KINGSWAY LINKED RETURN OF CAPITAL TRUST

Annual Report
to Unitholders

December 31, 2014

REPORT TO UNITHOLDERS

The following presents the consolidated financial results of Kingsway Linked Return of Capital Trust (the "Trust") for the years ended December 31, 2014 and 2013.

Scheduled Termination

All outstanding LROC Preferred Units will be redeemed by the Trust on June 30, 2015 in accordance with the provisions as detailed in the prospectus dated June 29, 2005.

Financial Performance

The net asset value per Unit at December 31, 2014 was $25.49 (2013 – $22.94), representing an increase of $2.55 per Unit or 11.1% primarily due to appreciation in the fair value of the promissory note issued by Kingsway ROC GP and unconditionally guaranteed as to payments of principal, interest and other amounts by Kingsway Financial Services Inc. ("Kingsway") and Kingsway America Inc., a wholly owned subsidiary of Kingsway, (collectively, the "Guarantors"). The appreciation is due to current market conditions and the Guarantors' 2014 operating results. The Guarantors' long-term debt is not rated.

It is the policy of the Trust to pay quarterly cash distributions of $0.3125 per LROC Preferred Unit on or about the last day of March, June, September and December each year. Accordingly, the Trust paid total cash distributions of $3.9 million or $1.25 per Unit (2013 – $3.9 million or $1.25 per Unit). Such distributions were characterized, for purposes of reporting to Unitholders, as returns of capital.

As described in the prospectus dated June 29, 2005, these distributions are funded through partial pre-settlements of the Forward Purchase Agreement.

Statement of Corporate Governance Practices

The Trustees have oversight responsibility for the overall stewardship of the Trust's business and affairs. The Trust provides holders with exposure to a single promissory note. As such, the Trust's investment is not actively managed, and the Trust can be considered to be a passive investment vehicle. The Trust's administrator, Scotia Managed Companies Administration Inc. (the ''Administrator''), administers many functions associated with the operations of the Trust pursuant to an administration agreement entered into at the time the Trust issued its Units to the public. Under this agreement the Administrator is responsible for certain day to day operations of the Trust including the payment of distributions on its Units and attending to the retraction or redemption of its Units in accordance with their terms. Many of the Trustees' and management's responsibilities are set forth and provided for in the Trust's final prospectus dated June 29, 2005.

The Board consists of three trustees, all of whom are independent according to the meaning found in Multilateral Instrument 52-110 – Audit Committees ("MI 52-110"). The Chairman of the Board is an independent Trustee. One of the Trustees, Colin Simpson, was formerly the chief executive officer and director of Kingsway, a related party of the Trust and as such Mr. Simpson recuses himself on all matters involving any potential conflict of interest with Kingsway. The Trustees believe that this number of trustees is appropriate for governance of the Trust. Only Trustees who are not directors, officers or employees of Kingsway or an affiliate are compensated by the Trust. Compensation is considered appropriate given the risk and responsibilities placed on each Trustee. The only standing committee of the Board of Trustees is the Audit Committee. The Audit Committee consists of three members, all of whom are independent under MI 52-110. The Chairman of the Audit Committee is an independent Trustee. The Audit Committee has responsibility to oversee the Trust's financial statements and reports and makes recommendations in respect thereof to the Board of Trustees before their approval by the Board. The Board of Trustees is responsible for developing the Trust's approach to governance issues and for proposing new nominees to the Board (should the need arise) and has not assigned these responsibilities to a committee. The independent Trustees may engage outside advisors at the Trust's expense.

The Trust, through its Administrator, maintains an Investor Relations line and web site to respond to inquiries from Unitholders.

This report, along with the accompanying audited consolidated financial statements of the Trust, is respectfully submitted to you on behalf of the Trustees of Kingsway Linked Return of Capital Trust.

Robt. Wm Morrison

Toronto, Canada
March 24, 2015

Robert W. Morrison
Chairman of the Board

KINGSWAY LINKED RETURN OF CAPITAL TRUST

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Kingsway Linked Return of Capital Trust and all the information in this annual report are the responsibility of management and have been approved by the Trustees.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the information presented in this annual report is consistent with the financial statements. The financial statements for the years ended December 31, 2014 and 2013 have been audited by PricewaterhouseCoopers LLP, on behalf of the Unitholders.

The Trustees are responsible for ensuring that management fulfills its responsibilities for financial reporting and are ultimately responsible for reviewing and approving the financial statements. The Trustees carry out these responsibilities through the Audit Committee (the ''Committee'').

The Committee is appointed by the Board of Trustees. The Committee meets periodically with management and the external auditors to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings annually to the Board of Trustees for consideration when approving the financial statements for issuance to the Unitholders. The Committee also considers, for review by the Board of Trustees, the engagement or re-appointment of the external auditors. PricewaterhouseCoopers LLP has full and free access to the Committee.

Robert W. Morrison
Chairman of the Board

Toronto, Canada
March 24, 2015

INDEPENDENT AUDITOR'S REPORT

To the Unitholders and Trustees of Kingsway Linked Return of Capital Trust

We have audited the accompanying consolidated financial statements of Kingsway Linked Return of Capital Trust (the Trust), which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, the consolidated statements of comprehensive income, cash flows, and changes in net assets attributable to Unitholders for the years ended December 31, 2014 and December 31, 2013, and the related notes, which comprise 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements of 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 audits 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 the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

PricewaterhouseCoopers LLP

Toronto, Canada
March 24, 2015

PricewaterhouseCoopers LLP
Chartered Professional Accountants
Licensed Public Accountants

KINGSWAY LINKED RETURN OF CAPITAL TRUST

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31

Canadian $

	2014	2013
Assets		
Cash *(note 14)*	$ 511,923	$ 498,642
Accrued interest	17,946	15,316
Debt securities *(note 6)*	4,921,238	4,341,549
Forward Purchase Agreement (*note 4*)	79,502,117	71,551,250
Promissory note (*note 5*)	74,141,236	66,791,742
Total assets	159,094,460	143,198,499
Liabilities		
Accounts payable	76,646	78,894
KN Trust Unit liability to counterparty (*note 7*)	79,502,117	71,551,250
Total liabilities (excluding net assets attributable to Unitholders)	79,578,763	71,630,144
Net assets attributable to Unitholders	$ 79,515,697	$ 71,568,355
Number of Units outstanding (*note 8*)	3,120,000	3,120,000
Net asset value per Unit	$ 25.49	$ 22.94

See accompanying notes to consolidated financial statements.

On behalf of the Trustees of Kingsway Linked Return of Capital Trust

Robert W. Morrison
Chairman of the Board

Leonard F. Ruggins
Trustee

KINGSWAY LINKED RETURN OF CAPITAL TRUST

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

Canadian $

	2014	2013
Income		
Interest income for distribution purposes *(note 14)*	$ 5,278,856	$ 5,278,856
Miscellaneous income	209,168	177,945
	5,488,024	5,456,801
Expenses		
Forward Purchase Agreement fees *(note 14)*	468,000	468,000
Administration fees (*note 14*)	176,280	176,280
Trustee fees	56,000	56,000
Audit fees	38,880	36,840
Legal fees	22,740	10,540
Insurance premiums	22,452	23,418
Filing fees	15,010	14,060
Listing fees	11,659	11,529
Custodial fees	10,126	10,554
General	9,954	10,377
Total operating expenses	831,101	817,598
Income before finance income (expense)	4,656,923	4,639,203
Finance income (expense)		
Net realized gain on partial pre-settlements of Forward Purchase Agreement *(note 4)*	1,820,873	1,484,368
Unrealized gain on Forward Purchase Agreement	6,129,994	2,411,638
Unrealized gain on promissory note	7,349,494	3,278,413
Unrealized loss on debt securities	(159,075)	(122,756)
	15,141,286	7,051,663
Change in fair value of KN Units held by counterparty *(note 7)*	(7,950,867)	(3,896,006)
Net income attributable to Unitholders for the year	11,847,342	7,794,860
Distributions to Unitholders *(note 10)*	(3,900,000)	(3,900,000)
Change in net assets attributable to Unitholders	$ 7,947,342	$ 3,894,860
Income per Unit	$ 3.80	$ 2.50
Distributions per Unit	$ 1.25	$ 1.25

See accompanying notes to consolidated financial statements.

KINGSWAY LINKED RETURN OF CAPITAL TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

Canadian $

	2014	2013
Operating Activities		
Net Income attributable to Unitholders for the year	$ 11,847,342	$ 7,794,860
Add (deduct):		
Unrealized gain on promissory note	(7,349,494)	(3,278,413)
Unrealized loss on debt securities	159,075	122,756
Change in fair value of KN Units held by counterparty (*note 7*)	7,950,867	3,896,006
Net realized gain on partial pre-settlement of Forward Purchase Agreement (*note 4*)	(1,820,873)	(1,484,368)
Unrealized gain on Forward Purchase Agreement	(6,129,994)	(2,411,638)
Interest and miscellaneous income	(5,488,024)	(5,456,801)
Changes in non-cash balances		
Decrease in accounts payable	(2,248)	(25,376)
Interest and miscellaneous income received	5,485,394	5,454,375
Net cash flow provided by operating activities	4,652,045	4,611,401
Investing Activities		
Purchase of debt securities	(738,764)	(701,725)
Net cash flow used in investing activities	(738,764)	(701,725)
Financing Activities		
Distributions to Unitholders *(note 10)*	(3,900,000)	(3,900,000)
Net cash flow used in financing activities	(3,900,000)	(3,900,000)
Net increase in cash	13,281	9,676
Cash, beginning of year	498,642	488,966
Cash, end of year	$ 511,923	$ 498,642

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the years ended December 31

Canadian $

	2014	2013
Net assets attributable to Unitholders, beginning of year	$71,568,355	$67,673,495
Change in net assets attributable to Unitholders during the year	7,947,342	3,894,860
Net assets attributable to Unitholders, end of year	$ 79,515,697	$ 71,568,355

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

1. TRUST INFORMATION

Kingsway Linked Return of Capital Trust (the ''Trust'') is a trust established under the laws of the Province of Ontario and is registered in Ontario, Canada. The Trust is domiciled in Canada. The address of the Trust's registered office is Scotia Plaza, 26th Floor, 40 King Street West, Toronto, Ontario M5W 2X6. The Trust is governed by a Declaration of Trust dated May 12, 2005, amended July 14, 2005. The Trust will terminate on or about June 30, 2015 (the "Redemption Date") and its net assets attributable to unitholders will be distributed thereafter to holders of units ("Unitholders").

The consolidated financial statements include the accounts of the Trust, KL Limited Partnership ("KL LP") and Kingsway Note Trust ("KN Trust") which the Trust controls. KN Trust was established under the laws of the Province of Ontario and is governed by a Declaration of Trust dated May 12, 2005, amended July 14, 2005. KN Trust will terminate on or about June 30, 2015.

The Trust commenced operations on July 14, 2005 and raised $78,000,000 through the issuance of 3,120,000 preferred units ("LROC Preferred Units") at $25 per LROC Preferred Unit. In order to achieve its objectives, the Trust used the net proceeds of $74,141,236 of this initial public offering to subscribe for and purchase all of the limited partnership units of KL LP. In turn, KL LP used these proceeds for the payment of its purchase obligations under a Forward Purchase Agreement (see note 4) which KL LP entered into with the Bank of Nova Scotia (the "Counterparty"). Such proceeds were invested by the Counterparty in KN Trust which in turn used the proceeds to purchase a promissory note (the "Kingsway Note") issued by Kingsway ROC GP.

The investment activities of the Trust are managed by Scotia Managed Companies Administration Inc. ("SMCAI") and overseen by the trustees of the Trust ("Trustee"). These consolidated financial statements were authorized for issuance by the Trustee on March 31, 2015.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial assets and liabilities classified and measured at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional currency and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and adjustments that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

The most significant estimate relates to the valuation of the Forward Purchase Agreement and promissory note and depends on subjective and complex judgments about matters that may be uncertain. Changes in this estimate in particular could materially impact the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in preparing these financial statements are summarized below:

Financial Instruments

The Trust recognizes financial assets and liabilities at fair value on the trade date when the Trust becomes a party to the contractual provisions of the instrument. The Trust's investment in the Forward Agreement is held-for-trading. The Trust has designated all other financial assets and liabilities at fair value through profit or loss ("FVTPL') as the financial assets and liabilities are both managed and their performance is evaluated on a fair value basis. This is consistent with the Trust's investment strategy.

The Trust's promissory note from Kingsway ROC GP is recorded at fair market value which is determined using a valuation model, which takes into account time value, yield curve and risk premium factors underlying the promissory note. The fair value of debt securities is based on the bid price quoted by an investment dealer. Short-term investments are presented at cost which, when taken together with accrued interest, approximate fair value. Changes in the fair values of the promissory note and debt securities are recorded in the statements of comprehensive income.

Financial assets and liabilities at FVTPL are recognized initially at fair value, with transaction costs recognized in comprehensive income. The Trust holds debt securities (note 6) which are designated as FVTPL. The LROC Preferred Units (note 8) are classified as financial liabilities and measured at FVTPL. All realized and unrealized gains/losses on financial assets and liabilities at FVTPL are recorded in comprehensive income.

Cash comprises cash balances and are used by the Trust in the management of it short-term commitments. Cash balances are classified as loans and receivables and measured at amortized cost, which approximates fair value.

Income Recognition

Interest income for distribution purposes is recorded on an accrual basis.

Income (Loss) per Unit

Income (loss) per Unit is calculated by dividing the net income (loss) attributable to Unitholders by the weighted average number of Trust Units outstanding during the year.

Consolidation

These consolidated financial statements include the accounts of the Trust and its subsidiaries, KL LP and KN Trust. The financial statements of KL LP and KN Trust are prepared for the same reporting period as the Trust, using consistent accounting policies. KL LP and KN Trust are fully consolidated from the date on which the Trust obtained control, and will continue to be consolidated until the date such control ceases. Inter-fund balances, transactions and unrealized gains and losses from inter-fund transactions, are eliminated on consolidation.

Forward Purchase Agreement

The carrying value of the Forward Purchase Agreement (note 4) is the value with respect thereto that would be realized if, as of any date, the Forward Purchase Agreement was settled in accordance with its terms, in which case the value shall be based on the net asset value of KN Trust. The carrying value of the Forward Agreement takes into account the value of other assets ie cash and the amount of liabilities including any leverage amount attributed to the Forward Agreement on such date. The Forward Agreement is classified as held for trading.

Income Taxes

The Trust follows the asset and liability method of accounting for income taxes, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

Classification of Redeemable Unit

The Trust is a limited life entity and its outstanding redeemable units are classified as a financial liability in accordance with the requirements of IAS 32 *Financial Instruments: Presentation*.

4. FORWARD PURCHASE AGREEMENT

To provide the Trust with the means to meet its investment objectives, KL LP used the net proceeds of its initial public offering of $74,141,236 to prepay its obligations under a forward purchase and sale agreement (the ''Forward Purchase Agreement''), pursuant to which KL LP will acquire on or before the Redemption Date, securities of Canadian public issuers (''Portfolio Securities'') having a value related to the redemption proceeds paid by KN Trust to the Counterparty in connection with the repayment on maturity of the Kingsway Note by Kingsway ROC GP. The Kingsway Note is held by KN Trust. Under the Forward Purchase Agreement, the Counterparty will deliver, on the Redemption Date, Portfolio Securities with an aggregate value equal to the redemption proceeds of all of the corresponding units of KN Trust net of any amount then owing by KL LP to the Counterparty. KL LP will then distribute proceeds from the sale of Portfolio Securities to the Trust which in turn will distribute the amounts to Unitholders. KL LP will partially pre-settle the Forward Purchase Agreement prior to the Redemption Date in order to make distributions on the KL LP units to enable the Trust to fund the cash portion of any retraction amounts payable, quarterly distributions, expenses and the amounts payable to the Administrator. The net realized gains (losses) on the partial pre-settlement of the Forward Purchase Agreement as at December 31 are as follows:

	2014	2013
Reduction in obligation of the Counterparty under the Forward Purchase Agreement through partial pre-settlements	$ 4,110,499	$ 4,098,310
Allocable cost of Forward Purchase Agreement on partial pre-settlements	(2,289,626)	(2,613,942)
Net realized gain on partial pre-settlements of Forward Purchase Agreement	$ 1,820,873	$ 1,484,368

5. PROMISSORY NOTE

	Dec 31, 2014 Fair Value	Dec 31, 2013 Fair Value
Kingsway Note 7.12%, due June 30, 2015	*$74,141,236*	$66,791,742

The principal amount of the promissory note is $74,141,236. It is a direct obligation of Kingsway ROC GP and is not secured by any mortgage, pledge or other charge. The Kingsway Note is unconditionally guaranteed as to payments of principal, interest and other amounts by Kingsway Financial Services Inc. ("Kingsway") and Kingsway America Inc., a wholly-owned subsidiary of Kingsway. The promissory note may be redeemed by Kingsway ROC GP at any time on any interest payment date, in whole but not in part, by Kingsway ROC GP, at its option. The promissory note has been valued using a pricing model and a discount rate of approximately 7.2% (2013 – 14.8%). An increase of 1% in the discount rate would result in a reduction of $356,000 (2013 - $891,000) in the fair value of the promissory note.

6. DEBT SECURITIES

As at December 31:

Par Value			Fair Value		Cost	
2014	2013	Security	2014	2013	2014	2013
4,852,000	4,141,000	Government of Canada 4.50%, due June 1, 2015	$ 4,921,238	$ 4,341,549	$ 5,242,808	$ 4,504,044
			$ 4,921,238	$ 4,341,549	$ 5,242,808	$ 4,504,044

7. TRUST UNIT LIABILITY TO COUNTERPARTY

Trust Unit liability to counterparty is represented by the Counterparty's wholly-owned interest in KN Trust which is equal to the fair value of the Forward Purchase Agreement as at December 31.

	2014	2013
Trust Unit liability to counterparty, beginning of year	$ 71,551,250	$ 67,655,244
Change in unrealized gain on KN Trust	7,950,867	3,896,006
Trust Unit liability to counterparty, end of year	$ 79,502,117	$ 71,551,250

8. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Pursuant to the Declaration of Trust, the Trust is authorized to issue an unlimited number of preferred, retractable, redeemable, cumulative transferable LROC Preferred Units, each of which represents an equal, undivided interest in the net assets and net income of the Trust. The LROC Preferred Units have no stated par value. There were 3,120,000 LROC Preferred Units outstanding as at December 31, 2014 and 2013.

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The trading value of the LROC Preferred Units on The Toronto Stock Exchange as at December 31, 2014, was $23.35 (December 31, 2013 - $20.20).

Redemption of Trust Units

The LROC Preferred Units will be redeemed by the Trust on the Redemption Date at a price per LROC Preferred Unit equal to the Redemption Price which will equal the lesser of (i) $25 together with any accrued and unpaid distributions; and (ii) the amount received by the Trust from KL LP as distributions on the KL LP Units held by the Trust from the proceeds from the sale of Portfolio Securities which are delivered to KL LP on the settlement of the Forward Purchase Agreement.

9. INCOME TAXES

In June 2007, the Government of Canada enacted legislation imposing income taxes upon publicly traded income trusts and limited partnerships, including the Trust, effective January 1, 2011. As a result, the Trust is prevented from deducting any part of the amount payable to its Unitholders in respect of the Trust's taxable income and accordingly, the Trust is subject to income tax on its taxable income.

The Trust did not realize any income, gain or loss as a result of entering into the Forward Purchase Agreement and no amount will be included in the Trust's income by virtue of the acquisition of the Portfolio Securities through partial pre-settlements or final settlement of the Forward Purchase Agreement. The cost to the Trust of such Portfolio Securities will be that portion of the aggregate amount paid by the Trust under the Forward Purchase Agreement attributable to the Portfolio Securities. The resulting gain or loss realized by the Trust on the sale of Portfolio Securities acquired pursuant to the Forward Purchase Agreement will be taxed as capital gains or capital losses.

Capital losses may be carried forward indefinitely to reduce future net realized capital gains. Non-capital losses may be carried forward for up to twenty years and applied against net investment income and net taxable capital gains in future years. For the taxation year ended December 31, 2014, the Trust's net income for tax purposes was $696,420 (2013 – $542,728) however, the Trust utilized non-capital loss carry forwards such that the Trust did not have taxable income. Accordingly, all of the 2014 (and 2013) distributions to Unitholders have been characterized as return of capital.

The Trust has capital losses of $3,506,900 and non-capital losses of $3,406,600 available to offset future income for tax purposes for which no benefit has been recognized in these financial statements. The non-capital losses by year of expiry are as follows:

2027	682,000
2028	967,900
2029	1,154,700
2030	602,000
	$3,406,600

10. DISTRIBUTIONS TO UNITHOLDERS

Unitholders receive quarterly fixed cumulative distributions of $0.3125 per LROC Preferred Unit on or about the last day of March, June, September and December each year. Accordingly, the Trust paid total cash distributions of $1.25 per Unit (2013 – $1.25 per Unit). Reference is made to note 9 which describes the tax treatment of the Trust's distributions.

11. CAPITAL MANAGEMENT

The Trust's capital is represented by net assets attributable to Unitholders. The Trustee is responsible for managing the investments and affairs of the Trust, including the receipt of interest on the promissory note and the payment of a quarterly distribution to the Unitholders. Any surplus cash, after payment of the distribution and all administrative and operating expenses, is invested in line with the investment guidelines of the Trust.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, accrued interest and accounts payable approximate their fair value because of the short-term nature of these items. The following table outlines the fair value hierarchy of the remaining financial instruments as at December 31, 2014 and 2013.

	Assets at fair value							
	Level 1		Level 2		Level 3		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Debt securities	$ 4,921,238	$ 4,341,549	$ -	$ -	$ -	$ -	$ 4,921,238	$ 4,341,549
Promissory note	-	-	-	-	74,141,236	66,791,742	74,141,236	66,791,742
Forward purchase contract*	-	-	-	-	79,502,117	71,551,250	79,502,117	71,551,250
	$ 4,921,238	$ 4,341,549	$ -	$ -	$ 153,643,353	$ 138,342,992	$ 158,564,591	$ 142,684,541

* The related Trust Unit Liability to Counterparty is also classified within Level 3

Financial Instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. The Trust's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer. There were no transfers into or out of the three levels during each of the years presented.

The following shows the changes for the Level 3 assets:

	2014	2013
Promissory note, beginning of year	$ 66,791,742	$ 63,513,329
Appreciation during the year	7,349,494	3,278,413
Promissory note, end of year	$ 74,141,236	$ 66,791,742
Forward purchase contract, beginning of year	$ 71,551,250	$ 67,655,224
Realized gain on pre-settlement of forward purchase agreement	1,820,873	1,484,368
Unrealized gain on forward purchase agreement	6,129,994	2,411,658
Forward purchase contract, end of year	$ 79,502,117	$ 71,551,250

13. FINANCIAL RISK MANAGEMENT

Interest Rate Risk

Interest rate risk arises from changes in the prevailing levels of market interest rates, resulting in fluctuations in the value of interest bearing financial instruments. In general as interest rates rise, the fair value of a fixed rate interest bearing financial instrument will fall. Financial instruments with a longer term to maturity will generally have a higher interest rate risk. Any excess cash of the Trust is invested in bankers' acceptances and medium to long-term bonds issued by the Government of Canada.

The below sensitivity represents the potential impact to net assets attributable to Unitholders if interest rates for all maturities fluctuate by 100 basis points (parallel yield shift). If interest rates rise, net assets attributable to Unitholders will decrease by the amount shown, conversely if interest rates fall, net assets attributable to Unitholders will increase by the amount shown.

Financial Instruments	December 31, 2014		December 31, 2013	
by maturity date	Fair Value	%	Fair Value	%
Less than 1 year:				
Debt securites	$ 4,921,238	6.2	$ -	0.0
Promissory note	74,141,236	93.2	-	0.0
More than a year				
Debt securites	-	0.0	4,341,549	6.1
Promissory note	-	0.0	66,791,742	93.3
	79,062,474	99.4	71,133,291	99.4
Total interest bearing	79,062,474	99.4	71,133,291	99.4
Non-interest bearing	453,223	0.6	435,064	0.6
Net assets attributable to Unitholders	$79,515,697	100.0	$71,568,355	100.0

Change in net assets attributable to Unitholders with 100 bps increase: $ (375,785) (0.5)%
Change in net assets attributable to Unitholders with 100 bps decrease: $ 380,459 0.5 %

These sensitivities are estimates, actual results may vary and the variance may be material.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Trust's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

The following are the contractual maturities of financial liabilities:

December 31, 2014

	Carrying amount		Less than 1 year		More than a year	
Accounts payable	$	76,646	$	76,646	$	-
Trust Unit liability to Counterparty	$	79,502,117	$	79,502,117	$	-
Net assets attributable to Unitholders (LROC Preferred Units)	$	79,515,697	$	79,515,697	$	-

December 31, 2013

	Carrying amount		Less than 1 year		More than a year	
Accounts payable	$	78,894	$	78,894	$	-
Trust Unit liability to Counterparty	$	71,551,250	$	-	$	71,551,250
Net assets attributable to Unitholders (LROC Preferred Units)	$	71,568,355	$	-	$	71,568,355

Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar will fluctuate due to changes in exchange rates. All assets and liabilities are held in the functional currency of the Trust, which is the Canadian dollar. The Trust is not exposed to any foreign currency risks.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will not honour its obligation under the terms of the instrument, resulting in capital loss. The Trust is mainly exposed to credit risk through the promissory note issued by Kingsway ROC GP.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure at the reporting date was $79,574,397 (2013 – $71,631,933).

The promissory note is unconditionally guaranteed as to payments of principal, interest and other amounts by Kingsway and Kingsway America Inc., whose long-term debt for each was not rated.

In entering into the Forward Purchase Agreement, the Trust, by way of KL LP, is fully exposed to the credit risk associated with the Counterparty, which exposure is determined by reference to the value of the total net assets of KN Trust. Settlement of the Forward Purchase Agreement is unconditionally guaranteed by The Bank of Nova Scotia, a company with a current credit rating of AA (low) as rated by DBRS.

All transactions in listed debt securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

The Trust manages credit risk on its debt securities by investing only in high grade debt instruments including bankers' acceptances issued by The Bank of Nova Scotia, which has a credit rating of R-1 (high) on short-term instruments, and medium to long-term bonds issued by the Government of Canada, which has a credit rating of AAA, both rated by DBRS.

14. RELATED PARTY INFORMATION

Kingsway, through KFS Capital LLC, an indirect wholly-owned subsidiary of Kingsway, owns and controls an aggregate of 2,333,715 Units, representing 74.8% of the issued and outstanding LROC Preferred Units.

Total interest payments received from Kingsway ROC GP, a wholly-owned subsidiary of Kingsway, on the Kingsway Note for the year ended December 31, 2014 were $5,278,856 (2013 – $5,278,856), which is included in interest income for distribution purposes on the consolidated statements of comprehensive income.

SMCAI, a wholly-owned subsidiary of Scotia Capital Inc. ("SCI"), is the administrator of the Trust. The total administration fee paid to SMCAI for the year ended December 31, 2014 was $176,280 (2013 – $176,280).

Under the Forward Purchase Agreement, the Trust, through a reduction in the value of Portfolio Securities to be delivered under the Forward Purchase Agreement, paid the Counterparty $468,000 for the year ended December 31, 2014 (2013 – $468,000).

The total fees paid to the Trustees for the year ended December 31, 2014 were $56,000 (2013 – $56,000). One half of these fees were funded by KN Trust. The Trust has no key management employee compensation.

At December 31, 2014, the Trust had cash on deposit with SCI and its parent company, The Bank of Nova Scotia, of $511,923 (2013 – $498,642).

KINGSWAY LINKED RETURN OF CAPITAL TRUST

Trust Information

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E-mail: mc.kingswaylroc@scotiabank.com
Web site: www.scotiamanagedcompanies.com

Trustees

Registrar & Transfer Agent

Computershare Investor Services Inc.
100 University Avenue
Toronto, Ontario
M5J 2Y1

Legal Counsel

Stikeman Elliott LLP
Toronto, Ontario

Auditor

PricewaterhouseCoopers LLP
Toronto, Ontario

Stock Exchange Listing

The Toronto Stock Exchange

Symbol

KSP.UN

* *Audit Committee Member*

Kingsway Linked Return of Capital Trust
40 KING STREET WEST, SCOTIA PLAZA, 26TH FLOOR
TORONTO, ONTARIO
M5W 2X6