013, it has been offset by the reduction in expenses resulting from no Transition costs or trailer fees.
- The Company declared dividends of \$0.60 per common share for a total of \$18.9 million (2013 – \$0.10; \$3.2 million). Prior to the Transition, during 2013 the Company paid dividends of \$0.50 per Class A share for a total of \$18.4 million, \$0.54 per Class B share for a total of \$0.1 million, \$0.54 per Class I share for a total of \$0.2 million and \$0.52 per Class J share for a total of \$0.1 million.
- The Board of Directors appointed Andrew Jones as Chief Executive Officer of the Company, effective January 20, 2014, to replace Blair Tamblyn. Blair Tamblyn remains as Chairman of the Board of Directors.
- The Board of Directors appointed David Melo as Chief Financial Officer of the Company, effective March 25, 2014, to replace Ugo Bizzarri. Ugo Bizzarri was added to the Board of Directors as part of the Transition.



- On June 18, 2014, the Company amended and extended the term of its credit facility agreement with its syndicate of lenders to increase the facility limit to \$145.0 million from \$130.0 million with an option to increase the credit limit by another \$45.0 million. On December 18, 2014, the Company exercised the option to increase the credit facility by \$45.0 million to \$190.0 million (December 31, 2013 – \$130.0 million). The amended credit facility matures on June 23, 2016.
- On November 13, 2014, the Company received the approval of the TSX to commence a normal course issuer bid (the "2014 NCIB") to purchase for cancellation up to 3,133,590 common shares, representing approximately 10% of the common shares float on November 11, 2014.

## ANALYSIS OF FINANCIAL INFORMATION FOR THE YEAR

### Distributable income

	Three months ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Net income (loss) and comprehensive income (loss)	\$ 4,625	\$ 2,986	\$ 18,717	\$ (6,453)
Less: amortization of lender fees	(572)	(663)	(2,859)	(2,330)
Add: one-time Transition related costs	–	139	–	3,871
Add: lender fees received during the year	367	1,105	1,727	3,267
Add: amortization of financing costs	153	157	602	552
Add: issuance cost of redeemable shares	–	4	–	3,301
Add: dividends to holders of redeemable shares	–	1,851	–	18,874
Add: provision for mortgage investments loss	–	–	175	–
<b>Distributable income</b>	<b>4,573</b>	<b>5,579</b>	<b>18,362</b>	<b>21,082</b>
Less: dividends to holders of redeemable shares	–	1,851	–	18,874
Less: dividends to common shareholders	4,733	3,156	18,934	3,156
<b>(Over) under distribution</b>	<b>\$ (160)</b>	<b>\$ 572</b>	<b>\$ (572)</b>	<b>\$ (948)</b>
Distributable income per share (basic and diluted)	\$ 0.14	\$ 0.16	\$ 0.58	\$ 0.57
Payout ratio	103.5%	89.7%	103.1%	104.5%
Turnover ratio	13.0%	28.3%	61.5%	84.4%

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

The Board of Directors have set a dividend policy that is predicated on what they believe to be a long-term sustainable objective. A number of factors are assessed and evaluated each time the Board reviews and approves dividends.

For the year ended December 31, 2014, the Company had a modest over distribution of \$0.6 million or 103.1%. The main reason for the over distribution was a reduced weighted average interest rate coupled with lower-than-planned leverage utilization during the year caused by high turnover. With the increase in the credit facility, the Company will have additional flexibility to increase leverage utilization in 2015 to target a payout ratio of 100%.

## Statements of income (loss) and comprehensive income (loss)

	Three months ended December 31,			% Change	Year ended December 31,			% Change
	2014	2013			2014	2013		
Net interest income	\$ 7,174	\$ 7,325		(2.1%)	\$ 28,159	\$ 28,234		(0.3%)
Expenses	(1,274)	(1,436)		11.3%	(4,948)	(9,656)		48.8%
Income from operations	5,900	5,889		0.2%	23,211	18,578		24.9%
Financing costs:								
Interest on credit facility	(1,275)	(1,048)		(21.7%)	(4,494)	(2,856)		(57.4%)
Issuance costs of redeemable shares	–	(4)		100.0%	–	(3,301)		100.0%
Dividends to holders of redeemable shares	–	(1,851)		100.0%	–	(18,874)		100.0%
Net income (loss) and comprehensive income (loss)	\$ 4,625	\$ 2,986		54.8%	\$ 18,717	\$ (6,453)		390.0%
Earnings per share (basic and diluted) <sup>1</sup>	\$ 0.15	\$ 0.14		6.2%	\$ 0.59	\$ 0.42		39.7%

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

### Net interest income<sup>1</sup>

For Q4 2014 and the Year, the Company earned \$7.2 million and \$28.2 million, (Q4 2013 – \$7.3 million; 2013 – \$28.2 million) respectively. The slight decrease in net income over Q4 2013 was due to increased competition and thus a slightly lower average interest rate of 6.2% (2013 – 6.5%). Net interest income is made up of the following:

#### (a) Interest income

For Q4 2014 and the Year, the Company earned \$6.6 million and \$25.1 million (Q4 2013 – \$6.5 million; 2013 – \$25.6 million) in interest income on the net mortgage investments respectively. The weighted average interest rate on the net mortgage investments decreased slightly over the Year, to 6.2% at December 31, 2014 from 6.5% at December 31, 2013.

#### (b) Lender fee income

During Q4 2014 and the Year, the Company received non-refundable lender fees of \$0.4 million and \$1.7 million (Q4 2013 – \$1.1 million; 2013 – \$3.3 million), or weighted average lender fees of 0.6% and 0.6% (Q4 2013 – 0.9%; 2013 – 0.9%). These lender fees are amortized using the effective interest rate method over the expected life of the mortgage investments to lender fee income. For the three months and year ended December 31, 2014, \$0.6 million and \$2.9 million (Q4 2013 – \$0.7 million; 2013 – \$2.3 million) of non-refundable lender fees were amortized to lender fee income. The lender fees generated by the Company continue to be a significant component of income resulting from mortgage turnover. The Manager does not retain any portion of the lender fees, ensuring management interests are aligned with the Company.

#### (c) Other income

For Q4 2014 and the Year, the Company earned \$41 and \$153 (Q4 2013 – \$70; 2013 – \$191) in other income. Other income includes fees earned on advances of mortgages, prepayment penalties and exit fees earned on mortgage repayments and other miscellaneous fees. The Manager does not retain any portion of fees, thus maximizing the income of the Company.

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

## **Expenses**

For Q4 2014 and the Year, the Company's expense ratio was 1.2% and 1.1% (Q4 2013 – 1.3%; 2013 – 1.4%). The decrease from the prior year mainly relates to the removal of trailer fees.

### **Management fees**

As part of the Transition, the Company has entered into a new management agreement with Timbercreek Asset Management Inc. (the "Manager") and terminated its management agreement with Timbercreek Asset Management Ltd., a wholly owned subsidiary of the Manager. Under the new management agreement, the Company pays the Manager an annual management fee of 0.85% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes. The gross assets are calculated as the total assets of the Company before deducting any liabilities, less any amounts that are reflected as mortgage syndication liabilities related to syndicated mortgage investments that are held by third parties.

For Q4 2014 and the Year, the Company incurred management fees of \$1.0 million and \$3.9 million (Q4 2013 – \$1.0 million; 2013 – \$4.0 million).

### **Trailer fees**

In conjunction with the shareholder approval for the Transition, the Company is no longer required to pay trailer fees to brokers effective for the quarter ended September 30, 2013. Prior to September 30, 2013, the Company was paying each registered dealer a trailer fee equal to 0.50% annually of the net redemption value per Class A share and 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 such, the Company paid no trailer fees during Q4 2014 and the Year (Q4 2013 – nil; YTD 2013 – \$0.8 million).

### **General and administrative**

For Q4 2014 and the Year, the Company incurred general and administrative expenses of \$0.3 million and \$0.9 million (Q4 2013 – \$0.3 million; 2013 – \$1.0 million). General and administrative expenses consist mainly of audit fees, professional fees, director fees and other operating costs associated with operating the Company and administration of the mortgage investment portfolio.

### **Interest on credit facility**

The Company actively monitors the advances and repayments while efficiently using bankers' acceptances ("BA") for the majority of its borrowings to minimize interest costs. Financing costs include interest paid on amounts drawn on the credit facility, stand-by fees charged on unutilized credit facility amounts and amortization of financing costs which were incurred on closing of the credit facility. Financing costs for the three months and year ended December 31, 2014 were \$1.3 million and \$4.5 million (Q4 2013 – \$1.0 million; 2013 – \$2.9 million), respectively.

### **Issuance costs of common shares and redeemable shares**

The common shares are classified as equity and any costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity. For Q4 2014 and the Year, the Company did not incur any issuance costs as there were no equity offerings during the Year.

Prior to the Transition, the Class A, B, I and J shares were classified as liabilities under IFRS, therefore the issuance costs associated with periodic equity offerings were recorded as financing costs and are recognized in profit and loss. In 2013, the Company incurred \$3.3 million in issuance costs relating to the issuance of Class A, B, I and J shares on total gross proceeds of \$62.6 million. The issuance costs include agent's commissions, legal, professional and other costs relating to the offering.



### Dividends to holders of redeemable shares and common shares

The Company declared dividends of \$18.9 million (2013 – \$22.0 million). The decrease in dividends declared is due to a reduction in share capital resulting from the Special Redemption. 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.

	Three months ended December 31, 2014		Year ended December 31, 2014	
	Dividends per share	Total	Dividends per share	Total
Common shares	\$ 0.150	\$ 4,733	\$ 0.600	\$ 18,934

	Three months ended December 31, 2013		Year ended December 31, 2013	
	Dividends per share	Total	Dividends per share	Total
Class A shares	\$ 0.050	\$ 1,808	\$ 0.500	\$ 18,416
Class B shares	0.054	12	0.540	119
Class I shares	0.054	27	0.540	235
Class J shares	0.052	4	0.520	104
Common shares	0.100	3,156	0.100	3,156
		\$ 5,007		\$ 22,030

### Earnings per share

Earnings per share for the Year was \$0.59 per share (2013 – \$0.42 per share). Earnings per share for 2013 was lower due to one-time Transition related costs and trailer fees resulting in an impact of \$0.13 per share.

Earnings per share for 2013 have 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.

## STATEMENTS OF FINANCIAL POSITION

### Net mortgage investments

The balance of net mortgage investments is as follows:

	December 31, 2014	December 31, 2013	Change
Gross mortgage investments, including mortgage syndications	\$ 483,209	\$ 515,796	\$ (32,587)
Mortgage syndication liabilities	(51,757)	(115,412)	63,655
	431,452	400,384	31,068
Interest receivable	(2,448)	(2,177)	(271)
Unamortized lender fees	2,177	3,249	(1,132)
Provision for mortgage investment loss	175	–	175
Net mortgage investments	\$ 431,296	\$ 401,456	\$ 29,840

As at December 31, 2014, the Company's mortgage investments portfolio is comprised of 62 mortgage investments (December 31, 2013 – 62), with a weighted average interest rate of 6.2% (December 31, 2014 – 6.5%) and an average mortgage investment of \$7.0 million (December 31, 2013 – \$6.5 million).

## PORTFOLIO ALLOCATION

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

### (a) Region

	December 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
ON	31	53.2%	31	45.5%
QC	11	20.5%	9	20.7%
AB	7	4.3%	9	10.3%
BC	6	11.1%	6	14.1%
SK	4	9.2%	4	5.7%
OT	–	–	1	1.9%
NS	1	1.2%	1	1.6%
MB	2	0.5%	1	0.2%
	62	100.0%	62	100.0%

The Company continued to focus its efforts on diversifying the mortgage investment portfolio, with its greatest concentration in Canada's largest provinces. As at December 31, 2014, 89.1% (December 31, 2013 – 90.6%) of the net mortgage investments were allocated across Ontario, Quebec, British Columbia and Alberta. The Company has continued to maintain significant exposure to Ontario as it has benefited from sourcing mortgages secured by high-quality, cash flowing multi-residential and office assets in good markets, with multiple repeat borrowers with proven track records. Of note, the Company has a low exposure to the Alberta market, which has experience volatility stemming from the recent drop in oil prices.

### (b) Maturity

	December 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Maturing 2014	–	–	17	17.1%
Maturing 2015	25	43.4%	33	59.4%
Maturing 2016	21	34.3%	12	23.5%
Maturing 2017	15	21.6%	–	–
Maturing 2018	–	–	–	–
Maturing 2019	1	0.7%	–	–
	62	100.0%	62	100.0%

The Company's portfolio turnover rate for the Year was 61.5% (December 31, 2013 – 84.4%). The Company's strong portfolio turnover helps generate fee income, all of which goes to the Company while ensuring the Company is able to respond quickly to a changing interest rate environment. The weighted average term of the portfolio as at December 31, 2014 is 2.4 years (December 31, 2013 – 2.2 years), in-line with the portfolio's target maturity of 2-3 years. The weighted average remaining term to maturity as at December 31, 2014 is 1.3 years (December 31, 2013 – 1.5 years). A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance, which would in effect reduce the weighted average remaining term to maturity.

**(c) Asset Type**

	December 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Multi-residential	27	36.6%	23	40.3%
Office	12	20.1%	9	14.6%
Retail	7	15.6%	9	12.3%
Retirement	1	4.9%	3	8.7%
Industrial	4	6.0%	6	6.4%
Other-residential	2	4.3%	2	5.5%
Hotels	2	5.3%	2	4.8%
Unimproved land	6	7.0%	4	4.1%
Single-residential	–	–	2	1.7%
Self-storage	1	0.2%	2	1.6%
	62	100.0%	62	100.0%

The Company has developed a lending niche predominantly in cash-flowing assets, while specifically targeting multi-residential assets. Historically, the Company has had very little exposure to land development, single-family residential mortgages and construction loans, where demand is largely impacted by the strength or weakness of the Canadian housing market and typically do not generate cash flow to service the mortgage investment.

**(d) Interest Rate**

	December 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
5.00% or lower	9	19.8%	4	13.2%
5.01%–5.99%	17	29.5%	13	22.2%
6.00%–6.99%	12	19.7%	12	21.8%
7.00% or greater	24	31.0%	33	42.8%
	62	100.0%	62	100.0%

The weighted average interest rate, excluding lender fee income, on the net mortgage investments at December 31, 2014 was 6.2% (December 31, 2013 – 6.5%). The weighted average interest rate was greater than the Company's target return for the Year of 4.55% (December 31, 2013 – 4.61%), equal to the 2-Yr GOC Yield plus 350 basis points.



## (e) Loan-to-Value

	December 31, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
55% or less	31	38.9%	29	44.2%
56%–60%	4	6.8%	7	7.3%
61%–65%	7	17.7%	16	30.5%
66%–70%	20	36.6%	10	18.0%
	62	100.0%	62	100.0%

The weighted average loan-to-value on the mortgage portfolio at December 31, 2014 was 55.6% (December 31, 2013 – 50.8%), well below the maximum threshold of 70%.

### 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, but not the obligation, at a purchase price equal to the outstanding principal amount of the lender's proportionate share together with all accrued interest. During the Year, the mortgage syndication liabilities have decreased to \$51.8 million (December 31, 2013 – \$115.4 million). Mortgage syndication liabilities will vary from quarter-to-quarter and are dependent on the type of investments seen at any particular time, and not necessarily indicative of a future trend.

### 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 \$0.2 million (December 31, 2013 – nil).

### Net working capital

Net working capital increased by \$1.5 million to \$0.8 million at December 31, 2014 from (\$0.7) million at December 31, 2013, mainly due to a decrease in accounts payable. The Company has available its credit facility to manage its working capital while ensuring idle cash is minimized.

### Credit Facility

In December 2014, the Company increased the credit facility limit to \$190.0 million bearing interest at either the prime rate of interest plus 1% or 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 \$142.1 million (December 31, 2013 – \$109.0 million) 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, interest on the credit facility of \$4.5 million (December 31, 2013 – \$2.9 million), is included in the financing costs.

As at December 31, 2014, there were \$0.8 million (December 31, 2013 – \$0.2 million) in unamortized financing costs related to the structuring of the credit facility netted against the outstanding balance. For the Year, the Company has amortized financing costs of \$0.6 million (2013 – \$0.6 million), to interest expense using the effective interest rate method.

### **Common shares**

The Company is authorized to issue an unlimited number of common shares. The holders of common shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company. The holders of the common shares shall be entitled to receive dividends as and when declared by the Board of Directors. The common shares are classified as equity in the statements of financial position. Any incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

### **Dividend reinvestment plan**

As part of the Transition, the Company has amended and restated its dividend reinvestment plan (the "Amended DRIP") effective as of November 20, 2013. 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 the 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).

### **Normal course issuer bid**

On November 13, 2014, the Company received the approval of the TSX to commence a normal course issuer bid (the "2014 NCIB") to purchase for cancellation up to 3,133,590 common shares, representing approximately 10% of the common share float on November 11, 2014. 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 2014 NCIB. The 2014 NCIB commenced on November 17, 2014 and will terminate on the earlier of November 16, 2015 or the date on which the Company has purchased the maximum number of common shares permitted under the 2014 NCIB. From November 13, 2014 to December 31, 2014, the Company did not acquire any common shares for cancellation.

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

### **Non-executive director deferred share unit plan**

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

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

## STATEMENT OF CASH FLOWS

### Cash from operating activities

Cash from operating activities for the Year was \$20.9 million (2013 – \$19.2 million), an increase of \$1.7 million, or 9.0%, from 2013. The increase is primarily from one-time Transition costs and removal of trailer fees experienced in prior years, which was partially offset by lower lender fees.

### Cash from financing activities

Sources of cash from financing activities consist of the Company's advances on the credit facility of \$33.1 million. After interest payments and financing costs on the credit facility of \$5.3 million and payment of dividends of \$18.9 million, the net cash provided by financing activities was \$8.9 million for the Year.

### Cash from investing activities

Cash from investing activities for the Year was \$29.8 million and consisted of repayments of net mortgage investments of \$271.4 million net of fundings of net mortgage investments of \$241.6 million.

## QUARTERLY FINANCIAL INFORMATION

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

	Q4 2014		Q3 2014		Q2 2014		Q1 2014		Q4 2013		Q3 2013		Q2 2013		Q1 2013	
Net interest income	\$	7,174	\$	6,639	\$	7,084	\$	7,262	\$	7,325	\$	7,377	\$	6,964	\$	6,567
Expenses <sup>1</sup>		(1,274)		(1,158)		(1,167)		(1,350)		(1,436)		(4,954)		(1,613)		(1,655)
Income from operations		5,900		5,481		5,917		5,912		5,889		2,423		5,351		4,912
Financing costs:																
Interest on credit facility		(1,275)		(884)		(1,107)		(1,227)		(1,048)		(662)		(679)		(466)
Issuance costs of redeemable shares		–		–		–		–		(4)		(60)		3		(3,241)
Dividends to holders of redeemable shares		–		–		–		–		(1,851)		(5,644)		(5,708)		(5,671)
		(1,275)		(884)		(1,107)		(1,227)		(2,903)		(6,366)		(6,384)		(9,378)
Net income (loss) and comprehensive income (loss)	\$	4,625	\$	4,597	\$	4,810	\$	4,685	\$	2,986	\$	(3,943)	\$	(1,033)	\$	(4,466)
Earnings per share (basic and diluted) <sup>2</sup>	\$	0.15	\$	0.15	\$	0.15	\$	0.15	\$	–	\$	–	\$	–	\$	–

1 Q3 2013 includes one-time costs of \$3.7 million relating to the Transition and Q4 2014 includes one-time costs of \$139.

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



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

- The Company raised gross proceeds of approximately \$62.6 million since Q1 2013. The proceeds from these offerings have been used to fund net mortgage investments, the timing of which typically occurs around periodic offerings and existing mortgage investment maturities, which vary throughout the year. Following past periodic equity offerings, the Company has been subject to holding idle cash while it originates new mortgage investments or waits for the closing of existing mortgage investment commitments. The Company seeks to deploy idle cash within 60 to 90 days of closing an equity offering.
- In any given quarter, the Company is subject to volatility from portfolio turnover from both scheduled and early repayments. As a result, net interest income is susceptible to quarterly fluctuations. The Company models the portfolio throughout the year factoring in both scheduled and probable repayments and the corresponding new mortgage advances to determine its distributable income on a calendar year basis.
- The dividends to holders of redeemable shares and issuance costs relating to redeemable shares were presented in the statement of income (loss) and comprehensive income (loss) until October 2013. Following the Exchange Date, the dividends to common shareholders are presented in the consolidated statements of changes in shareholders' equity.

#### **RELATED PARTY TRANSACTIONS**

- As at December 31, 2014, due to Manager includes management fees payable of \$23 (December 31, 2013 – \$318) and \$7 (December 31, 2013 – \$4) relating to costs incurred by the Manager on behalf of the Company.
- As at December 31, 2014, no amount (December 31, 2013 – \$0.3 million) is payable by the Company to TMIC relating to amounts paid on behalf of the Company.
- As at December 31, 2014, included in other assets is \$0.9 million (December 31, 2013 – \$3.1 million), of cash held in trust for the Company by Timbercreek Mortgage Servicing Inc. ("TAMSI"), a company controlled by the Manager. The balance relates to mortgage funding deposits and prepaid mortgage interest received from various borrowers.
- The Company co-invested in a mortgage investment with a total gross commitment of \$76.1 million with the Company's share of the commitment totalling \$48.6 million. 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 \$8.3 million.
- The Company has entered into a mortgage investment with a total gross commitment of \$84.1 million with the Company's share of the commitment totalling \$14.2 million. 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 \$1.6 million.
- The Company has entered into a mortgage investment with a total gross commitment of \$4.6 million, with the Company's share of the commitment totalling \$3.9 million. An independent director is an officer and a part-owner of the borrower. During 2014, the Company funded a total amount of \$3.9 million and was subsequently repaid in full.
- In addition to the above related party transactions, the Company has transacted with other funds managed by the Manager, which are as follows:
  - 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 \$566.8 million (December 31, 2013 – \$683.2 million). The Company's share in these net mortgage investments is \$423.3 million (December 31, 2013 – \$466.0 million). Included in these amounts is a net mortgage investment of \$8.9 million (December 31, 2013 – \$7.7 million) 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.

## **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 material adverse effect on the Company's financial position.

## **CRITICAL ACCOUNTING ESTIMATES**

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

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgments in 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. Specifically, the Company will consider loss events including, but not limited to: 1) payment default by a borrower; 2) whether security of the mortgage has been negatively impacted by some event; and 3) financial difficulty experienced by a borrower. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary.

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

### **Measurement of fair values**

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

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

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

The Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or 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.

## CHANGES IN ACCOUNTING POLICIES

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) the 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 \$3.2 million and an increase of cash and cash equivalents by \$3.2 million at December 31, 2012.

## FUTURE CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

## OUTSTANDING SHARE DATA

As at February 24, 2015, the Company's authorized capital consists of an unlimited number of common shares, of which 31,556,608 are issued and outstanding.

## CAPITAL STRUCTURE AND LIQUIDITY

### Capital structure

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. 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.



## Liquidity

Access to liquidity is an important element of the Company as it allows the Company to implement its investment strategy. The Company intends to qualify as a MIC as defined under Section 130.1(6) of the Income Tax Act (Canada) and as a result is required to distribute not less than 100% of the taxable income of the Company to its shareholders. The Company manages its liquidity position through various sources of cash flows including cash generated from operations, equity offerings and the credit facility. The Company routinely forecasts cash flow sources and requirements to ensure cash is efficiently utilized. In addition, with the increase in the Company's borrowing ability to \$190.0 million (2013 – \$130.0 million) through its credit facility, it expects to increase its leverage ratio in order to manage the fluctuations in excess cash flows as a result of the timing of mortgage investment fundings and repayments and other working capital needs. Of note, the credit facility was utilized by the Company to assist with funding the Special Redemption.

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

December 31, 2014	Carrying values	Contractual cash flows	Within a year	Following year	3 – 5 years
Accounts payable and accrued expenses	\$ 287	\$ 287	\$ 287	\$ –	\$ –
Dividends payable	1,578	1,578	1,578	–	–
Due to Manager	30	30	30	–	–
Mortgage funding holdbacks	93	93	93	–	–
Prepaid mortgage interest	765	765	765	–	–
Credit facility <sup>1</sup>	142,076	150,484	5,683	144,801	–
	144,829	153,237	8,436	144,801	–
Unadvanced mortgage commitments <sup>2</sup>	–	129,495	129,495	–	–
	\$ 144,829	\$ 282,732	\$ 137,931	\$ 144,801	\$ –

1 Contractual cash flows include interest on the credit facility assuming the outstanding balance is not repaid until its maturity in June 2016.

2 Unadvanced mortgage commitments include syndication commitments.

As at December 31, 2014, the Company's cash position was nil and there was an undrawn credit facility balance of \$47.9 million (December 31, 2013 – \$21.0 million). The Company is confident that it will be able to finance its operations using the cash flow generated from operations and the credit facility.

## FINANCIAL INSTRUMENTS

### Financial assets

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

### Financial liabilities

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

## **RISKS AND UNCERTAINTIES**

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

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

### **(a) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of December 31, 2014, \$53.9 million of mortgage investments bear interest at variable rates. Of this amount, \$52.3 million of mortgage investments include a "floor-rate" to protect its down-side exposure and one mortgage investments of \$1.6 million do not include 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; whereas a 0.50% increase in interest rates would result in an increase of \$0.3 million 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 down-side exposure.

The Company is exposed to interest rate risk on the credit facility, which has a balance of \$142.1 million as at December 31, 2014. Based on the outstanding balance of the credit facility as at December 31, 2014, a 0.50% decrease in interest rates, with all other variables constant, will increase net income by \$0.7 million annually, arising mainly as a result of lower interest expenses 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 value of its net mortgage investments and accrued interest, which total \$433.7 million (December 31, 2013 – \$403.6 million). The Company has recourse under these mortgage investments in the event of default by the borrower, in which case the Company would have a claim against the underlying collateral.

### **(c) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of

mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash and the credit facility are efficiently utilized.

For a full discussion of the risks and uncertainties, please also refer to the "Risk Factors" section of our Annual Information Form for the year ended December 31, 2014.

## **DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Given the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. There were no changes made in our internal controls over financial reporting during the year ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **ADDITIONAL INFORMATION**

### **Phone**

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

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

### **Internet**

Visiting SEDAR at [www.sedar.com](http://www.sedar.com); or the Company's website at [www.timbercreekseniormic.com](http://www.timbercreekseniormic.com).

### **Mail**

Writing to the Company at:

Timbercreek Senior Mortgage Investment Corporation  
Attention: Corporate Communications  
1000 Yonge Street, Suite 500  
Toronto, Ontario M4W 2K2

# 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

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the "K" and ends under the "P", with a small upward tick at the end.

February 24, 2015  
Toronto, Canada



# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at December 31,	
	2014	2013
<b>ASSETS</b>		
Other assets (note 11(c))	\$ 1,078,711	\$ 3,209,643
Mortgage investments, including mortgage syndications (note 4)	483,209,196	515,797,118
<b>Total assets</b>	<b>484,287,907</b>	<b>519,006,761</b>
<b>LIABILITIES AND EQUITY</b>		
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
<b>Total liabilities</b>	<b>195,743,368</b>	<b>230,245,213</b>
<b>Shareholders' equity</b>	<b>288,544,539</b>	<b>288,761,548</b>
<b>Total liabilities and equity</b>	<b>\$ 484,287,907</b>	<b>\$ 519,006,761</b>
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

<b>Year ended December 31, 2014</b>	<b>Common Shares</b>	<b>Retained Earnings</b>	<b>Total</b>
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

<b>Year ended December 31, 2013</b>	<b>Class A Shares</b>	<b>Class B Shares</b>	<b>Class I Shares</b>	<b>Class J Shares</b>	<b>Common Shares</b>	<b>Retained Earnings</b>	<b>Total</b>
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
<b>OPERATING ACTIVITIES</b>		
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
	<b>20,926,657</b>	<b>19,194,551</b>
<b>FINANCING ACTIVITIES</b>		
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)
	<b>8,913,259</b>	<b>46,063,023</b>
<b>INVESTING ACTIVITIES</b>		
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
	<b>(29,839,916)</b>	<b>(68,457,168)</b>
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) the 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**

<b>December 31, 2014</b>	<b>Gross mortgage investments</b>	<b>Mortgage syndication liabilities</b>	<b>Net</b>
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

<b>December 31, 2013</b>	<b>Gross mortgage investments</b>	<b>Mortgage syndication liabilities</b>	<b>Net</b>
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
<b>Total</b>	<b>\$ 431,296,381</b>

**(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:

<b>Year ended December 31, 2013</b>	<b>Class A</b>	<b>Class B</b>	<b>Class I</b>	<b>Class J</b>
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)
<b>Redeemable shares outstanding, end of year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

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:

<b>Year ended December 31, 2013</b>	<b>Dividends per share</b>	<b>Total</b>
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
<b>Total</b>		<b>\$ 18,873,760</b>

**(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:

	<b>Years ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
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
<b>Common shares outstanding, end of year</b>	<b>31,556,608</b>	<b>31,556,608</b>

**(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 the 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.

	<b>Years ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
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:

<b>December 31, 2014</b>	<b>Carrying Values</b>	<b>Contractual cash flows</b>	<b>Within a year</b>	<b>Following year</b>	<b>3 – 5 years</b>
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 <sup>1</sup>	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 <sup>2</sup>	–	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	

December 31, 2013	Carrying Value		Fair value
	Loans and receivable	Other financial liabilities	
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.

## Board of Directors

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



**Ugo Bizzarri**

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



**Edward W. Boomer**

Independent Director,  
Timbercreek Senior MIC  
Founder and President,  
Reference Realty Inc.



**Robert Douglas**

Lead Independent Director,  
Timbercreek Senior MIC  
Managing Director,  
Real Estate Investments,  
OPTrust



**Andrew Jones**

Director and CEO,  
Timbercreek Senior MIC  
Managing Director, Debt  
Investments, Timbercreek  
Asset Management



**Steven Scott**

Independent Director and  
Audit Committee Chair,  
Timbercreek Senior MIC  
President and CEO,  
The Access Group of Companies



**W. Glenn Shyba**

Independent Director,  
Timbercreek Senior MIC  
Principal,  
Origin Merchant Partners



**Blair Tamblyn**

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

## Independent Mortgage Advisory Committee



**Chris Humeniuk**

President and CEO,  
Community Trust



**Ken Lipson**

President and CIO,  
TMDL Asset Management Inc.



**Pamela Spackman**

Committee Chair  
Consultant

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### Auditors

KPMG LLP

### Legal Counsel

McCarthy Tétrault LLP