Romspen Mortgage Investment Fund 2014 Annual Report

Our Business

Romspen has a long-term track record of successful mortgage investing. With its origins in the mid-60's, Romspen is one of the largest non-bank commercial/industrial mortgage lenders in Canada with a portfolio in excess of $1.3 billion. Our investors are high net worth individuals, foundations, endowments and pension plans.

The Fund's investment mandate is focused on capital preservation, strong absolute returns and performance consistency.

We originate, own and service short-term first mortgages tailored to specific borrower requirements. Loans are conservatively underwritten and we keep to a limited, but diversified, pool of mortgages to maintain a "high-touch" approach to investing.

Romspen has had 20 consecutive years of positive net investor returns (7.4% - 10.8%) and experienced only one month of negative performance.

Romspen Business Principles

Investor Value

Our primary objective is to protect unitholder capital while providing a safe and consistent cash return that targets strong absolute returns.

Commitment

Managers should be owners. As such, we have committed a significant portion of our net worth to the Fund and as a management group, are the largest non-institutional investor in the Fund.

Partnership

We work collaboratively with our borrowers and syndication partners to ensure mutual success, even through difficult and unforeseen circumstances.

Long-term Perspective

While we don't choose to own property, we make lending decisions on the assumption we would be comfortable owning a property for the value of the mortgage. Our intention is to achieve consistent long-term returns through mortgage lending by applying proven strategies for financial and real estate management.

Risk Management

As managers, it is our responsibility to identify and manage the risk inherent with the mortgage portfolio. Rigorous property and borrower due diligence is fundamental to our lending decisions. Diversification by borrower, geography, property type and size is a deliberate strategy to smooth the effect of the business cycle over the long term.

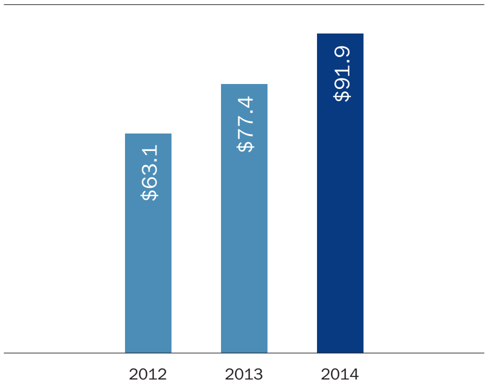
Responsibility

It is our responsibility to provide forthright reporting to our unitholders at all times. We will communicate fully and promptly about problems and opportunities facing the Fund.

Romspen Mortgage Investment Fund - 2014 Highlights

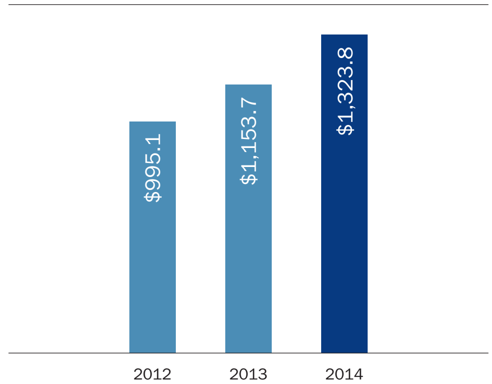
Key Metrics

Net Earnings ($ millions)



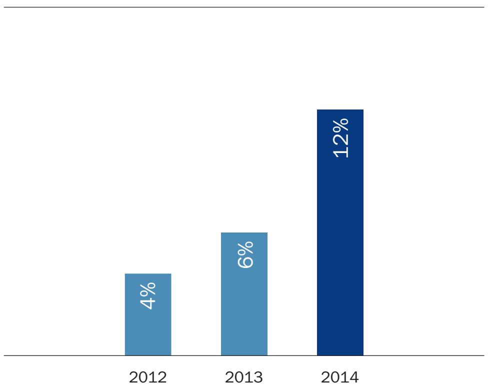
Strong net earnings

Investment Portfolio ($ millions)



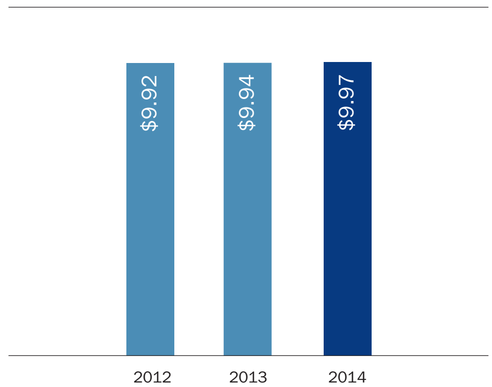
Strong portfolio growth

Net Leverage (% investment portfolio)



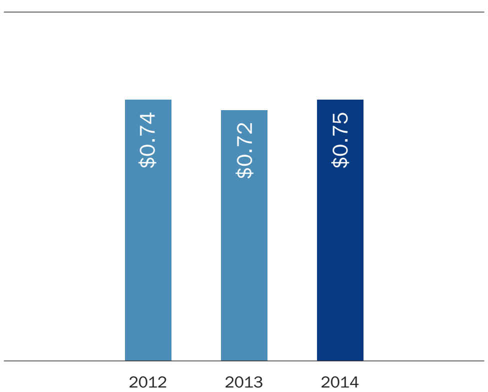
Low financial leverage

Unitholder Value ($/unit)



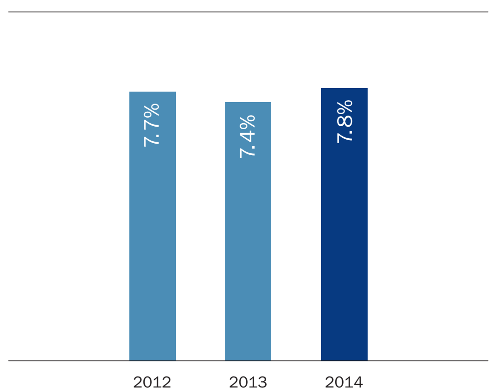
Modestly higher unit value

Unitholder Distributions ($/unit)



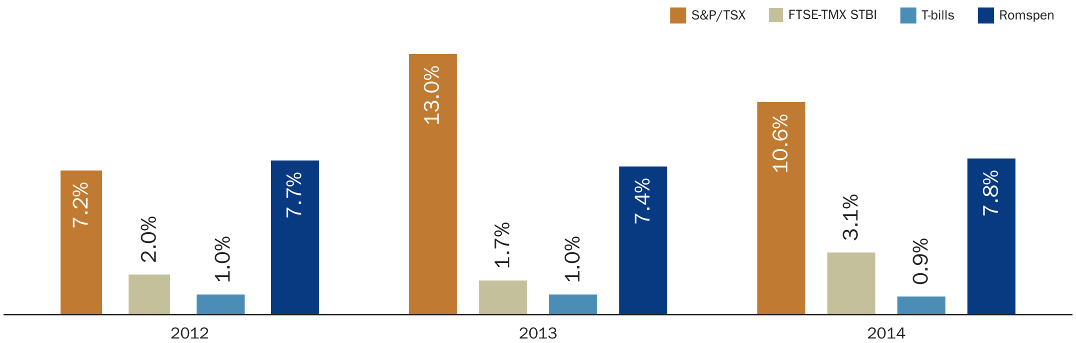
Solid distributions

Unitholder Returns (net annual compounded %)



Strong returns

Comparative Performance
Annual % Return



3 Year Accumulated Compounded Returns[1]

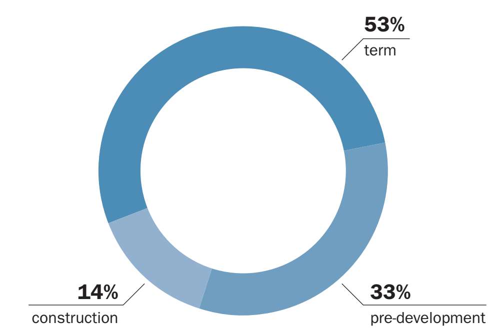
Romspen	25%
S&P/TSX	34%
FTSE-TMX STBI	7%
T-bills	3%

Improved results in 2014

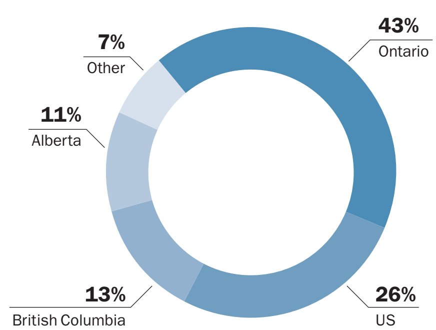
[1] Romspen returns are net; comparative benchmarks are gross returns | Source: Bank of Canada, RMIF Annual Reports

Investment Portfolio Profile
As of December 31, 2014

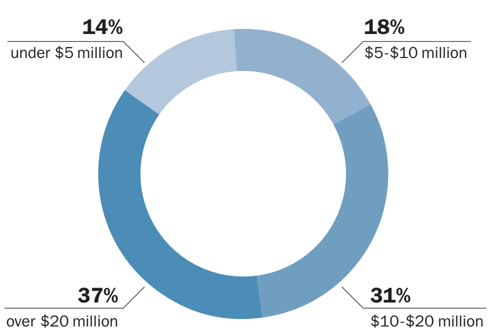
By Type



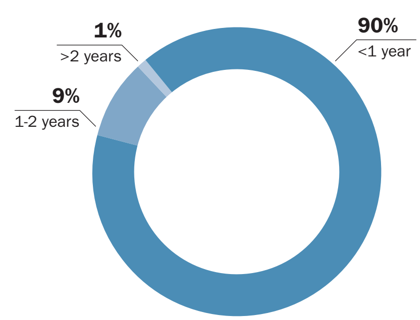
By Geography



By Amount



By Maturity



Well diversified portfolio

Trustees' Letter

Dear Fellow Investors:

We are pleased to report that Romspen Mortgage Investment Fund ("the Fund") performed well during 2014 and posted improved results from last year. For 2014, the Fund returned 7.8%, reflecting both a strong absolute return and significant comparative outperformance against the major fixed income benchmarks. These results were ahead of last year and achieved despite an increasingly competitive lending environment and the backdrop of continued record-low interest rates.

The Fund's medium and long-term results, also demonstrated similarly strong return performance. Romspen's five and ten-year cumulative net returns have been 47% and 135% respectively, strongly outpacing the major benchmarks.

Financial Highlights

For the year ending December 31, 2014, the Fund earned net income of $91.9 million or $0.78 per unit compared to $77.4 million or $0.73 per unit in 2013. Distributions were $0.75 per unit for 2014 compared to $0.72 per unit for 2013. The compounded monthly net return to investors, based on distributions, was 7.8% compared to 7.4% last year. The increased return in 2014 primarily relates to increased foreign exchange gains due to the appreciation of the US dollar as well as better-than-expected recoveries on interest arrears. Total provisions for credit losses were increased from $16.1 million to $26.4 million in the year to maintain a comfortable margin of safety with a larger portfolio and shift in asset mix. Actual losses of $3.2 million were realized during the year and charged against the provision previously established to deal with these properties.

At December 31, 2014, the net portfolio was $1.32 billion, an increase of 15% compared to 2013. Investors held units totalling $1.21 billion compared to $1.11 billion last year. The Fund's portfolio and earnings remain well diversified by property type, geography and size. Net debt (debt less cash) was $152.8 million compared to last year's net debt of $71.1 million reflecting a fourth quarter surge in lending activity. The weighted average interest rate of the portfolio in 2014 was 10.5%, equal to last year.

Net asset value ("NAV") was $9.97 per unit compared to $9.94 per unit last year reflecting unrealized foreign exchange currency gains, which are not distributed until realized. NAV fluctuations arise as taxable income differs from IFRS income due to differences in the treatment of loss reserves, non-accrued interest and foreign currency fluctuations. The Fund intends to distribute 100% of its taxable income annually. Approximately 89% of the Fund's foreign exchange exposure is hedged either by the borrowers directly or through forward contracts.

Economy, Markets & Portfolio

Canadian mortgages and investments represented $999 million, or 74% of the investment portfolio, with the majority (43%) concentrated in Ontario. Overall, the Canadian property market remained quite active with good liquidity, stable transaction volumes and continued appreciation, although regions with greater dependency to the oil industry have experienced restrained values. In contrast, markets such as Toronto and Vancouver continue to see strong property price increases across all real estate classes, with certain sub-locations and property types, such as multi-family, becoming somewhat distorted. Overall, real estate prices appear to be near cyclical highs, particularly given economic conditions and the impact of generationally low interest rates and should begin to decelerate. This, combined with an increasingly competitive lending environment, leads us to remain cautious and committed to our proven risk management process when selecting borrowers and projects.

US mortgages represented $351.2 million, or 26% of the portfolio in 2014 compared to $165.7 million, or 14% last year. The US portfolio includes 26 loans that are well-diversified across 16 states. US real estate values continued to strengthen during 2014, yet remain attractive relative to Canada, due to the considerable credit dislocation remaining within the lending community following the credit crisis and the impact of increased regulatory compliance. The continued imbalance between credit supply and credit demand in the segment of the market we serve has created attractive and growing opportunities in the US market.

Our increased presence in the US market, which was initiated four years ago, is a distinct advantage given the growing economic momentum in the American economy. While our strength in Canada provides a solid foundation, our expanding presence, scope of coverage and depth of relationships in the US market is providing attractive growth, return enhancement and diversification elements for the Fund.

Non-compliant loans totalled 19% of the portfolio. This is a normal and on-going part of the lending activity in our segment of the mortgage industry. Non-compliant loans should not, however, be equated with losses. More often, they result in extended terms, foregone interest and increased administration to achieve successful outcomes, but rarely result in losses of principal. The expectation that some portion of mortgages will become non-compliant is taken into account in pricing and setting the terms of our mortgages. In the past nine years, since the Fund's inception, realized loan losses have amounted to only $13.7 million on over $3.3 billion of invested capital, or about 0.4%. Managing these non-compliant mortgages effectively is an important aspect in preserving capital and generating strong, consistent returns over the long run. Right-siding certain of these mortgages will facilitate profitable re-development opportunities for the Fund.

Strategy & Investment Approach

The Fund follows a focused business model and strategy concentrated on first mortgage lending to commercial and industrial properties in North America. Since inception, our mandate has remained unchanged and focused on capital preservation, absolute returns and consistent performance. Our objective is to make money for our investors on a constant basis, regardless of prevailing market and economic conditions. Disciplined execution of this mandate, has produced superior performance metrics spanning more than four decades. This is perhaps most evident in the fact that the Fund, has had only a single month of negative investment performance over the past 20 years.

In the next section of this report we profile a range of recent and typical mortgage investments within the portfolio. All of these examples provide concrete insight into how investment objectives and strategy are translated into actual transactions that create value for our investors. While they demonstrate the diversity of borrowers, property types, loan requirements and locations, they share a commonality for creative problem solving, tailored solutions, risk management, speed, execution excellence and close collaboration with borrowers and other project participants.

Strong Investment Track Record Continues

The Fund's 7.8% net return significantly outperformed T-bills (0.9%) and the FTSE/TMX Short-term Bond Index ("FTSE/TMX-STBI") (3.1%), but trailed the resurgent S&P/TSX (10.6%) during 2014.

Looking at long-term performance over the past ten years to December 31, 2014, which include nine years as a Fund and one year as a syndicated mortgage business, the Fund significantly outperformed these benchmarks with accumulated net returns of 135%; compared to 20% for T-bills; 46% for the FTSE/TMX-STBI and 108% for the S&P/TSX. Looked at simplistically, a $10.00 investment in January 2005 would have returned $13.50 to an investor in the Fund compared to only $2.00 in T-bills; $4.60 in the FTSE/TMX-STBI; and $10.80 in the stock market.

As well, the Fund has shown positive returns each month over the past ten years, highlighting its conservative investing strategy through the economic cycle. While we understand the importance of yearly performance, we principally concentrate on making informed and prudent decisions to ensure optimal outcomes for the portfolio over the long term, which is what matters most to our investors.

Outlook

Economic growth and central bank policies in North America will begin to meaningfully diverge in 2015, underscoring the importance of geographic diversification.

The Canadian economy continued to improve slowly over 2014, but was negatively impacted during the second half by the steep drop in oil prices. We expect the Canadian real estate market to moderate slightly in the most robust markets while those regions most dependent on energy production will remain sluggish to quite soft, depending on the length and severity of the oil downturn. With record-low interest rates, we expect a continued and overly zealous lending environment with lenders stretching for yield while giving reduced weight to risk.

In contrast, labour market improvements, consumer spending and balance sheet deleveraging all support continued momentum in the US economy. With this continued strengthening from 2014 levels, we expect broad-based growth in real estate prices in most markets. Our increased presence in this market is an advantage and will serve to balance the challenges in the Canadian market, provide portfolio diversification and enhance yield.

Interest rates remain at historical lows in North America. The Bank of Canada continues to signal accommodative monetary policies while the US Federal Reserve is poised to begin tightening, albeit we anticipate this will be slower than generally expected and measured in approach. Abnormally low interest rates currently in place have amplified asset values in some markets and have contributed to the mispricing of risk. We are mindful of the competitive pressures that result in an insufficient risk premium and will only select opportunities that meet both our stringent lending criteria and return expectations. As such, we expect Fund returns for 2015 to be similar to 2014 with a slight bias to the upside.

We are pleased with our 2014 performance and particularly proud of our long track record of consistent, predictable returns while ensuring investor capital is well protected. With our strong track record, management depth and diverse relationship network, the Fund is strongly positioned to perform well in the years ahead. On behalf of the Romspen team, we thank our investors for their on-going support, our borrowers who place their trust in us, and our employees who work so hard to help achieve everyone's expectations.

Respectfully submitted,

Sheldon Esbin **Mark Hilson** **Arthur Resnick** **Wesley Roitman**

Trustees of the Fund
April 2, 2015

Entrepreneurs

Developers

REITs

Private Equity

Pension Sponsored Funds

Corporations

At Romspen, we serve a broad client mix and help them navigate critical challenges in financing real estate projects. Unique property dynamics, unforeseen borrower circumstances, shifting economic conditions, capital markets volatility, and timing constraints often combine to create uncertain conditions for borrowers. With a North American lending platform, a high calibre team of seasoned professionals and a substantial capital base, Romspen is in a strong position to creatively solve problems, manage risk and capture opportunities. The end result is value creation for our borrowers and a strong history of solid returns for our investors.

Site development – Richmond Hill, Ontario

Yonge & Cumberland Project

HIGHER AND BETTER USE FOR A PREMIUM LOCATION

An experienced group of deep-pocketed developers patiently assembled five properties comprising a site area of 15,235 square feet and 100 frontage feet at the northwest corner of Yonge and Cumberland Streets in the exclusive Yorkville neighbourhood of Toronto. The prime location of the project and the excellent reputation of the borrowers resulted in a highly competitive bidding process, leaving Romspen with only one week to utilize its deep pool of in-house expertise to rapidly and accurately validate the viability of this complex 54 storey, mixed-use 511 unit condo development. Romspen was selected by the borrowers due to an ability to act quickly and decisively in providing a competitively priced loan for $35 million to help fund the purchase and development costs.

Toronto, Ontario

pizza
QuiznosSub
SMOKEBURGER
PIZZAIOLO

One Two East

LAND ASSEMBLY FOR A LANDMARK PROJECT

In late 2014, Romspen funded a US$11.2 million bridge loan to a large, award-winning, southwest developer to acquire a property adjacent to an already existing site they had owned since 2006. This paved the way for the development of One Two East, a 463,000 square foot mixed use retail/apartment project located at a prominent nexus in the Austin downtown area with a daily traffic count in excess of 250,000 vehicles. The project's exceptional location, close to the State Capital Building and the University of Texas has already garnered considerable tenant interest with a large regional grocer recently signing up for 70,000 square feet of retail space.

Austin, Texas

Richmond Hill Assembly

SITE TRANSFORMATION, FROM THE GROUND UP

Our borrower, an experienced developer, had an opportunity to purchase a full city block fronting on Yonge Street in Richmond Hill, just to the north of another existing sold out project they were well advanced on. The site, comprising 4.25 acres and flanked on both sides by access streets proved ideal for a three tower, 470,000 square foot mixed use site for 600 residential condominium units. Romspen first advanced a $15 million mortgage to assist with the property purchase. Following a successful rezoning application and strong presale interest, a construction facility was advanced to transform the site from what was previously a defunct car dealership into a signature residential community.

Richmond Hill, Ontario


THE TAMPA TRIBUNE
MASS CREW

The Tampa Tribune

MONETIZING THE VALUE OF A PRIME LOCATION

The Tampa Tribune, along with its prime downtown Tampa waterfront real estate, was purchased by a US private equity fund, with the goal of improving the newspaper's profitability. With significant turnaround experience, they were seeking a loan of US$3.5 million to increase working capital reserves and fund restructuring and growth initiatives. The property is a 4.2 acre parcel of land in downtown Tampa, with 447 feet of frontage along the Hillsborough River and includes a three story 262,055 square foot office building and printing plant. Even though the land and improvements were appraised for US$12.2 million, Romspen limited its loan to the land value due to the special purpose nature of the facility. This provided the borrower with the required capital but maintained a very low loan-to-value ratio, thereby maintaining a significant margin of safety for our investors.

Tampa, Florida

Blackberry Campus Portfolio

RE-PURPOSING A TECHNOLOGICAL LEGACY FOR THE FUTURE

In 2013, BlackBerry announced the sale of 3 million square feet of corporate real estate located in Waterloo, Cambridge, Mississauga and Ottawa. A well-known Canadian entrepreneur saw an opportunity to create an incubator for nurturing emerging high tech firms within Canada and approached Romspen to assist with this initiative. Surrounded by two leading universities and numerous other growing high tech firms, this 12.2 acre campus in Waterloo, comprising five buildings and 337,327 square feet proved ideal. Romspen quickly saw the merits of this initiative and helped fund the transaction with a $26 million mortgage. The campus is now 77% leased and humming with tomorrow's high tech leaders.

Waterloo, Ontario


MAIN ENTRANCE
170
BlackBerry.
10 176 Columbia


FedEx
Ground

Castleway Business Complex

REKINDLING EQUITY VALUE FROM THE GLOBAL CREDIT CRISIS

Exceedingly complex in all respects, this loan came to Romspen by way of the global credit crisis, the nationalization of banks in Ireland and an impending borrower bankruptcy. The borrower required a US$72 million loan to repay an existing mortgage from NAMA, the successor to Anglo Irish Bank following nationalization. The properties, both in Philadelphia, included a 143 acre, 1.7 million square foot multi-tenant industrial and office complex (pictured) near the International Airport and a one acre prime redevelopment site in the city's downtown at Rittenhouse Square, which recently sold for US$30 million. Romspen provided the capital and structuring advice to facilitate this transaction which helped the borrower to recover equity value in their assets.

Philadelphia, Pennsylvania

Aurum Energy Park

BUILDING AN INFRASTRUCTURE PLATFORM FOR FUTURE ENERGY DEVELOPMENT

In 2013, Romspen provided $78 million multi-facility financing to one of Canada's most successful industrial and residential developers, secured by well-located land holdings across Canada in various stages of development. The primary purpose of the loan was to refinance and service 313 acres of prime industrial land in Edmonton for an oil and gas infrastructure park. Many of these high demand parcels were quickly presold or preleased at attractive pricing to institutional or multi-national corporate end users. This allowed the borrower to repay 85% of the loan within approximately 15 months of the initial advance – with the remaining balance well secured by the residual collateral.

Edmonton, Alberta

Management's Discussion & Analysis

Responsibility of Management

This Management's Discussion and Analysis ("MD&A") for Romspen Mortgage Investment Fund ("the Fund") should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2014 included herein and the audited financial statements and MD&A for the year ended December 31, 2013. Investment in the Fund is subject to certain risks and uncertainties described in the Fund's Offering Memorandum, which should be read in conjunction with this MD&A. These documents are available on our website at: www.romspen.com.

This MD&A and the Annual Financial Statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"). For all periods up to and including the year ended December 31, 2013, the Financial Statements were prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The standard related to the first time adoption of IFRS, the transition date to IFRS was January 1, 2014 and therefore the comparative information for 2014 has been prepared in accordance with IFRS accounting policies. The 2014 financial information and 2013 comparatives contained within this MD&A have been prepared following IFRS.

Management is responsible for the information disclosed in this MD&A. The Fund has in place appropriate procedures, systems and controls to ensure such information is materially complete and reliable. In addition, the Fund's trustees have reviewed and approved the MD&A and the financial statements for the year ended December 31, 2014.

This MD&A contains certain forward-looking statements and non-IFRS financial measures, see "Forward-Looking Statements" and "Non-IFRS Financial Measures".

Forward-Looking Statements

From time to time, the Fund makes written and verbal forward-looking statements. These are included in its quarterly and annual Management's Discussion and Analysis, Fund presentations and other Fund communications.

Forward-looking statements include, but are not limited to, business objectives and targets, Fund strategies, operations, anticipated financial results and the outlook for the Fund, its industry, and the Canadian economy. These statements regarding future performance are "financial outlooks" within the meaning of National Instrument 52-102. Forward-looking statements are typically identified by words such as "believe", "expect", "anticipate", "estimate", "plan", "may", and "could" or other similar expressions. By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These risks and uncertainties include, but are not limited to, global capital market activity, changes in government monetary and economic policies, changes in interest rates, changes in foreign exchange rates, inflation levels and general economic conditions, legislative and regulatory developments, competition and technological change.

The preceding list is not exhaustive of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Fund does not undertake to update any forward-looking statements, whether written or verbal, that may be made from time to time by it or on its behalf, except as required by securities laws.

Non-IFRS Financial Measures

This MD&A contains certain non-IFRS financial measures. A non-IFRS financial measure is defined as a numerical measure of the Fund's historical or future financial performance, financial position, or cash flows that excludes amounts or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with IFRS in the financial statements or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. Non-IFRS financial measures disclosed herein are meant to provide additional information and insight regarding the historical operating results and financial position of the Fund. These measures are not in accordance with, or a substitute for IFRS and may be different from or inconsistent with non-IFRS financial measures used by others.

Introduction

The Fund is an unincorporated closed-end investment trust established under the laws of the Province of Ontario pursuant to a trust indenture dated as at May 20, 2005. The Fund is a non-bank lender providing and investing primarily in short-term and medium-term commercial mortgages. The Fund is the sole limited partner in the Romspen Mortgage Limited Partnership (the "Partnership") and conducts its lending activities primarily through the Partnership. The objective of the Fund is to provide stable and secure cash distributions of income while preserving equity.

Romspen Investment Corporation ("Romspen") is the Fund Manager and acts as the primary loan originator, underwriter, administrator and syndicator for the Partnership. Romspen also acts as administrator of the Fund's affairs. Romspen and its principals, through predecessor companies, have been in the business of mortgage origination, servicing and syndication since 1966.

The Fund commenced operations on January 16, 2006, and raised $158.9 million pursuant to the Exchange Offering, whereby Romspen's investors exchanged their syndicated mortgage interests for units of the Fund, and $15.3 million pursuant to the Unit Offering described in its Offering Memorandum dated March 15, 2005.

On June 22, 2007, new federal legislation came into force that altered the taxation regime for specified investment flow-through trusts or partnerships ("SIFT") (the "SIFT Rules"). Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general corporate tax rate. Distributions paid by a SIFT as returns of capital will not be subject to the tax. As its units are not listed on a stock exchange or other public market, the Fund is not subject to the SIFT tax regime.

The Offering Memorandum, financial statements and additional information on the Fund are available and updated regularly on the Fund's website at: www.romspen.com. Unitholders who would like further information may also contact the Investor Relations department of the Fund at: 416-966-1100.

Portfolio

As of December 31, 2014, the Fund's mortgage and investment portfolio (the "portfolio"), net of fair value provisions, was $1,324 million compared with $1,154 million at December 31, 2013. This increase of $170 million or 15% reflects the increased activity in mortgage markets supported by a strong inflow of investor capital. The portfolio included 149 mortgages and investments which is the same as the prior year.

Approximately 96% of the portfolio was invested in first mortgages at December 31, 2014 versus 95% a year ago. The weighted average interest rate of the portfolio was unchanged from a year ago at 10.5%. Portfolio interest rates have remained relatively flat reflecting the prevailing interest rate environment.

The portfolio continues to consist mainly of short-term mortgages to third parties and mortgages to the Fund's investment subsidiaries. Approximately 90% of the Portfolio's investments mature within one year (December 31, 2013 - 72%) and 99% mature within two years (December 31, 2013 - 98%). In addition, all of our mortgages are open for repayment prior to maturity. The short-term nature of the Fund's portfolio permits opportunities to continually and rapidly evolve the portfolio in response to changes in the real estate and credit markets. The Fund Manager believes this flexibility is far more important in our market niche than securing long-term fixed interest rates.

As of December 31, 2014, approximately 43% of our investments were in Ontario, compared to 46% a year ago. Approximately 24% of the Portfolio was invested in Western Canada, 7% in other provinces and 26% in the US. The Fund Manager believes this broad level of North American diversification adds stability to the Fund's performance by reducing dependency on the economic activity and cycles in any given geographic region.

Total fair value provisions as of December 31, 2014 were $26 million, which represented 2% of the original cost of the Fund's investments or $0.20 per unit outstanding as at December 31, 2014. During 2014, the Fund realized $3.2 million of losses in the Portfolio that were fully reserved for in previous years. The establishment of the fair value provision is based on facts and interpretation of circumstances relating to the Fund's Portfolio. Thus, it is a complex and dynamic process influenced by many factors. The provision relies on the judgment and opinions of individuals on historic trends, prevailing legal, economic, and regulatory trends and on expectations of future developments. The process of determining the provision necessarily involves risk that the actual outcome will deviate, perhaps substantially, from the best estimates made. The fair value provision will continue to be reviewed by the Fund Manager and the Fund's trustees on a regular basis and, if appropriate, will be adjusted.

Income Statement Highlights

Total revenues for the year ended December 31, 2014 were $124.6 million compared to $97.3 million in the previous year, a 28% increase. Current year revenues are higher because of the inclusion of higher unrealized foreign exchange gains from the appreciation of the US dollar and growth in the size of the portfolio.

Similarly, net earnings for the year ended December 31, 2014 were higher at $91.9 million compared to $77.4 million for the prior year. This increase reflects the portfolio growth and foreign exchange gains noted above, principally offset by the increase in reserve expense compared to 2013. The basic weighted average earnings per unit for the year were $0.78[1] per unit, compared to $0.73[1] last year.

For the year ended December 31, 2014, the Fund distributed $88.2 million or $0.75 per unit versus $76.6 million or $0.72 per unit for the period ended December 31, 2013. The simple and compounded net yield to unitholders for the twelve month period ended December 31, 2014 were 7.5% and 7.8% respectively.

Provisions for losses on the Portfolio value reflected an increase of $10.3 million in 2014 while realized losses were $3.2 million in 2014 compared to $1.3 million in the prior year. Management and other fees payable to the Fund Manager and other general and administrative expenses of the Fund were $16.1 million for the year ended December 31, 2014 compared to $12.4 million in the prior year reflecting the increased size of the Portfolio.

[1] These are non-IFRS financial measures (see "Non-IFRS Financial Measures").

Total revenues for the quarter ended December 31, 2014 were $36.4 million compared with $26.5 million for the comparative year ago period and are attributable to a larger portfolio and unrealized foreign exchange gains in the last quarter of 2014.

Net earnings after all expenses for the fourth quarter were $22.9 million compared to $19.3 million for the quarter ended December 31, 2013. Basic weighted average earnings per unit for the three months ended were December 31, 2014 of $0.19 compared to $0.17 in the prior year.

Management fees payable to the Fund Manager and other general and administrative expenses of the Fund were $3.5 million for the quarter compared to $3.4 million in the previous year. These expenses were marginally higher than the previous year and reflect the larger portfolio value.

For the three-month period ended December 31, 2014, the Fund distributed $24.0 million or $0.20 per unit, versus $20.0 million or $0.18 per unit for the three months ended December 31, 2013.

Detailed financial information by quarter for 2014 is outlined in the chart below:

Quarterly Financial Information 2014

$ in millions, except per unit amounts

	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Total revenue excluding unrealized foreign exchange gain (loss)	**$ 33.0**	**$ 27.1**	**$ 27.9**	**$ 26.2**
Unrealized foreign exchange gain (loss)	**2.6**	**5.4**	**(0.9)**	**0.8**
Realized foreign exchange gain (loss)	**0.8**	**0.6**	**0.2**	**0.9**
Interest expense and deferred financing costs	**0.8**	**0.5**	**1.2**	**0.9**
Net interest income	**35.6**	**32.6**	**26.0**	**27.0**
Management fees and other expenses	**3.5**	**3.4**	**3.4**	**3.3**
Fair value provision on investment portfolio and losses	**4.4**	**2.5**	**1.5**	**1.9**
Realized losses on investment portfolio	**2.6**	**0.1**	**-**	**0.5**
Other Losses	**2.2**	**-**	**-**	**-**
Net earnings	**22.9**	**26.6**	**21.1**	**21.3**
Per unit - net earnings	**$ 0.19**	**$ 0.22**	**$ 0.18**	**$ 0.19**
- distributions	**0.20**	**0.18**	**0.19**	**0.18**
Trailing 12 month compounded return[2]	**7.8%**	**7.5%**	**7.5%**	**7.4%**
Revolving loan net of cash as a percentage of net mortgages[2]	**11%**	**2%**	**5%**	**8%**

Balance Sheet Highlights

Total assets as of December 31, 2014 were $1.4 billion compared to $1.2 billion a year ago. Under IFRS, mortgages that are owed from subsidiary companies holding foreclosed properties have been reclassified from mortgage investments to investment in subsidiaries. Total assets are comprised primarily of mortgages recorded at fair market value, investments in subsidiaries, and accrued interest receivable. In addition, the Fund had $14.8 million of excess cash at year end.

Total liabilities excluding units submitted for redemption as of December 31, 2014 were $178.3 million compared with $123.6 million a year earlier. Liabilities at the year-end were comprised mainly of $167.6 million line of credit, and $9.3 million in accounts payable and distribution payable to unitholders. Drawings under the revolving loan facility, together with net cash proceeds of the Unit Offering, are used to increase the Fund's mortgage portfolio. The revolving loan facility bears interest not exceeding prime plus 1.0% and is secured by all assets of the Partnership and a pledge of all Partnership units held by the Fund. Net debt (debt less unrestricted cash) stood at $152.8 million (12% of investment portfolio) at the year-end versus $72.3 million (6% of investment portfolio) a year ago.

Unitholders' equity plus units submitted for redemption as of December 31, 2014 were $1.2 billion compared with $1.1 billion as of December 31, 2013. The increase is primarily from proceeds of issuances of $151.9 million in excess of redemptions of $56.3 million during the previous 12 months. There were a total of 120,847,181 units outstanding on December 31, 2014 compared to 111,310,601 on December 31, 2013. There are no options or other commitments to issue additional units.

[2] These are non-IFRS financial measures (see "Non-IFRS Financial Measures").

Liquidity And Capital Resources

Pursuant to the trust indenture, 100% of the Fund's net taxable earnings are intended to be distributed to unitholders. This means that growth in the investment portfolio can only be achieved through the raising of additional unitholder equity and utilizing available borrowing capacity. Pursuant to the Fund's investment policies, the Fund may borrow up to 35% of the book value of mortgages held by the Fund. As of December 31, 2014 borrowings net of cash totalled approximately 12%[3] of the book value of investments held by the Fund compared to 6%[3] net borrowings as of December 31, 2013.

During the year ended December 31, 2014, proceeds from the issuance of units, net of redemptions and costs, were $95.6 million compared to $108.0 million during the same period in 2013.

The Fund's mortgages are largely short-term in nature with the result that continual repayment by borrowers of existing mortgages creates liquidity for new mortgage investments. We expect next year's growth in the Portfolio to outstrip our funding capability based on current resources. As such, we expect to raise additional equity in future periods and syndicate a portion of new loans to third parties.

Related Party Transactions

Romspen acts as mortgage manager for the Partnership and administrator for the Fund. The trustees of the Fund are all principals of Romspen. In consideration for its mortgage origination and capital raising services, Romspen receives a fee equal to 1% per annum, calculated daily and paid monthly, of the total of all mortgage investments plus the fair value of any non-mortgage investments. Romspen also receives all lender, broker, origination, commitment, renewal, extension, discharge, participation, and other administrative fees charged to borrowers. In addition, the Partnership has granted to Romspen the option to purchase any mortgage investment held by the Partnership for a purchase price equal to the principal amount of such mortgage plus any accrued interest.

From time to time, the Partnership may invest in mortgage loans made to borrowers who are related to Romspen or the trustees of the Fund. The Partnership may also invest in mortgages which are syndicated among Romspen, the Fund's trustees, or related parties. These related party transactions are further discussed in the notes to the accompanying consolidated financial statements.

Risk Management

The Fund is exposed to various financial instrument risks in the normal course of business. The Fund manager and trustees have put in place various procedures and safeguards to mitigate these risks in order to ensure the preservation of capital as well as the achievement of acceptable and consistent rates of return.

For details on financial instrument risks and management's response to these risks, please see note 16 of the Financial Statements.

Outlook

Global economies continue to battle with the familiar themes of chronic debt levels, inadequate implementation of required structural reforms, increased levels of regulatory oversight and the shadow of geopolitical threats. Falling commodity prices, particularly for oil, have compounded existing deflationary pressures, resulting in a climate of very low or negative interest rates and accommodative monetary policies that will remain a consistent global reality for 2015 and well beyond.

Canadian interest rates are expected to remain low in 2015 and may be further reduced as the continuation of an accommodative monetary policy remains necessary to counter anemic economic growth and the deflationary impact of low oil prices. The acceleration in the US economy, led by strong consumer demand, continued despite the cessation of the US Federal Reserve's quantitative easing program and will gain further momentum from low oil prices. A modest rise in interest rates is anticipated in 2015 as the Fed patiently monitors the economy for signs of sustained inflationary pressures and solid employment metrics.

Increased volatility in the capital markets, coupled with persistently low interest rates have served to increase the tide of capital seeking increased yields, frequently without sufficient regard for risk. In Canada, this combined with real estate valuations that appear to be at cyclical highs in multiple markets, make it ever-more necessary to adhere to our strict risk management process and refusal to accept inadequate yields when evaluating opportunities to lend.

In the US, where real estate is still recovering from the severe credit dislocation inherited from the financial crisis, lending institutions continue to restrict credit in response to increased regulatory scrutiny, capital adequacy requirements and a significant shift in behaviour inspired by fines in excess of $100 billion, to date, levied by the US Department of Justice.

The favourable competitive environment coupled with our national platform, large capital base and growing reputation for successfully supporting complex transactions, attracts numerous opportunities to lend to a broad range of projects and borrowers. Given this scenario, we expect the proportion of US loans within the portfolio to continue to become a greater percentage of the overall portfolio in the coming year.

At year end, our lending pipeline expanded significantly which permitted the reopening of the Fund to new capital. We anticipate that this robust deal flow will continue in 2015 and given the current economic and competitive climate, are optimistic that net returns for the year will mirror 2014 with a slight upward bias.

[3] These are non-IFRS financial measures (see "Non-IFRS Financial Measures").

Consolidated Financial Statements

Romspen Mortgage Investment Fund

Years ended December 31, 2014 and 2013

Independent Auditors' Report

To the Unitholders of Romspen Mortgage Investment Fund

We have audited the accompanying consolidated financial statements of Romspen Mortgage Investment Fund, which comprise the consolidated statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, the consolidated statements of comprehensive income, changes in unitholders' equity and cash flows for the years ended December 31, 2014 and 2013, 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 these 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 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 these 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 Romspen Mortgage Investment Fund as at December 31, 2014, December 31, 2013 and January 1, 2013, and its consolidated results of operations and its consolidated cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 31, 2015
Toronto, Canada

Consolidated Statements of Financial Position

December 31, 2014, December 31, 2013 and January 1, 2013

In thousands of dollars, except per unit amounts, unless otherwise noted	Dec 31, 2014	Dec 31, 2013	Jan 1, 2013
Assets			
Cash	$ 14,772	$ 27,027	$ 5,746
Restricted cash (note 3)	–	1,183	1,183
Accrued interest receivable	41,754	42,391	44,635
Mortgage investments (note 4)	1,179,711	1,056,650	874,277
Investments in subsidiaries (note 5)	144,106	97,033	120,805
Other assets (note 6)	3,265	5,227	4,690
	$ 1,383,608	$ 1,229,511	$ 1,051,336
Liabilities and Unitholders' Equity			
Liabilities:			
Revolving loan facility (note 7)	$ 167,611	$ 99,353	$ 46,000
Accounts payable and accrued liabilities (note 13(f))	791	1,700	1,570
Unrealized loss on foreign exchange forward contracts (note 8)	1,073	1,376	–
Deferred revenue	212	167	175
Prepaid unit capital	180	14,325	400
Unitholders' distributions payable	8,459	6,679	6,033
	178,326	123,600	54,178
Units submitted for redemption (note 9)	34,906	3,972	4,978
Unitholders' equity (note 9)	1,170,376	1,101,939	992,180
Commitments and contingent liabilities (note 14)			
	$ 1,383,608	$ 1,229,511	$ 1,051,336
Net asset value per unit (note 10)	$ 9.97	$ 9.94	$ 9.92

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

"Mark Hilson" Trustee

"Wesley Roitman" Trustee

Consolidated Statements of Comprehensive Income

Years ended December 31, 2014 and 2013

In thousands of dollars, except per unit amounts, unless otherwise noted		2014		2013
Revenue				
Mortgage interest	$	112,567	$	91,409
Other		1,668		1,149
Realized gain on foreign exchange (note 8)		2,506		955
Unrealized gain on foreign exchange (note 8)		7,898		3,823
		124,639		97,336
Expenses				
Management fees (note 13(a))		12,379		10,711
Interest		3,105		2,142
Unrealized loss in value of mortgage investments and investments in subsidiaries (note 17)		10,283		4,124
Realized loss on mortgage investments		3,243		1,318
Other losses (note 6)		2,227		–
Audit fees		166		194
Legal fees		123		165
Other expenses		1,211		1,326
		32,737		19,980
Net income and comprehensive income	$	91,902	$	77,356
Net income and comprehensive income per unit (note 10)	$	0.78	$	0.73
Weighted average number of units issued and outstanding (note 10)		117,666,519		106,524,115

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Unitholders' Equity

Years ended December 31, 2014 and 2013

In thousands of dollars, except per unit amounts, unless otherwise noted		2014		2013
Unit capital				
Balance, beginning of year	$	1,110,355	$	1,001,371
Proceeds from issuance of units, net of redemptions (note 9)		95,632		107,978
Penalties on redemptions		61		–
Reduction (increase) in units submitted for redemption (note 9)		(30,934)		1,006
Balance, end of year	$	1,175,114	$	1,110,355
Cumulative income				
Balance, beginning of year	$	353,657	$	276,301
Net income and comprehensive income		91,902		77,356
Balance, end of year	$	445,559	$	353,657
Cumulative distributions to unitholders				
Balance, beginning of year	$	(362,073)		(285,492)
Distributions to unitholders (note 11)		(88,224)		(76,581)
Balance, end of year	$	(450,297)	$	(362,073)
Unitholders' equity	$	1,170,376	$	1,101,939
Units issued and outstanding, excluding units submitted for redemption (note 10)		117,347,515		110,910,245

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013

In thousands of dollars, except per unit amounts, unless otherwise noted		2014		2013
Cash provided by (used in)				
Operations:				
Net income and comprehensive income	$	91,902	$	77,356
Items not affecting cash:				
Amortization of revolving loan facility financing costs		98		137
Unrealized loss in value of mortgage investments and investments in subsidiaries		10,283		4,124
Realized loss on mortgage investments		3,243		1,318
Unrealized gain on foreign exchange		(7,898)		(3,823)
Amortization of discount		(637)		(1,479)
Other losses		2,227		–
Change in non-cash operating items:				
Accrued interest receivable		1,197		2,244
Other assets		(363)		(400)
Accounts payable and accrued liabilities and unitholders' distributions payable		871		776
Deferred revenue		45		(8)
		100,968		80,245
Financing				
Proceeds from issuance of units, net of redemptions (note 9) and $42,580 of reinvested funds		53,052		72,818
Penalties on redemptions		61		–
Prepaid unit capital		(14,145)		13,925
Change in revolving loan facility		63,256		53,353
Distributions to unitholders, net of $42,580 of reinvested funds		(45,644)		(41,421)
		56,580		98,675
Investments				
Funding of mortgage investments		(630,959)		(600,131)
Discharge of mortgage investments		467,888		416,209
Net funding of investment in subsidiaries (note 5)		(7,915)		26,283
		(170,986)		(157,639)
Increase (decrease) in cash and restricted cash		(13,438)		21,281
Cash and restricted cash, beginning of year		28,210		6,929
Cash and restricted cash, end of year	$	14,772	$	28,210
Supplemental cash flow information: Cash received in interest	$	111,370	$	89,165

See accompanying notes to consolidated financial statements.

Romspen Mortgage Investment Fund (the "Fund") is an unincorporated closed-end investment trust established under the laws of the Province of Ontario, pursuant to a trust indenture dated as at May 20, 2005. The Fund is the sole limited partner in the Romspen Mortgage Limited Partnership (the "Partnership") and conducts its lending activities primarily through the Partnership. The objective of the Fund is to provide stable and secure cash distributions of income, while preserving unitholders' equity. The Fund's registered office is 162 Cumberland Street, Suite 300, Toronto, ON M5R 3N5.

Romspen Investment Corporation ("Romspen") is the Fund's mortgage manager and acts as the primary loan originator, underwriter and syndicator for the Partnership.

The Fund commenced operations on January 16, 2006. Under an exchange offering completed in January 2006, mortgages in the aggregate principal amount of $158,855 were exchanged for 15,885,461 units of the Fund. These financial statements and accompanying footnotes have been authorized for issue by the Trustees of the Fund on March 31, 2015.

1. Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These are the first annual consolidated financial statements prepared in accordance with IFRS and IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied. The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board.

Previously, the Fund prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the Chartered Professional Accountants of Canada Handbook ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS consolidated statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 19 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's consolidated financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

The consolidated financial statements are measured and presented in Canadian dollars; amounts are rounded to the nearest thousand, unless otherwise stated. The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit and loss ("FVTPL"), which are presented at fair value. The Fund has chosen to consolidate the Partnership in accordance with IFRS 10.

2. Significant accounting policies

A) Investment portfolio

i) Mortgage investments All mortgages have been designated as FVTPL. Mortgage investments are recorded at fair value, with any changes in fair value reflected in the consolidated statements of comprehensive income, in accordance with International Accounting Standard ("IAS") 39, Financial Instruments - Presentation ("IAS 39") and IFRS 13, Fair Value Measurement ("IFRS 13").

In determining fair value of individual mortgages, management considers the length of time the mortgage has been in arrears, the overall financial strength of the borrowers and the residual value of the security pledged. Any unrealized changes in the fair value of mortgage investments are recorded in the consolidated statements of comprehensive income as an unrealized fair value adjustment.

ii) Investments in subsidiaries Entities are formed by the Fund to obtain legal title of the underlying security of certain impaired mortgage investments. These entities are considered to be subsidiaries due to the Fund's control and exposure to variable returns from its involvement in these entities. The Fund is an investment entity and measures investments in those subsidiaries at FVTPL. The carrying value of the mortgage investment, which comprises principal, accrued interest and a fair value adjustment, if any, is reclassified from mortgage investments to investments in subsidiaries. At each reporting date, the Fund uses management's best estimates to determine fair value of the subsidiaries (see note 15). Subsidiaries that provide investment-related services to the Fund continue to be consolidated, which includes the Partnership.

B) Revenue recognition

i) Interest income Interest income, funding and participation fees are recognized using the effective interest method ("EIM"). The EIM discounts the estimated future cash receipts through the expected life of the loan and mortgage to its carrying amount.

ii) Discount income The Fund may acquire mortgage portfolios from third parties at fair market value. A mortgage discount will exist to the extent that the fair market value of a mortgage is less than its par value. The discount is allocated between a valuation reserve component and an accretion component. The valuation reserve component represents the risk of credit loss, while the accretion component represents the part of the discount to be recognized to income over time, thereby adjusting the yield on the mortgage from its face rate to an effective yield. The accretion component is amortized to income over the term of the related mortgage through the application of the effective interest rate method. The valuation reserve component is only recognized into income upon payout, less any realized credit loss.

C) Use of estimates

The preparation of consolidated financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the years. The Fund's investments are recorded in the consolidated statements of financial position at fair value. The estimates may include: assumptions regarding local real estate market conditions; interest rates and the availability of credit; cost and terms of financing; the impact of present or future legislation or regulation; prior encumbrances and other factors affecting the mortgage and underlying security of the mortgage investments. Actual results may differ from those estimates.

The fair value of the other financial instruments is determined using valuation techniques described in note 15.

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Credit markets, equity markets and consumer spending are factors in the uncertainty inherent in such estimates and assumptions. Accordingly, by their nature, estimates of fair value are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could change by a material amount.

Another significant judgment made in preparing the consolidated financial statements is the determination that the Fund is an investment entity. In determining its status as an investment entity, the most significant judgments made include the determination by the Fund that its investment in subsidiaries, do not represent a separate substantial business activity and that FVTPL is the primary measurement attribute used to monitor and evaluate substantially all of its investments.

Additionally, the determination of whether the Fund exercises significant influence or control over entities in which it invests also requires significant management judgement.

D) Foreign currency translation

Investment transactions and income and expenses in foreign currencies have been translated into Canadian dollars at the rates of exchange prevailing at the time of the transactions. The fair value of mortgages and cash denominated in foreign currencies has been translated into Canadian dollars at the rates of exchange prevailing at year end. Foreign exchange gains and losses on the receipts of payments on mortgage investments are included in realized gain/loss on foreign exchange on the consolidated statements of comprehensive income. All unrealized foreign exchange gains and losses on each financial position item are included in unrealized foreign exchange gain/loss on the consolidated statements of comprehensive income.

E) Foreign exchange forward contracts

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

The Fund determines fair value on its foreign exchange forward contracts based on the difference between the contract forward rate and the forward rate.

Net gain from financial instruments at fair value through profit or loss includes all realized and unrealized fair value changes and foreign exchange differences, but excludes interest and dividend income. Aside from realized gains and loss on foreign exchange forward contracts (see note 8) which are classified as held-for-trading, all other realized and unrealized gains and losses are on financial assets designated at fair value through profit and loss.

F) Net income and comprehensive income per unit

Net income and comprehensive income per unit are computed by dividing net income and comprehensive income for the years by the weighted average number of units issued and outstanding during the years.

G) Prepaid unit capital

Prepaid unit capital consists of subscription amounts received in advance of the unit issuance dates.

H) Financial instruments - recognition and measurement

Financial assets or liabilities at fair value through profit or loss are initially recognized on the trade date, which is the date the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Fund becomes a party to the contractual provisions for mortgage investments when cash is advanced to the third party borrower.

Financial assets and financial liabilities at fair value through profit or loss are initially measured at fair value, with transaction costs recognized in profit or loss. Financial assets and financial liabilities not at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to their acquisition or issue.

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset. The Fund derecognizes a liability when its contractual obligations are discharged or cancelled, or expired.

IAS 39 and IFRS 13 established standards for recognizing and measuring financial assets and financial liabilities, including non-financial derivatives. In accordance with these standards, the Fund has classified its financial assets as one the following: FVTPL or loans and receivables. All financial liabilities must be classified as: FVTPL or other financial liabilities. The Fund's designations are as follows:

i) Mortgage investments are classified as debt instruments and are designated as FVTPL, categorized into Level 3 of the fair value hierarchy.

ii) Investments in subsidiaries - entities over which the Fund has control are designated as FVTPL and categorized into Level 3 of the fair value hierarchy, as permitted by IFRS 10, Investment Entities - Exception to Consolidation.

iii) Cash, restricted cash, accrued interest receivable and other assets, (excluding shares in Skyline International Development Inc. ("SID"), which are carried at fair value (note 6)) are classified as loans and receivables and are measured at amortized cost.

iv) The revolving loan facility, accounts payable and accrued liabilities, prepaid unit capital, unitholders' distributions payable and units submitted for redemption are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

Financial assets classified as FVTPL are carried at fair value on the consolidated financial statements of financial position. The net realized and unrealized gains and losses from fair value changes and foreign exchange differences, excluding interest, are recorded in consolidated statements of comprehensive income and as an operating activity in the consolidated statements of cash flows.

I) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position where there is legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund had foreign exchange forward contracts, which were subject to master netting arrangements, none of whose amounts have been or were able to be offset at these reporting dates (see note 8).

J) Future accounting changes

IFRS 9 was published by the IASB in July 2014 and will replace IAS 39. It includes revised guidance on the classification and measurement of financial instruments, including new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for the annual periods beginning on or after January 1, 2018, with early adoption permitted. The impact of this standard on the Fund has not yet been assessed.

3. Restricted cash

Restricted cash represents irrevocable standby letters of credit issued by the Fund.

4. Mortgage investments (excluding mortgages to investment subsidiaries)

The following is a summary of the mortgages:

			Dec 31, 2014	Dec 31, 2013	Jan 1, 2013
	Number of mortgages	Original cost	Fair value	Fair value	Fair value
First mortgages	125	$ 1,149,820	$ 1,141,759	$ 1,014,656	$ 844,135
Second mortgages	7	39,876	37,952	30,337	18,693
Third mortgages	–	–	–	11,657	11,449
	132	$ 1,189,696	$ 1,179,711	$ 1,056,650	$ 874,277

The following is a summary of the original cost of mortgages segmented by interest rate:

Interest rates	Dec 31, 2014	Dec 31, 2013	Jan 1, 2013
Less than 10.00%	$ 382,515	$ 346,996	$ 280,519
10.01% - 11.00%	424,649	384,866	254,224
11.01% - 12.00%	291,184	246,578	264,313
12.01% - 20.00%	89,336	84,651	77,981
Over 20.00%	2,012	5,998	3,474
	$ 1,189,696	$ 1,069,089	$ 880,511

The following is a summary of the original cost of the mortgages segmented by type of project:

Interest rates	Dec 31, 2014	Dec 31, 2013	Jan 1, 2013
Pre-development	$ 416,724	$ 307,712	$ 225,007
Construction	153,949	244,189	149,413
Term	619,023	517,188	506,091
	$ 1,189,696	$ 1,069,089	$ 880,511

The following is a summary of the original cost of the mortgages segmented by geography:

Interest rates	Dec 31, 2014	Dec 31, 2013	Jan 1, 2013
Ontario	$ 529,696	$ 501,960	$ 419,799
Alberta	108,604	154,250	158,437
British Columbia	156,145	163,897	142,934
Other provinces	79,867	84,215	40,656
United States	315,384	164,767	118,685
	$ 1,189,696	$ 1,069,089	$ 880,511

A reconciliation of mortgage investments for the years ended December 31, 2014 and 2013 is as follows:

Mortgage investments	2014	2013
Receivable balance, beginning of year	**$ 1,056,650**	$ 874,277
Funding of mortgage investments	**630,959**	600,131
Discharge of mortgage investments	**(467,888)**	(416,209)
Non-cash transfer to investments in subsidiaries	**(47,007)**	(376)
Unrealized loss in the value of investments	**2,451**	(6,207)
Realized loss on investments	**(3,243)**	(1,318)
Amortization of discount	**637**	1,479
Foreign currency adjustment on investments	**7,152**	4,873
Receivable balance, end of year	**$ 1,179,711**	$ 1,056,650

Credit risk arises from the possibility that mortgagors may be unable to fulfill their obligations. In accordance with the Fund's policies, the Fund mitigates this risk by ensuring that its mix of mortgages is diversified and by limiting exposure to any one mortgagor or property.

As part of the assessment of fair value, management of the Fund routinely reviews each mortgage for impairment to determine whether or not a mortgage should be recorded at its estimated realizable value.

Principal repayments based on contractual maturity dates are as follows:

2014 and earlier	**$ 426,014**
2015	**633,838**
2016	**120,230**
2017	**6,656**
2018 and after	**2,958**
	$ 1,189,696

Included in the 2014 and earlier category are loans which are past due or on a month-to-month arrangement. Borrowers have the option to repay principal at any time prior to the maturity date.

5. Investments in subsidiaries

The controlled subsidiaries acquired control of properties in order to finish development and divest of the property with the goal of maximizing return to investors, which may involve, but not specifically require, the advancement of additional funds. These subsidiaries are not consolidated by the Fund and are described as follows:

In 2009, the Partnership subscribed for 100% (2013 - 100%) of the shares of 1460518 Alberta Ltd. ("Albertaco"), a newly incorporated company. Subsequently, Albertaco acquired the 51st Avenue Business Centre in Edmonton, Alberta, which was nearing the completion of its construction. Albertaco has continued to develop the property with the investment of additional funds, net of repayments of $11,603 (2013 - $9,933), which has been advanced from the Fund. As at December 31, 2014, a mortgage to Albertaco for $18,774 (2013 - $17,104) is included in the investments in subsidiaries.

In 2010, the Partnership subscribed for 100% (2013 - 100%) of the ownership of 2220740 Ontario Inc. ("Lakeshoreco"), a newly incorporated company. Subsequently, Lakeshoreco acquired land in Collingwood, Ontario. Lakeshoreco has invested additional funds of $196 (2013 - $156), which has been advanced from the Fund. As at December 31, 2014, a mortgage to Lakeshoreco for $821 (2013 - $781) is included in the investments in subsidiaries.

In 2010, the Partnership subscribed for 100% (2013 - 100%) of the ownership of 3231451 Nova Scotia Ltd. ("Novaco"), a newly incorporated company. Subsequently, Novaco acquired the 24 Harbourside Drive building in Wolfville, Nova Scotia, which was recently completed. Novaco has continued to develop the property with additional investments to date, net of repayments of $683 (2013 - $937). As at December 31, 2014, a mortgage to Novaco for $5,150 (2013 - $5,404) is included in the investments in subsidiaries.

In 2010, the Partnership subscribed for 100% (2013 - 100%) of the shares of Aspen Lakes Communities Ltd. ("Aspenco"), a newly incorporated company. Subsequently, Aspenco acquired residential development lots in Blackfalds, Alberta. Aspenco has continued to develop the property and has received to date proceeds in excess of net additional investments of $8,002 (2013 - $3,670), which has been returned to the Fund. A loan known as the Ecocite loan is in the process of being foreclosed and was assigned to Aspenco for $12,479. As at December 31, 2014, a mortgage to Aspenco, including the Ecocite loan for $18,199 (2013 - $10,052) is included in the investments in subsidiaries.

In 2010, the Partnership subscribed for 100% (2013 - 100%) of the shares of 2241497 Ontario Ltd. ("Almonteco"), a newly incorporated company. Subsequently, Almonteco acquired the 430 Ottawa Street building in Almonte, Ontario, which has ongoing construction and improvements. Almonteco has continued to develop the property with the investment of additional funds of $1,006 (2013 - $1,006), which has been advanced from the Fund. As at December 31, 2014, a mortgage to Almonteco for $5,555 (2013 - $5,555) is included in the investments in subsidiaries.

In 2010, the Partnership subscribed 100% (2013 - 100%) of the shares of Big Mac Athletic Corp. (“BCco”), a newly incorporated company. Subsequently, BCco acquired an office complex in Langford, British Columbia. BCco has continued to develop the property with the investment of additional funds, net of repayments of $694 (2013 - $335), which has been advanced from the Fund. As at December 31, 2014, a mortgage to BCco for $7,929 (2013 - $7,570) is included in the investments in subsidiaries.

In 2010, the Partnership subscribed for 100% (2013 - 100%) of the shares of Romspen FC Homes Inc. (“FCco”), a newly incorporated company. Subsequently, FCco acquired some residential lots in Abbotsford, British Columbia. FCco is developing residential properties on these lots with the additional funding of $10,075 (2013 - $1,809), which has been advanced from the Fund. As at December 31, 2014, a mortgage to FCco for $13,070 (2013 - $4,804) is included in the investments in subsidiaries.

In 2010, the Partnership subscribed for 100% (2013 - 100%) of the shares of 2242078 Ontario Inc. (“Beachoneco”), a newly incorporated company. Through RIC Management Inc. in trust, Beachoneco acquired a waterfront property near Wasaga Beach, Ontario containing a motel. Beachoneco is finishing the development of this property with the investment of additional funds of $18 (2013 - $14), which has been advanced from the Fund. As at December 31, 2014, a mortgage to Beachoneco for $969 (2013 - $965) is included in the investments in subsidiaries.

In 2011, the Partnership subscribed for 100% (2013 - 100%) of the shares of 1604954 Alberta Ltd. (“Vistaco”), a newly incorporated company. Subsequently, Vistaco acquired an office complex in Calgary, Alberta. Vistaco has sold this property with proceeds in excess of its investment of $34,801 (2013 - $34,652), which has been returned to the Fund. As at December 31, 2014, a mortgage to Vistaco for $108 (2013 - $257) is included in the investments in subsidiaries.

In 2011, the Partnership subscribed for 100% (2013 - 100%) of the shares of 1411786 Alberta Ltd. (“Balzacco”). Subsequently, Balzacco acquired land in Rocky View, Alberta near Calgary. Balzacco is preparing the property for future development with the investment of additional funds of $77 (2013 - $77), which has been advanced from the Fund. As at December 31, 2014, a mortgage to Balzacco for $2,777 (2013 - $2,777) is included in the investments in subsidiaries.

In 2012, the Partnership subscribed for 100% (2013 - 100%) of the shares of 2270386 Ontario Limited (“Haldimandco”). Subsequently, Haldimandco acquired a landfill in Cayuga, Ontario. Haldimandco is running the landfill with the investment of additional funds, net of repayments of $11,898 (2013 - $9,238), which has been advanced from the Fund. As at December 31, 2014, a mortgage to Haldimandco for $21,034 (2013 - $18,374) is included in the investments in subsidiaries.

In 2012, the Partnership subscribed for 100% (2013 - 100%) of the shares of 1593785 Alberta Ltd. (“Greenco”). Subsequently, Greenco acquired industrial land in Langdon, Alberta. Greenco is preparing the property for future development with the investment of additional funds, net of repayments of $25 (2013 - $25), which has been advanced from the Fund. As at December 31, 2014, a mortgage to Greenco for $1,100 (2013 - $1,100) is included in the investments in subsidiaries.

In 2012, the Partnership subscribed for 100% (2013 - 100%) of the shares of Royal Oaks Home Ltd. (“Royalco”). Subsequently, Royalco acquired land in Moncton, New Brunswick. Royalco is preparing the property for development with the investment of additional funds, net of repayments of $4,684 (2013 - $4,400), which has been advanced from the Fund. As at December 31, 2014, a mortgage to Royalco for $11,036 (2013 - $10,752) is included in the investments in subsidiaries.

In 2013, the Partnership subscribed for 100% (2013 - 100%) of the shares of 2204604 Ontario Inc. (“Highco”). Subsequently, Highco acquired land in Collingwood, Ontario. Highco is preparing to develop the commercial property with the investment of additional funds of $431 (2013 - nil). As at December 31, 2014, a mortgage to Highco for $14,538 (2013 - $14,107) is included in the investments in subsidiaries.

In 2014, the Partnership subscribed for 100% (2013 - 100%) of the shares of Romspen Club Holdings Inc. (“RCco”). Subsequently, RCco acquired various golf courses in Southern United States. RCco has continued to operate the properties. As at December 31, 2014, a mortgage to RCco for $35,795 is included in the investments in subsidiaries.

In 2014, the Partnership subscribed for 100% (2013 - 100%) of the shares of Big Nob Development Corp. (“Bignobcorp”). Subsequently, Bignobcorp acquired some land in Colwood, British Columbia. Bignobcorp is preparing the property for future development. As at December 31, 2014, a mortgage to Bignobcorp for $1,870 is included in the investments in subsidiaries.

In 2014, the Partnership subscribed for 100% (2013 - 100%) of the shares of Ric (Kash) Inc. (“Kashco”). Subsequently, Kashco acquired land in Haliburton, Ontario. Kashco is preparing the property for future development. As at December 31, 2014, a mortgage to Kashco for $1,800 is included in the investments in subsidiaries.

The Fund's investments in subsidiaries are measured at fair value using Level 3 unobservable inputs. As a result, all investments in subsidiaries have been classified in Level 3 of the valuation hierarchy.

A reconciliation of Level 3 assets for the year ended December 31, 2014 and 2013 is as follows:

Investments in subsidiaries	2014	2013
Investments balance, beginning of year	$ 97,033	$ 120,805
Funding of investments	9,181	23,049
Discharge of investments	(1,266)	(49,332)
Non-cash transfer from mortgage investments	47,007	376
Unrealized loss in the value of investments	(12,734)	2,083
Foreign currency adjustment on investments	4,885	52
Investments balance, end of year	$ 144,106	$ 97,033

6. Other losses

As a loan repayment, the Fund received shares in Skyline International Development Inc. ("SID") valued at $3,900. In 2014, SID became a public company and the Fund's shares in SID are valued at $1,673 and an unrealized loss of $2,227 is recognized under other losses on the consolidated statement of comprehensive income.

7. Revolving loan facility

The Partnership entered into a revolving loan facility on July 16, 2012 and it was amended on July 18, 2014 to an increased maximum amount of $200,000 (2013 - $150,000) including borrowings of equivalent amount denominated in U.S. dollars. Approximately $32,389 (2013 - $53,000) is available and $167,611 has been drawn as at December 31, 2014 (2013 - $99,353). Interest on the loan is charged at a maximum of prime rate plus 1.0%. The minimum and maximum amounts drawn under the revolving loan facility during the year ended December 31, 2014 were $26,000 and $170,000 (2013 - nil and $107,000), respectively. The loan is secured by all assets of the Partnership and a pledge of all Partnership units held by the Fund. The loan matures on July 18, 2016.

The costs associated with the establishment of the revolving loan facility are amortized over the two-year initial term of the facility and have been included in other assets for $337 (2013 - $123), net of accumulated amortization of $98 (2013 - $137).

8. Foreign exchange forward contracts

The foreign exchange forward contracts are used to hedge the Fund's exposure to loans denominated in U.S. dollars. The following table sets out the fair values and the notional amount of foreign exchange forward contract derivative assets and liabilities held by the Fund as at December 31, 2014 and December 31, 2013 (there were no contracts outstanding at January 1, 2013):

Foreign exchange loss on forward contracts as of December 31, 2014:

Expiration date	Amounts to be received in Canadian dollars	Fair value at foreign exchange rate of $ 1.1601	Unrealized loss
March 5, 2015	$ 74,334	$ 75,407	$ (1,073)
Total	$ 74,334	$ 75,407	$ (1,073)

Foreign exchange loss on forward contracts as of December 31, 2013:

Expiration date	Amounts to be received in Canadian dollars	Fair value at foreign exchange rate of $ 1.0636	Unrealized loss
February 3, 2014	$ 16,663	$ 17,549	$ (886)
December 19, 2014	7,560	7,977	(417)
February 8, 2015	2,054	2,127	(73)
Total	$ 26,277	$ 27,653	$ (1,376)

The foreign exchange forward contracts are used to hedge the Fund's exposure to loans denominated in U.S. dollars and are classified as Held for trading ("HFT"). Included in the consolidated statements of comprehensive income are unrealized losses on foreign exchange forward contracts of $1,073 (2013 - $1,376), which is economically offset by unrealized gains of $8,971 (2013 - $5,199) on assets classified as FVTPL. The realized foreign exchange gain in the consolidated statements of comprehensive income consists mainly of realized foreign exchange losses of $1,495 (2013 - $747) on forward contracts, which are offset by $4,665 (2013 - $1,702) gains on mortgage investments.

9. Unitholders' equity

The beneficial interests in the Fund are represented by a single class of units, which are unlimited in number. Each unit carries a single vote at any meeting of unitholders and carries the right to participate pro rata in any distributions. The units of Romspen Mortgage Investment Fund are classified as equity as they are puttable instruments that entitle the holder to a pro-rata share of the Fund's net assets in the event of the Fund's liquidation. They are in the class of instruments that are subordinate to all other classes of instruments, and have identical features. Unitholders have a limited right to redeem their units, on a monthly basis, upon a minimum of 30 days' notice. Partial or complete redemption of units is limited on a monthly basis to 1% of the aggregate fair market value of units outstanding on the valuation date immediately preceding the said redemption date. Redemption notices on any given redemption date shall maintain their order of priority until the unit redemption price for such units has been paid in full. Additionally, the trustees shall be entitled in their sole discretion to extend the time for payment of any unit redemption prices if, in the reasonable opinion of the trustees, such payment would be materially prejudicial to the interests of the remaining unitholders in the Fund.

In the extraordinary circumstance where the number of units properly tendered for redemption ("Tendered Units") by unitholders ("Tendering Unitholders") on any given redemption date exceeds 3% of the total number of units outstanding on such redemption date, the trustees are entitled in their sole discretion to modify or suspend unitholder redemption rights. Specifically, if the extraordinary circumstance referenced above occurs, the trustees are entitled, in their sole discretion, to implement one of the following measures:

i) Discounted redemptions The trustees shall give notice to Tendering Unitholders that their Tendered Units shall be redeemed on the next redemption date at a redemption price discounted by a discount factor to be determined by the trustees in their sole discretion, acting reasonably. In determining the discount factor, the trustees may consider such factors as market prices for similar investments that are traded on a stock exchange in Canada, the variation inherent in any estimates used in the calculation of the fair market value of the Tendered Units to be redeemed, the liquidity reasonably available to the Fund and general economic conditions in Canada. Unitholders may choose to retract their redemption request upon receiving notice from the trustees of a discounted redemption; however, unitholders who retract will be prohibited from redeeming the Tendered Units to which their retraction applies for a period of up to 12 months following the date the discounted redemptions are processed.

ii) Temporary suspension of redemptions The trustees shall give notice to all unitholders that normal course redemption rights are suspended for a period of up to six months. Issuance of a suspension notice by trustees will have the effect of cancelling all pending redemption requests. At the end of the suspension period, the trustees may call a special meeting of unitholders to approve an extension of the suspension period, failing which normal course redemptions will resume.

As at December 31, 2014, unitholders representing approximately 3,499,666 (2013 - 400,356) units have requested redemption of their units, the redemption of which is subject to the above restrictions. These units have been reclassed to liabilities from unitholders' equity in order to comply with applicable accounting rules. These units, however, continue to have the same rights and no priority over the remaining units. Units submitted for redemption are redeemed at the net asset value at the time of redemption.

A) The following units are issued and outstanding

	2014		2013	
	Units	**Amount**	Units	Amount
Balance, beginning of year	**111,310,601**	**$ 1,114,190**	100,559,826	$ 1,006,212
New units issued	**10,934,536**	**109,345**	14,284,512	142,845
New units issued under distribution reinvestment plan	**4,257,967**	**42,580**	3,515,956	35,160
Units redeemed	**(5,655,923)**	**(56,293)**	(7,049,693)	(70,027)
Proceeds from issuance of units, net of redemptions	**9,536,580**	**95,632**	10,750,775	107,978
Balance, end of year	**120,847,181**	**$ 1,209,822**	111,310,601	$ 1,114,190

During the normal course of business, the Fund receives unit issuance and redemption requests from the investors. In 2014, the Fund received requests for redemption of 8,755,233 units (2013 - 6,948,080) and redeemed 5,655,923 units (2013 - 7,049,693) for $56,299 (2013 - $70,027) in accordance with its policies.

The Fund continues to issue new units and receive redemption requests, which will be processed in accordance with the above-mentioned policies.

B) Distribution reinvestment plan and direct unit purchase plan
The Fund has a distribution reinvestment plan and direct unit purchase plan for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at a unit price equivalent to $10.00 per unit.

10. Net asset value per unit and net income and comprehensive income per unit

Net asset value per unit is calculated as total assets less total liabilities allocable to outstanding units, excluding units submitted for redemption, of 117,347,515 as at December 31, 2014 (2013 - 110,910,245).

Net income and comprehensive income per unit have been computed using the weighted average number of units issued and outstanding of 117,666,519 for the year ended December 31, 2014 (2013 - 106,524,115).

11. Distributions

The Fund makes distributions to the unitholders monthly on or about the 15th day of each month. The Fund's trust indenture indicates that the Fund intends to distribute 100% of the net income and comprehensive income of the Fund, determined in accordance with the Income Tax Act (Canada), to the unitholders.

For the year ended December 31, 2014, the Fund declared distributions of $0.75 (2013 - $0.72) per unit and a total of $88,224 (2013 - $76,581) was distributed to the unitholders.

12. Income taxes

The Fund is taxed as a mutual fund trust for income tax purposes. Pursuant to the trust indenture, the Fund intends to distribute 100% of its income for income tax purposes each period to such an extent that it will not be liable for income tax under the Income Tax Act (Canada). Therefore, no provision for income taxes is required on income and comprehensive income of the Fund.

On June 22, 2007, new legislation relating to the federal income taxation of a specified investment flow-through trust or partnership ("SIFT") received royal assent (the "SIFT Rules").

Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income and a SIFT will be subject to income taxes on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to income taxes.

The Fund is not subject to the SIFT tax regime as its units are not listed or traded on a stock exchange or other public market. Accordingly, the Fund has not recorded a provision for income taxes or future income tax assets or liabilities in respect of the SIFT Rules.

13. Related party transactions and balances

Transactions with related parties 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 and which represents fair market value.

Other than the transactions disclosed elsewhere in these consolidated financial statements, the Fund had the following significant related party transactions:

A) All the trustees of the Fund are owners of Romspen. Under various agreements, Romspen manages all the day-to-day affairs of the Fund and the Partnership. Romspen receives fees totalling 1% per annum, calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments. For the year ended December 31, 2014, the amount was $12,379 (2013 - $10,711).

B) Romspen and related entities also receive certain fees directly from the borrower generated from Fund mortgage investments as follows: all lender, broker, origination, commitment, renewal, extension, discharge, participation, insufficient funds and administration fees generated on the mortgages. For the year ended December 31, 2014, the amount was $20,078 (2013 - $15,939).

C) Romspen charges the Fund for brokering and originating the acquisition of a portfolio of existing loans, calculated as 2% of the loan portfolio. For the year ended December 31, 2014, the amount was nil (2013 - nil).

D) Several of the Fund's mortgages are syndicated with other investors of Romspen, which may include Romspen, members of management of Romspen and officers or trustees of the Fund. The Fund ranks equally with, or in priority to, other members of the syndicate as to receipt of principal and income.

E) As at December 31, 2014, the Fund had two (December 31, 2013 - three; January 1, 2013 - five) investments outstanding with an original cost of

$24,607 (December 31, 2013 - $26,059; January 1, 2013 - $45,789), including accrued interest of $1,748 (December 31, 2013 - $2,402; January 1, 2013 - $3,621) and fair value of $23,355 (December 31, 2013 - $26,725; January 1, 2013 - $40,171) due from mortgagors and investments in which members of management of Romspen own non-controlling equity interests.

F) Included in accounts payable and accrued liabilities is an amount of $130 (December 31, 2013 - $10; January 1, 2013 - nil) payable to Romspen.

G) At the discretion of Romspen, the Fund participated in 50% of the funding fees received by Romspen on certain mortgage advances. Amounts received during the year ended December 31, 2014 amounted to nil (2013 - nil) and nil (2013 - $117) was recognized in other revenue.

14. Commitments and contingent liabilities

A) In the event that management agreements are terminated, the various management agreements between the Fund, the Partnership and Romspen contain provisions for the payment of termination fees of an amount equal to 2% of the fair market value of the Partnership's assets under administration on the date on which the termination notice is received, in addition to any other amounts owing by the Partnership. These amounts will be satisfied by the payment of cash, interests in mortgages or in such combination thereof as determined by the mortgage manager. These agreements continue in force until terminated in accordance with their provisions.

B) The Partnership has granted an irrevocable option to Romspen to purchase, at any time, any or all Partnership mortgages at a purchase price equal to the principal amount of such mortgage plus accrued interest.

C) The Partnership in certain situations provides guarantees for its subsidiaries. As of December 31, 2014, there were $15,400 of guarantees outstanding (December 31, 2013 - $11,000; January 1, 2013 - $160).

D) The Fund has letters of guarantee outstanding at December 31, 2014 of $8,802 (December 31, 2013 - $6,973; January 1, 2013 - $6,821).

15. Fair values of financial instruments

IFRS 13 establishes enhanced disclosure requirements for fair value measurements of financial instruments and liquidity risks. A three level valuation hierarchy is used for disclosure of financial instruments measured at fair value based upon the degree to which the inputs used to value an asset or liability as of the measurement date are observable:

- Level 1 - quoted (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Foreign exchange forward contracts have been classified in Level 2 of the hierarchy.

The Fund's mortgage investments are measured at fair value using unobservable inputs. As a result, all mortgage investments have been classified in Level 3 of the valuation hierarchy.

The Fund's investments in subsidiaries are measured at fair value using Level 3 unobservable inputs, including comparable market property values, appraisals, and discounted cash flows.

Fair value of the portfolio is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties under no compulsion to act. As there is no quoted price in an active market for these mortgages, the Fund manager makes its determination of fair value based on the assessment of the current lending market for investments of same or similar terms. Typically, the fair value of mortgage investments approximate their carrying values given the mortgage and loan investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. When collection of the principal amount of a mortgage or loan is no longer reasonably assured, the fair value of the investment is adjusted to the fair value of the underlying security.

The fair value of the Fund's investments in subsidiaries is generally determined using a variety of methodologies including comparable market property values, market research data, third party and in-house appraisals, and discounted cash flow analysis, which would include inputs related to discount rates, future cash flows, liquidity, etc.

The fair values of cash, restricted cash, accrued interest receivable, revolving loan facility, accounts payable and accrued liabilities, unitholders' distributions payable and prepaid unit capital approximate their carrying values due to their short-term maturities.

The Manager regularly reviews significant unobservable inputs and valuation adjustments and will use market observable data when available. When third party appraisals are used to measure fair values of its investments in subsidiaries, the managers will assess the evidence obtained to support valuations that meet the requirements of IFRS.

At December 31, 2014 and December 31, 2013, the fair value of investments as categorized by valuation methodology, and the sensitivity to fair value by using other reasonable inputs in the respective methodologies, is as follows:

		December 31, 2014			December 31, 2013		
Investments in subsidiaries	**Sensitivity rate**	**Value**	**Increase**	**Decrease**	Value	Increase	Decrease
Direct capitalization(i)	**1.00%**	**$ 63,581**	**$ 13,781**	**$ (8,971)**	$ 35,056	$ 8,709	$ (7,451)
Market comparison(ii)	**5.00%**	**80,524**	**4,026**	**(4,026)**	61,977	3,099	(3,099)
Total		**$ 144,105**	**$ 17,807**	**$ (12,997)**	$ 97,033	$ 11,808	$ (10,550)

(i) The rates used in the direct capitalization model range from 7% to 10.60% (2013 - 7% to 8%), with a weighted average capitalization rate of 8.5% (2013 - 7.49%).

An increase in capitalization rates will decrease the fair value of the investment and a decrease in capitalization rate will increase the fair value of the investment.

(ii) Market comparison approach uses comparable sales and applying a weighted average discount of 20.94% (2013 - 9.14%) in certain cases where applicable.

An increase in market value of the sales price will increase the fair value and a decrease in the market value of the sales price will decrease the fair value.

		December 31, 2014			December 31, 2013		
Mortgage Investments	**Sensitivity rate**	**Value**	**Increase**	**Decrease**	Value	Increase	Decrease
Direct capitalization(i)	**1.00%**	**$ –**	**$ –**	**$ –**	$ 21,729	$ 2,211	$ (1,837)
Market comparison(ii)	**5.00%**	**35,825**	**1,791**	**(1,791)**	45,226	2,261	(2,261)
Total		**$ 35,825**	**$ 1,791**	**$ (1,791)**	$ 66,955	$ 4,472	$ (4,098)

(i) The rates used in the direct capitalization model range from nil to nil (2013 - 10.8% to 10.8%), with a weighted average capitalization rate of nil% (2013 - 10.8%).

An increase in capitalization rates will decrease the fair value of the investment and a decrease in capitalization rate will increase the fair value of the investment.

(ii) Market comparison approach uses comparable sales and applying a weighted average discount of 21.66% (2013 - 15.67%) in certain cases where applicable.

16. Financial instrument risk management

The Fund is exposed in varying degrees to a variety of risks from its use of financial instruments. The Trustees and the Fund Manager discuss the principal risks of the businesses on a day-to-day basis. The Trustees set the policy framework for the implementation of systems to manage, monitor and mitigate identifiable risks. The Fund's risk management objective in relation to these instruments is to protect and minimize volatility to net assets and mitigate financial risks including market risk, currency risk, interest rate risk, credit risk and liquidity risk. The Fund Manager seeks to minimize potential adverse effects of risk by retaining experienced analysts and advisors, monitoring the Fund's positions, market events and entering into hedge contracts. The types of risks the Fund is exposed to, the source of risk exposure and how each is managed is outlined thereafter.

A) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund manages this risk by investing primarily in short-term mortgages. The Fund's investment objective is to obtain an acceptable and consistent absolute rate of return that is not related to any market-based interest rate benchmark.

As a result, the credit characteristics of the Fund's mortgages will evolve such that in periods of higher market interest rates, the Fund's mortgages will be those with narrower credit spreads, and vice versa in periods of lower market interest rates compared to other benchmark interest rates.

The majority of the Fund's investments are in fixed rate, short-term mortgages. The Fund generally holds all of its mortgages to maturity. There is no secondary market for the Fund's mortgages and in syndication transactions; these mortgages are generally traded at face value without regard to changes in market interest rates.

The Fund's debt under the revolving loan facility (note 7) bears interest not exceeding the prime rate plus 1.0%.

As at December 31, 2014, if interest rates on the revolving loan facility had been 100 basis points lower or higher, with all other variables held constant, net income and comprehensive income for the year would be affected with a total increase or decrease of $871 (2013 - $415). The Fund monitors the financial markets and can adjust the pricing of renewals and new loans when it deems it appropriate.

B) Credit risk

Credit risk is the risk of loss due to a counterparty to a financial instrument failing to discharge their obligations. It arises from mortgage investments held, from investments in subsidiaries and also from foreign exchange forward contracts. The Fund's sole activity is to discharge their obligations. The Fund's sole activity is investing in mortgages (notes 4 and 5) and, therefore, its assets are exposed to credit risk. Any instability in the real estate sector and adverse change in economic conditions in Canada could result in declines in the value of real property securing the Fund's mortgage investments. The Fund manages credit risk by adhering to the investment and operating policies, as set out in its Offering Memorandum. This includes the following policies:

(i) No more than 20% of the Fund's capital may be invested in subordinate mortgages; and
(ii) No more than 10% of the Fund's capital may be invested in any single mortgage or to any single borrower.

The Fund focuses its investments in the commercial mortgage market segments described in its Offering Memorandum, which includes development mortgages, construction mortgages, term financing mortgages and residential mortgages. These mortgages generally have the following characteristics:

(i) initial terms of 12 to 24 months;
(ii) loan to value ratios of approximately 65% at time of underwriting;
(iii) significant at-risk capital and/or additional collateral of property owner; and
(iv) full recourse to property owners supported by personal guarantees.

In addition, the Fund's trustees meet regularly to review and approve each mortgage investment and to review the overall portfolio to ensure it is adequately diversified.

The Fund manages counterparty credit risk on foreign exchange forward contracts by dealing with counterparties with high credit ratings.

As at December 31, 2014, the Fund has $15,415 (2013 - $15,246) of accrued interest past due on $611,615 (2013 - $488,787) of mortgages which the Fund does not consider impaired. The Fund has reviewed these loans and does not require fair value adjustments given the value of underlying collateral.

C) Liquidity risk

Liquidity risk is the risk that the Fund will not have sufficient cash to meet its obligations as they become due. The Fund mitigates this risk by monitoring its scheduled mortgage repayments and ensuring that sufficient funds are available in the near term to satisfy all of its obligations. The Fund's obligations are primarily those which arise under the revolving loan facility, the Mortgage Management Agreement and its Declaration of Trust. In the current economic climate and capital markets, the lenders may continue to tighten their lending standards which could make it challenging for the Fund to obtain financing on favourable terms, or to obtain financing at all.

The Fund's revolving loan facility (note 7) was renewed and matures on July 18, 2016. If it is not extended at maturity, repayments under the Fund's mortgage portfolio would be utilized to repay the revolving loan facility. The Fund's mortgages are predominantly short term in nature, and as such, the continual repayment by borrowers of existing mortgage investments creates liquidity for ongoing mortgage investments and funding commitments.

If the Fund is unable to continue to have access to its revolving loan facility, the size of the Fund's mortgage portfolio will decrease and the income historically generated through holding a larger portfolio by utilizing leverage will not be earned.

As at December 31, 2014, the Fund had not utilized its full leverage availability, being a maximum of 35% of its qualified mortgage investments.

The Fund is not obliged to invest in any mortgages originated by the Fund manager and, therefore, the Fund has no future funding obligations in respect of the Fund manager's mortgage commitments. The Fund is obliged to pay management fees to the Fund manager which, are funded out of interest income.

Unitholders in the Fund have the limited right to redeem their units in the Fund, as described in its Offering Memorandum and paragraph 5.25 of the Fund's Declaration of Trust. The trustees are entitled, in their sole discretion, to extend the time for payment of any unitholder redemption if, in their reasonable opinion, such payment would be materially prejudicial to the interests of the remaining unitholders.

D) Market risk

Market risk is the risk that the fair value of the collateral securing any of the Fund's mortgage investments falls to a level approaching the loan amount. The Fund manager ensures that it is aware of real estate market conditions in the regions in which it operates. Real estate market trends are monitored on an ongoing basis and the Fund manager's lending practices and policies are adjusted when necessary.

E) Currency risk

Currency risk is the risk that the fair value or future cash flows of the Fund's mortgages will fluctuate based on changes in foreign currency exchange rates. Approximately $346,864 (2013 - 151,524) or 26% of the total Fund's investments at year end, cash of $5,214 (2013 - $2,157), and revolving loan facility of $127,611 (2013 - $39,353) are denominated in U.S. dollars and secured primarily by charges on real estate located in United States; consequently, the Fund is subject to currency fluctuations that may impact its financial position and results. The Fund manages currency risk on mortgages by entering into foreign exchange forward contracts.

A weakening of the Canadian dollar against the U.S. dollar by 5% (2013 - 5%) would have resulted in an increase in NAV of $0.04 (2013 - $0.03), assuming all other variables, including interest rates, remain constant. A strengthening would have resulted in an equal but opposite effect. The Fund uses foreign exchange forward contracts to manage its exposure to foreign currency risks.

F) Capital risk management

The Fund manages capital to attain its objective of providing stable and secure cash distributions of income while preserving unitholders' equity. The Fund defines capital as being capital raised by issuing Fund units. The Fund intends to distribute its taxable income to unitholders, with the result that growth in the mortgage portfolio can only be achieved through the raising of additional equity capital and by utilizing available borrowing capacity.

The Fund raises equity capital on a monthly basis during periods where the Fund manager projects a greater volume of mortgage investment opportunities than the Fund's near-term capital would be sufficient to fund. In the event the Fund may have surplus equity capital, the trustees of the Fund have the right to redeem units held by unitholders or to declare a return of capital distribution.

Pursuant to the Fund's investment policies, the Fund may borrow up to 35% of the book value of its mortgages. The primary purpose of the Fund's borrowing strategy is to ensure that unitholders' capital is fully invested. The secondary purpose is to obtain a spread between the interest rates payable under its mortgage investments and its borrowings. As of December 31, 2014, the Fund's borrowings totalled 13% (2013 - 9%) of the book value of its total investments and the Fund was in compliance with all covenants under its revolving loan facility.

17. Summary of total investments

The fair value of the Fund's total investments are as follows:

Description	Dec 31, 2014	Dec 31, 2013	Jan 1, 2013
Mortgage investments and investments in subsidiaries, at amortized cost	$ 1,350,227	$1,169,810	$1,007,084
Unrealized fair value adjustment	(26,410)	(16,127)	(12,002)
Total	$ 1,323,817	$1,153,683	$ 995,082

Description	Dec 31, 2014	Dec 31, 2013	Jan 1, 2013
Mortgage investments	$ 1,179,711	$1,056,650	$ 874,277
Investments in subsidiaries	144,106	97,033	120,805
Total	$ 1,323,817	$1,153,683	$ 995,082

18. Exemption from filing

The Fund is relying on the exemption obtained in National Instrument 81-106, Part 2.11 to not file their financial statements in SEDAR.

19. Explanation of transition to IFRS

As stated in note 1, these are the Fund's first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 2 have been applied in preparing the consolidated financial statements for the year ended December 31, 2014, the comparative information presented in these financial statements for the year ended December 31, 2013 and in the preparation of an opening IFRS statement of financial position at January 1, 2013.

A) Exemptions and exceptions from full retrospective application:

First-time adopters of IFRS must apply the provisions of IFRS 1. IFRS 1 requires adopters to retrospectively apply all

IFRS standards as of the reporting date with certain optional exemptions and certain mandatory exceptions.

As allowed under IFRS 1, the Fund elected to designate all investments at fair value through profit and loss which were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies. The Fund did not apply any other IFRS 1 exemptions or exceptions.

B) Reconciliations of equity and comprehensive income as reported under Canadian GAAP and IFRS:

The adoption of IFRS did not have any impact on the Fund's equity or comprehensive income compared to that previously reported under Canadian GAAP.

C) Details of the material adjustments to the statement of financial position and statement of comprehensive income are as follows:

The investments in subsidiaries were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies, and included in mortgage and loan investments. Under IFRS, these investments are presented as investments in subsidiaries, at fair value.

Trustees & Management

Romspen's team of investment professionals is led by eight Managing Partners who collectively have over 180 years of finance and real estate experience. The investment team is supported by more than 30 professionals dedicated to the financial control, underwriting, legal and reporting matters of our business. The trustees and management team are collectively the largest non-institutional investor in the Fund. This alignment is elemental to preserving capital and generating strong consistent returns for all investors.

Romspen Mortgage Investment Fund

Sheldon Esbin
Trustee

Mark Hilson
Trustee

Arthur Resnick
Trustee

Wesley Roitman
Trustee

Romspen Investment Corporation

Sheldon Esbin
Managing General Partner

Mark Hilson
Managing General Partner

Wesley Roitman
Managing General Partner

Blake Cassidy
Managing Partner

Richard Weldon
Managing Partner

Arthur Resnick
Managing Partner

Peter Oelbaum
Managing Partner

Steven Gross
Managing Partner

Arnie Bose
Vice President, Finance

Bonnie Bowerman
Vice President, Underwriting

Lisa Calandra
Vice President, Investor Relations

Vitor Fonseca
Vice President and Treasurer

Mary Gianfriddo
Vice President, Mortgage Administration

Joel Mickelson
Corporate Counsel

Dianna Price
Executive Vice President, Investor Relations

Romspen Investment Corporation FSCO licence #10172, 11600

Unitholder Information

Units

The Fund units represent a beneficial ownership interest in the Romspen Mortgage Investment Fund. The Fund is an unincorporated closed-end investment trust and is the sole limited partner in the Romspen Mortgage Limited Partnership.

Distributions

Distributions on Fund units are payable on or about the 15th day of each month. The Fund intends to distribute its taxable earnings each year to the unitholders.

Distribution Reinvestment Plan

The distribution reinvestment plan provides unitholders a means to reinvest cash distributions in new units of the Fund. To participate, registered unitholders should contact Romspen.

Investor Relations Contact

Requests for the Fund's annual report, quarterly reports, or other corporate communications should be directed to:
Investor Relations
Romspen Mortgage Investment Fund
Suite 300, 162 Cumberland Street
Toronto, Ontario M5R 3N5
416-966-1100

Annual General Meeting of Unitholders

Romspen Mortgage Investment Fund's Annual General Meeting of unitholders will be held on Monday, June 8, 2015 at 10 a.m. in the Willard Room (mezzanine level) of the InterContinental Toronto Yorkville Hotel at 220 Bloor Street West, Toronto, Ontario.

Duplicate Communication

Registered holders of Romspen units may receive more than one copy of shareholder mailings. Every effort is made to avoid duplication, but when units are registered under different names and/or addresses, multiple mailings result. Unitholders who receive but do not require more than one mailing for the same ownership are requested to contact Investor Relations and arrangements will be made to combine the accounts for mailing purposes.

Auditors

KPMG LLP Chartered Accountants

Legal Counsel

Gardiner Roberts LLP

Website

www.romspen.com

ROMSPEN

ROMSPEN