TRICON CAPITAL GROUP INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2013 AND 2012

Tricon Capital Group Inc.

Interim Consolidated Balance Sheet
(Unaudited)
(rounded to the nearest thousands of Canadian dollars, except per share amounts)

	Notes	March 31, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents		$85,406,000	$38,321,000
Short-term investments		4,115,000	4,094,000
Accounts receivable	5	3,740,000	2,226,000
Prepaid expenses and other assets		2,058,000	1,242,000
Inventory homes	6	14,042,000	14,544,000
		109,361,000	60,427,000
Non-current assets			
Loan receivable	5	7,419,000	7,429,000
Investments in associates	8	26,678,000	23,897,000
Investment properties	9	196,847,000	139,603,000
Intangible assets		2,317,000	2,441,000
Office equipment and leasehold improvements		168,000	166,000
Deferred income tax assets	10	6,234,000	5,726,000
		239,663,000	179,262,000
Total assets		$ 349,024,000	$ 239,689,000
Liabilities			
Current liabilities			
Bank debt	7	$6,458,000	$1,459,000
Accounts payable and accruals	5,11	5,040,000	5,059,000
Long-term incentive plan-current portion	12,15	18,000	15,000
Dividends payable	13	2,505,000	2,505,000
Income taxes payable	10	336,000	786,000
Interest payable	7	745,000	1,379,000
		15,102,000	11,203,000
Non-current liabilities			
Bank debt	7	10,974,000	6,298,000
Deferred income tax liabilities	10	5,293,000	1,740,000
Non-controlling interest		16,027,000	11,496,000
Long-term incentive plan - non-current portion	12,15	11,317,000	9,980,000
Derivative financial instruments	7	42,363,000	23,921,000
Debentures payable	7	99,316,000	33,756,000
Other long-term liabilities		100,000	-
Total liabilities		200,492,000	98,394,000
Equity			
Share capital	14	164,550,000	164,614,000
Contributed surplus		1,504,000	1,377,000
Accumulated other comprehensive income		4,307,000	1,014,000
Deficit		(21,829,000)	(25,710,000)
Total equity		148,532,000	141,295,000
Total liabilities and equity		$ 349,024,000	$ 239,689,000

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Approved by the Board of Directors

David Berman *Michael Knowlton* *Duff Scott*

Tricon Capital Group Inc.

Interim Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

	Notes	For the Three Months Ended March 31, 2013	March 31, 2012
Revenue			
Contractual fees	5	$2,147,000	$1,871,000
General partner distributions	5	730,000	1,228,000
Performance fees	5	8,000	-
Investment income	5,8	465,000	35,000
Rental revenue	19	3,521,000	-
Revenue from homes sold	6	8,408,000	-
Interest income		371,000	165,000
		15,650,000	3,299,000
Expenses			
Salaries and benefits expense	5	1,204,000	936,000
Short-term incentive plan	5,15	218,000	199,000
Long-term incentive plan	5,12	1,341,000	433,000
Stock compensation	5,15	168,000	293,000
Rental expense		1,366,000	-
Rental operator management fees		578,000	-
Impairment (recovery) on inventory homes	6	(105,000)	-
Cost of homes sold	6	7,803,000	-
Professional fees	15	628,000	192,000
Directors fees	5	104,000	54,000
Formation costs		-	24,000
Fair value adjustment on investment properties	9	(14,506,000)	-
General and administration expense	16	419,000	209,000
Interest expense		2,307,000	-
Net change in fair value of derivative	7	1,180,000	-
Amortization expense		156,000	290,000
Realized and unrealized foreign exchange (gain) loss		(523,000)	320,000
		2,338,000	2,950,000
Income before non-controlling interest and income taxes		**13,312,000**	**349,000**
Non-controlling interest fair value change		(2,431,000)	-
Income before income taxes		**10,881,000**	**349,000**
Income tax expense	10	(4,495,000)	(106,000)
Net income		**$ 6,386,000**	**$ 243,000**
Other comprehensive income			
Cumulative translation reserve		3,293,000	-
Comprehensive income for the year		**$ 9,679,000**	**$ 243,000**
Basic and diluted income per share	17	**$ 0.15**	**$ 0.01**

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Tricon Capital Group Inc.

Interim Consolidated Statements of Changes in Equity
(Unaudited)
(rounded to the nearest thousands of Canadian dollars, except per share amounts)

		Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2012		57,901,000	1,190,000	-	(13,078,000)	46,013,000
Net income for the period		-	-	-	243,000	243,000
Dividends		-	-	-	(1,094,000)	(1,094,000)
Stock option expense	15	-	108,000	-	-	108,000
Phantom units		-	185,000	-	-	185,000
Balance at March 31, 2012		57,901,000	1,483,000	-	(13,929,000)	45,455,000
Net loss		-	-	-	(5,455,000)	(5,455,000)
Cumulative translation reserve		-	-	1,014,000	-	1,014,000
Dividends	15	-	-	-	(6,245,000)	(6,245,000)
Issuance of common shares, net of issuance cost of $5,159,000		106,142,000	-	-	-	106,142,000
Stock option expense	15	-	157,000	-	-	157,000
Phantom units	15	571,000	(263,000)	-	(81,000)	227,000
Balance at December 31, 2012		164,614,000	1,377,000	1,014,000	(25,710,000)	141,295,000
Net income for the period		-	-	-	6,386,000	6,386,000
Cumulative translation reserve		-	-	3,293,000	-	3,293,000
Dividends / Dividend reinvestment plan	15	9,000	-	-	(2,505,000)	(2,496,000)
Equity issuance costs		(73,000)	-	-	-	(73,000)
Stock option expense	15	-	42,000	-	-	42,000
Phantom units	15	-	85,000	-	-	85,000
Balance at March 31, 2013		$ 164,550,000	$ 1,504,000	4,307,000	$ (21,829,000)	$ 148,532,000

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Tricon Capital Group Inc.

Interim Consolidated Statements of Cash Flows
(Unaudited)

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

	Notes	For the Three Months Ended March 31, 2013	March 31, 2012
Cash provided by (used in)			
Operating activities			
Net income		$ 6,386,000	$ 243,000
Adjustments for			
Non-controlling interest		2,431,000	-
Amortization		156,000	290,000
DSUP expense		20,000	3,000
Deferred income taxes	10	3,045,000	(122,000)
Long-term incentive plan	12	1,341,000	433,000
Stock compensation expense, net of tax		168,000	293,000
Accrued interest income		(46,000)	(78,000)
Accrued interest expense		1,592,000	-
Fair value adjustment on investment properties		(14,506,000)	-
Impairment (recovery) on inventory homes		(105,000)	-
Net change in fair value of derivative		1,180,000	-
Accrued investment (income)	5	(465,000)	(35,000)
Unrealized foreign exchange (gain) loss		(553,000)	51,000
		644,000	1,078,000
Changes in non-cash working capital items	20	(959,000)	(21,000)
		(315,000)	1,057,000
Investing activities			
Purchase of office equipment, furnitures and leasehold improvement		(18,000)	(9,000)
Placement fees		(15,000)	(46,000)
Investment in associates	8	(2,316,000)	(10,106,000)
Proceeds on disposal of short-term investments inclusive of interest received		-	141,000
Investment properties		(40,578,000)	-
Loan receivable		402,000	-
		(42,525,000)	(10,020,000)
Financing activities			
Additional equity issuance cost		(73,000)	
Other long-term liabilities		100,000	
Issuance of debentures (net of issuance costs of $4,020,000)		81,980,000	-
Proceeds from borrowing (net of financing costs)		9,675,000	-
Dividends paid	13	(2,496,000)	(1,094,000)
Debentures interest paid		(1,925,000)	-
Non-controlling interest		2,122,000	-
		89,383,000	(1,094,000)
Foreign exchange gain (loss) on cash		542,000	(47,000)
Change in cash and cash equivalents during the year		47,085,000	(10,104,000)
Cash and cash equivalents - Beginning of year		38,321,000	22,008,000
Cash and cash equivalents - End of year		$ 85,406,000	$ 11,904,000
Supplementary information			
Income taxes paid		**$ 1,601,000**	**$ 275,000**

The accompanying notes are an integral part of these interim condensed consolidated financial statements

1. NATURE OF BUSINESS

Tricon Capital Group Inc. (Tricon or the Company) and its subsidiaries provide asset management services to funds managed by the Company of which the investors are high net worth individuals and institutional investors. In addition, the Company co-invests in one of its private funds and separate account business and more recently has established a U.S. single-family rental platform whereby distressed single-family homes are acquired, renovated, leased and managed through a network of local operating partners. Tricon was incorporated in June 1997 under the Business Corporations Act (Ontario) with its head office located at 1067 Yonge Street, Toronto, Ontario, M4W 2L2. The Company operates in Canada and in the United States of America.

Tricon became a public company on May 20, 2010 and its common shares are listed on the TSX (symbol: TCN). Tricon is domiciled in Canada.

These interim condensed consolidated financial statements were approved for issue on May 8, 2013. These interim condensed consolidated financial statements have been reviewed, not audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements as at and for the three month period ended March 31, 2013 have been prepared in accordance with IAS 34, *Interim Financial Reporting.* The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended on December 31, 2012, which have been prepared in accordance with IFRS.

The accounting policies adopted are consistent with those of the previous financial year except as described below.

Change in presentation

The Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive income. Cumulative translation adjustment amount will be recycled to net income upon disposal of the foreign entities that have a US dollar functional currency.

IFRS 13, Fair value measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013, however, additional disclosures of fair value measurements have been included in note 4 in the notes to the interim condensed consolidated financial statements.

Use of estimates

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2012.

Preferred Units

Effective January 18, 2013, Tricon American Homes LLC qualified as a real estate investment trust ("REIT"). Net proceeds of $92,500 were received on the effective date as a result of the issuance of Class A Preferred Units ("Preferred Units") by the REIT.

The Preferred Units are entitled to receive cumulative, preferred distributions at a rate of 12.5% per annum of the total of the initial $1,000 purchase price plus accumulated, unpaid distributions thereon. The Preferred Units may be redeemed at any time by the REIT by giving written notice of such redemption on a date selected by the REIT. The redemption price for each Preferred Unit to be settled in cash will be equal to 100% of such Preferred Unit's purchase price plus all accrued and unpaid distributions to the Redemption Date, plus a redemption premium if the Preferred Units are redeemed on or before December 31, 2014.

Holders of Preferred Units are only entitled to limited voting rights, and consequently are not entitled to participate in or otherwise direct the management of the REIT. In addition, they may not redeem nor transfer the preferred units.

The Preferred Units are classified as a financial liability that is recorded initially at fair value plus transaction costs directly attributable to the issuance of the shares and subsequently carried at amortized cost using the effective interest method.

3. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to certain financial risks during or at the end of the reporting period. Financial risk comprises market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2012. There have been no changes in the risk management policies since year end.

Liquidity risk

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities. The convertible debentures issued in Q3 2012 and Q1 2013 requires the Company to make cash interest payments semi-annually. The bank debt and demand facility obtained requires the Company to make monthly interest payments. The Company uses the long-term borrowings to finance its U.S. single-family home rental strategy. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational and financing costs. Liquidity risk from the convertible debenture is mitigated by the Company's option, under the terms of the debenture, to settle the obligation with shares. The bank debt and demand facility exposes the Company to relatively higher liquidity risk, but this risk is mitigated by the rental cash inflow received from the underlying single-family residential units financed by the bank debt.

The maturity analysis of the Company's financial liabilities is as follows:

As at March 31, 2013	Demand and less than 1 year	From 1 to 3 years	From 3 to 5 years	Later than 5 years	Total
Liabilities					
Accounts payable and accruals	5,016,000	-	-	-	5,016,000
Dividend payable	2,505,000	-	-	-	2,505,000
Interest payable	8,115,000	24,345,000	11,015,000	4,826,000	48,301,000
Bank debt	7,069,000	4,111,000	2,487,000	4,361,000	18,028,000
Non-controlling interest	-	-	16,027,000	-	16,027,000
Debentures payable	-	-	51,750,000	86,000,000	137,750,000
Other long-term liabilities	-	-	100,000	-	100,000

As at December 31, 2012	Demand and less than 1 year	From 1 to 3 years	From 3 to 5 years	Later than 5 years	Total
Liabilities					
Accounts payable and accruals	5,059,000	-	-	-	5,059,000
Dividend payable	2,505,000	-	-	-	2,505,000
Interest payable	1,379,000	-	-	-	1,379,000
Bank debt	1,459,000	-	-	6,298,000	7,757,000
Non-controlling interest	-	-	-	11,496,000	11,496,000
Debentures payable	-	-	51,750,000	-	51,750,000

4. FAIR VALUE MEASUREMENT

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose significance of the inputs is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The following describes the categories within the fair value hierarchy:

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

The following table provides information about financial assets and liabilities measured at fair value on the balance sheet and categorized by level according to the significance of the inputs used in making the measurements:

	March 31, 2013	Level 1	Level 2	Level 3
Recurring measurements				
Financial assets				
Investments in associates	$ 26,678,000	$ -	$ -	$ 26,678,000
	$ 26,678,000	**$ -**	**$ -**	**$ 26,678,000**
Financial liabilities				
Non-controlling interest	$ 16,027,000	$ -	$ -	$ 16,027,000
Derivative financial instruments	42,363,000	-	42,363,000	-
	$ 58,390,000	**$ -**	**$42,363,000**	**$ 16,027,000**

Valuation methodologies

Derivative financial instruments are valued using model calibration. Inputs to the valuation model are determined from observable market data wherever possible, including prices available from exchanges and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources. Examples of inputs that may be unobservable include volatility and credit spreads.

The Company used the following techniques to value financial instruments categorized in Level 3:

a) Investments in limited partnerships managed by the Company

The Company has investments in the limited partnerships managed by the Company. These investments are held through the Company's wholly-owned subsidiaries that invest in the limited partnerships as a limited partner and are recorded at fair value, consistent with the IAS 28 exemption referred to above. The investments are measured at fair value determined by the Company's proportionate ownership of the partnerships' net assets which are also recorded at fair value at the partnership level.

b) Non-controlling interest

Non-controlling interest is calculated based on the estimated net cash flow of each partnership upon assumed dissolution as of period-end. The net cash flow is run through a waterfall calculation as outlined by the limited partnership agreements.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	Valuation technique (s)	Unobservable input	Range
Loans	Discounted cash flow	Discount rate	10% - 15%
Joint ventures	Discounted cash flow	Discount rate	23% - 32%
	Appraised value	Appraised value	n/a (Note 1)
Share ownership of operating companies	Multiple	Price to book historical multiple	1.00x - 2.00x

Note 1 – the Company records its share of the joint venture which is at fair value.
Sensitivity analysis

Investments in associates

The effect on net and comprehensive income (loss) of a 1% absolute change in the discount rates of the investments in associates is as follows:

	Discount rate Increase 1%	Discount rate Decrease 1%
Effect on net income (loss)	($426,000)	$443,000

Non-controlling interest

The key assumptions in determining the fair value of the non-controlling interest are the fair value of the investment properties and the net realizable value of inventory homes. Assuming the fair value of the investment properties and the net realizable value of the inventory homes had increased by 1%, the fair value of the non-controlling interest would have increased by $255,000 with all other variables held constant. Assuming the fair value of the investment properties and the net realizable value of the inventory homes had decreased by 1%, the fair value of the non-controlling interest would have decreased by $117,000.

There were no transfers between fair value hierarchy levels as March 31, 2013.

Financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, short-term investments, accounts receivable, loan receivable, current and long-term bank debt, accounts payable and accruals, dividends payable, interest payable, debentures payable, and other long-term liabilities. The fair values of cash and cash equivalents, short-term investments, accounts receivable, current bank debt, accounts payable and accruals, dividends payable, interest payable, and other long-term liabilities approximate their carrying values due to their short term nature.

The following table provides fair value information of the financial assets and liabilities that not measured at fair value on the balance sheet:

	March 31, 2013		**December 31, 2012**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Loan receivable	$ 7,419,000	$ 7,901,000	$ 7,429,000	$ 8,104,000
Financial liabilities				
Bank debt	10,974,000	11,246,000	6,298,000	6,714,000
Debentures payable	99,316,000	106,063,000	33,756,000	36,109,000

5. RELATED PARTY TRANSACTIONS AND BALANCES

The Company leases office space from Mandukwe, a company that is owned by a director of Tricon. During the quarter ended March 31, 2013, the Company paid $25,000 in rental payments, including common costs to Mandukwe (2012 - $23,000).

Key management compensation

Key management includes directors and the "Named Executive Officers" who are Chief Executive Officer, Chief Financial Officer and the top three executive officers of the Company. Compensation paid or payable to key management for employee services are based on employment agreements and are as follows:

	For the Three Months Ended March 31, 2013	2012
Salaries, benefits and STIP (note 15)	$ 636,000	$ 616,000
Stock option expense (note 15)	23,000	57,000
Phantom units	67,000	98,000
LTIP accrued (note 12)	844,000	108,000
	1,570,000	879,000
Director's compensation	104,000	51,000
	$ 1,674,000	$ 930,000

Transactions with related parties

The following table summarizes revenue based on contractual arrangements from investment funds managed by the Company, which are considered related parties as the Company is the general partner of the investment funds, as well as income (loss) from partnerships in which the Company invests:

	For the Three Months Ended March 31, 2013	2012
Contractual fees	$2,147,000	$1,871,000
General Partner distributions	730,000	1,228,000
Performance fees	8,000	-
Investment income	465,000	35,000
Interest income	260,000	25,000
	$ 3,610,000	$ 3,159,000

Balances arising from transactions with related parties

	March 31, 2013	December 31, 2012
Receivables from related parties included in accounts receivable		
Contractual fees receivable from investment funds managed by the Company	$ 714,000	$ 612,000
Other receivables	93,000	88,000
Loan receivable from CCR Texas Holdings LP	7,419,000	7,429,000
Investment property acquired from local operating partners	23,872,000	23,872,000
Long Term Incentive Plan (current and non-current portion)	11,335,000	9,995,000
Short Term Incentive Plan	217,000	1,392,000
Dividends payable to employees and associated corporations	400,000	397,000
Other payables to related parties included in accounts payable and accruals	118,000	108,000

Revenues and receivables from related parties relate to contractual and performance fees for services provided by the Company. The receivables are unsecured and are non-interest bearing. There are no provisions recorded against receivables from related parties at March 31, 2013 (December 31, 2012 - $nil).

6. INVENTORY HOMES

	March 31, 2013	December 31, 2012
Opening balance - beginning of period	$ 14,544,000	$ -
Acquisition of inventory homes	5,937,000	23,165,000
Rehabilitation costs	788,000	1,425,000
Disposition of inventory homes	(7,600,000)	(9,792,000)
Unrealized foreign exchange gain *(A)*	268,000	78,000
(Impairment)/recovery on inventory homes *(B)*	105,000	(332,000)
Closing balance - end of period	$ 14,042,000	$ 14,544,000

(A) The gain resulted from the difference of the period end and the income statement average foreign exchange rates at which the inventory homes were disposed.

(B) The net realizable value of inventory homes increased during the three months ended March 31, 2013 which resulted in partial recovery of homes previously impaired.

As of March 31, 2013, US$860,000 ($874,000 Canadian equivalent) of the inventories were pledged as collateral (December 31, 2012 - $nil).

Inventory sales

	For the Three Months Ended March 31, 2013	2012
Home sales revenue	$ 8,408,000	$ -
Cost of home sales	(7,600,000)	-
Selling expenses	(203,000)	-
Income from home sales	$ 605,000	$ -

7. FINANCIAL INSTRUMENTS

Bank debt

At March 31, 2013, the Company has bank debt outstanding (net of transaction costs) of $17,432,000 (December 31, 2012 - $7,757,000) consisting of $10,974,000 (December 31, 2012 - $6,298,000) under the Greater Sacramento facilities and $6,458,000 (December 31, 2012 - $1,459,000) under the California facility, as described below.

Greater Sacramento

First facility

As at March 31, 2013 amounts drawn on this facility total US$12,055,000 ($12,248,000 Canadian equivalent) (December 31, 2012 - US$6,662,000 ($6,628,000 Canadian equivalent)). There have been no changes to the terms of the facility since December 31, 2012.

Second facility

On January 7, 2013, the Company's partnership in Greater Sacramento entered into a second secured bank credit facility agreement in the amount of US$1.2 million ($1.2 million Canadian equivalent). As of March 31, 2013, US$22,000 ($22,000 Canadian equivalent) of expenses related to the loan application were incurred on the bank debt.

Interest-only payments are required on the bank debt at 4.25% per annum beginning March 1, 2013 until March 1, 2018, thereafter the rate changes to six-month LIBOR plus 2.75% and include principal repayments to maturity on February 1, 2020. The facility is secured by the Company's single-family rental investment properties that have been approved by the lender based on the terms of the borrowing agreement.

California (McKinley)

As at March 31, 2013 amounts drawn on this facility total US$5,592,000 ($5,681,000 Canadian equivalent) (December 31, 2012 - US$1,499,000 ($1,492,000 Canadian equivalent)). There have been no changes to the terms of the facility since December 31, 2012.

Royal Bank of Canada

No funds were drawn by the Company as of March 31, 2013.

The Company is in compliance with all bank covenants.

Convertible debentures

The value of both convertible debentures recognized in the condensed consolidated balance sheet are calculated as follows:

	March 31, 2013	December 31, 2012
Debentures and Interest Payable - beginning of period	$ 35,135,000	$ -
Face value of convertible debentures issued	86,000,000	51,750,000
Less: Transaction costs	(4,020,000)	(2,766,000)
Embedded derivative options	(17,363,000)	(16,250,000)
Interest expense	2,234,000	2,401,000
Interest paid	(1,925,000)	-
Debentures and Interest Payable - ending of period	$ 100,061,000	$ 35,135,000

The Company issued 860,000 5.6% convertible debentures at $1,000 per unit for a par value of $86,000,000 on February 25, 2013. The debentures mature on March 31, 2020 at their nominal value of $86 million or can be converted into shares at the holder's option at any time prior to the close of business on the earlier of maturity or redemption date at the conversion price of $9.80 or at a rate of 102.04 shares per $1,000 debentures owned.

The Company may settle the conversion right in cash in lieu of common shares unless the holder has expressly indicated that they do not wish to receive cash. The amount of cash the Company will have to deliver to the holder is determined by multiplying the trading price of the common shares on the date on which the conversion notice is given by the holder to the Company by the number of common shares into which the elected amount would then be convertible.

The convertible debenture units outstanding from the February issuance are redeemable at the option of the Company on or after March 31, 2016 and prior to March 31, 2018 provided that the current market price on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2018 and prior to the maturity date, the Company may elect to redeem the outstanding debentures in whole or part at a price equal to the principal amount plus accrued and unpaid interest.

The Company has an option to settle the redemption right by delivering the number of common shares determined by dividing the principal amount of the convertible debentures by 95% of the trading price on the fifth trading day preceding the date fixed for redemption or the maturity date.

None of the convertible debentures have been converted as of March 31, 2013.

Derivative financial instruments

The conversion and the redemption options of the convertible debentures are combined pursuant to IAS 39 and both options are measured at fair value at each reporting period using model calibration. The fair value of the derivative financial instruments was $42,363,000 as of March 31, 2013 resulting in a loss on the derivative financial instruments of $1,180,000 for the period ended March 31, 2013.

8. INVESTMENT IN ASSOCIATES AND JOINT VENTURE

	March 31, 2012	December 31, 2012
Tricon XII	$ 6,247,000	$ 5,827,000
Tricon XI	13,807,000	11,397,000
Cross Creek	6,561,000	6,614,000
General partner interests	63,000	59,000
	$ 26,678,000	$ 23,897,000

The following represents the aggregated summarized financial information of the various associates and joint venture with whom the Company has investments. The summarized financial information related to Tricon XI has been prepared in accordance with US GAAP and financial information related to Tricon XII LP and CCR Texas Equity LP has been prepared in accordance with Canadian Accounting Standards for Private Enterprises.

	March 31 2013	December 31, 2012
Current assets	1,310,000	1,797,000
Non-current assets	177,365,000	159,595,000
Current liabilities	44,000	59,000
Non-current liabilities	540,000	611,000

	For the Three Months Ended March 31, 2013	2012
Revenue	3,734,000	7,768,000
Profit or (loss) for the year	5,692,000	363,000
Comprehensive income	5,783,000	337,000

There are no restrictions on the ability of associates to transfer funds to the Company in the form of cash dividends or repayment of loans.

9. INVESTMENT PROPERTIES

	March 31, 2013	December 31, 2012
Opening balance - beginning of year	$ 139,603,000	$ -
Acquisition of investment properties	30,674,000	131,551,000
Capital expenditure on investment properties	9,223,000	8,511,000
Effect of translation to presentation currency	2,841,000	(713,000)
Fair value adjustment	14,506,000	254,000
Closing balance - end of year	$ 196,847,000	$ 139,603,000

As of March 31, 2013, US$16,787,000 ($17,056,000 Canadian equivalent) of investment properties were pledged as collateral (US$6,662,000 – December 31, 2012; $6,628,000 Canadian equivalent) for the bank debt outstanding (note 7). The Company's rental partnership is prohibited from selling or transferring of assets pledged as collateral without written consent from the lender.

10. INCOME TAXES

	For the Three Months Ended March 31, 2013	2012
Current income tax		
Current income tax (expense) on income for the year	$ (1,216,000)	$ (242,000)
Adjustments relating to prior years	(258,000)	14,000
	(1,474,000)	(228,000)
Deferred taxes		
Origination and reversal of temporary differences	(2,829,000)	53,000
Adjustments relating to prior years	(192,000)	47,000
Impact of change in effective rates	-	22,000
	(3,021,000)	122,000
Income tax (expense) recovery	$ (4,495,000)	$ (106,000)

The tax on the Company's income before income taxes differs from the theoretical amount that would arise using the weighted average tax rate applicable to income of the consolidated entities as follows:

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	For the Three Months Ended March 31, 2013	2012
Income (loss) before income taxes	$ 10,881,000	$ 349,000
Combined statutory federal and provincial income tax rate	26.50%	26.25%
Expected income tax (expense) recovery	(2,883,000)	(92,000)
Tax rate differential (foreign tax rates)	(405,000)	(8,000)
Tax effects of		
Permanent differences	(772,000)	(93,000)
Change in effective tax rates	0	22,000
Adjustments relating to prior periods	(450,000)	61,000
Other	15,000	4,000
Income tax (expense) recovery	$ (4,495,000)	$ (106,000)

	March 31, 2013	December 31, 2012
Deferred Tax Assets:		
- Deferred tax asset to be recovered after more than 12 months	5,192,000	4,892,000
- Deferred tax asset to be recovered within 12 months	1,042,000	834,000
Total Deferred Tax Assets	6,234,000	5,726,000
Deferred Tax Liabilities:		
- Deferred tax liabilities reversing after more than 12 months	5,256,000	1,740,000
- Deferred tax liabilities reversing within 12 months	37,000	-
Total Deferred Tax Liabilities	5,293,000	1,740,000

The movement of the deferred tax account is as follows:

Difference between Deferred Tax Assets and Deferred Tax Liabilities:		
Opening balance	3,986,000	2,269,000
Credit (charge) to the statement of net and comprehensive income	(3,021,000)	535,000
Credit to equity	(24,000)	-
Closing balance	941,000	3,986,000

The tax effects of the significant components of temporary differences giving rise to the Company's deferred tax assets and liabilities are as follows:

Deferred Tax Assets	Issuance costs	Long-term incentive plan accrual	Net operating losses	Partnership Interest	Debentures	Other	Total
At January 1, 2012	1,057,000	2,078,000	-	(337,000)	-	177,000	2,975,000
Addition/(reversal)	1,066,000	571,000	-	353,000	948,000	(187,000)	2,751,000
At December 31, 2012	2,123,000	2,649,000	-	16,000	948,000	(10,000)	5,726,000
Addition/(reversal)	(682,000)	355,000	1,400,000	(1,000)	(568,000)	4,000	508,000
At March 31, 2013	1,441,000	3,004,000	1,400,000	15,000	380,000	(6,000)	6,234,000

Deferred Tax Liabilities	Deferred placement fees	Net operating losses	Investment properties	Inventories	Formation costs	Total
At January 1, 2012	706,000	-	-	-	-	706,000
Addition/(reversal)	(15,000)	(781,000)	2,026,000	(128,000)	(68,000)	1,034,000
At December 31, 2012	691,000	(781,000)	2,026,000	(128,000)	(68,000)	1,740,000
Addition/(reversal)	(93,000)	170,000	3,354,000	65,000	57,000	3,553,000
At March 31, 2013	598,000	(611,000)	5,380,000	(63,000)	(11,000)	5,293,000

11. ACCOUNTS PAYABLE AND ACCRUALS

	March 31, 2013	December 31, 2012
Accounts payable and accruals	$ 2,187,000	$ 1,391,000
Payables on rental portfolio including tenant deposits	2,636,000	2,276,000
STIP (note 15)	217,000	1,392,000
	$ 5,040,000	$ 5,059,000

12. LONG-TERM INCENTIVE PLAN ("LTIP")

	Three Months Ended March 31, 2013	Year Ended December 31, 2012
Opening balance - beginning of period	$ 9,995,000	$ 8,310,000
Payments	(1,000)	(48,000)
LTIP expense	1,341,000	1,733,000
Closing balance - end of period	**$ 11,335,000**	**$ 9,995,000**

13. DIVIDENDS

Date of Declaration	Record Date	Payment Date	Dividend Amount per Common Share	Common Shares Outstanding	Dividend Amount
2012					
March 14, 2012	March 30, 2012	April 13, 2012	$0.06	18,230,471	$1,094,000
May 8, 2012	June 30, 2012	July 13, 2012	$0.06	31,167,971	$1,870,000
August 9, 2012	September 30, 2012	October 15, 2012	$0.06	31,167,971	$1,870,000
November 9, 2012	December 31, 2012	January 15, 2013	$0.06	41,752,849	$2,505,000
					$7,339,000
2013					
March 12, 2013	March 31, 2013	April 15, 2013	$0.06	41,754,244	$2,505,000
					$2,505,000

As of March 31, 2013, 1,961 common shares were declared to be issued under the DRIP (nil in 2012) for a total amount of $13,000 ($nil in 2012) on April 15, 2013.

14. SHARE CAPITAL

Date	Particulars	Notes	No of shares Issued	Share Capital
As at January 1, 2012			**18,230,471**	**$ 57,901,000**
April 27, 2012	Bought deal offering		12,937,500	49,421,000
December 4, 2012	Bought deal offering		10,447,500	56,721,000
December 17, 2012	Vested Phantom Units		137,378	571,000
As at December 31, 2012			**41,752,849**	**164,614,000**
January 15, 2013	Shares issued under DRIP	(A)	1,395	9,000
	Additional issuance costs			(73,000)
As at March 31, 2013			**41,754,244**	**$164,550,000**

Notes
(A) On January 15, 2013, 1,395 common shares were issued under the DRIP at $6.78 per share.

15. COMPENSATION ARRANGEMENTS

The breakdown of the various compensation arrangements are as follows:

	For the Three Months Ended March 31, 2013	2012
Stock options	$ 42,000	$ 108,000
Phantom units	126,000	185,000
Short-term incentive plan	194,000	199,000
Deferred Share Unit Plan	20,000	3,000
Long-term incentive plan (note 12)	1,341,000	433,000

The Company operates various equity-settled and cash-settled arrangements.

Stock option plan

No options were granted or exercised during the quarter ended March 31, 2013. There were 1,011,500 stock options outstanding as of March 31, 2013 at an average exercise price per share of $5.84.

Phantom unit plan

All phantom units previously issued were exercised net of taxes required to be withheld under the PUP on December 17, 2012.

The fair value of the units granted in Q1 2013 totaled $1,123,000 (being 146,500 units issued at $6.95 per unit and 15,000 units issued at $6.99 per unit vesting in one year in accordance with the PUP). As of March 31, 2013, none of the units issued in Q1 2013 have vested. The Company estimated that 30% of the benefit value will be settled in cash to satisfy the tax withholding requirements. The cash-settled component is fair valued at each reporting period and is reflected in current liabilities on the balance sheet.

Short-term incentive plan ("STIP")

All of the Company's employees participate in the STIP. The STIP pool is currently determined based on 12.5% of base operating income as defined in the plan and is paid on an annual basis in cash. Employees are required to be employed with the Company at the end of the financial year to receive a payment under the STIP. The Board of Directors has the right to allocate up to 20% of base operating income (other than income attributable to funds established prior to the IPO where the percentage is fixed at 12.5%) to the bonus pool.

STIP expense is accrued quarterly and is shown on the Consolidated Statements of Comprehensive Income.

16. GENERAL AND ADMINISTRATION

	For the Three Months Ended March 31,	
	2013	2012
Office and other	$ 172,000	$ 117,000
Public Company Expenses	105,000	59,000
Rental operators	38,000	-
Rent (note 5)	25,000	23,000
Travel	79,000	10,000
	$ 419,000	$ 209,000

17. INCOME PER SHARE

a) *Basic*

Basic income per share is calculated by dividing net income by the weighted average number of shares outstanding during the period.

	For the Three Months Ended March 31,	
	2013	2012
Net income	$ 6,386,000	$ 243,000
Basic net income per share	$ 0.15	$ 0.01
Weighted average number of common shares outstanding	41,754,012	18,230,471

b) *Diluted*

Diluted income per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The Company has two categories of dilutive potential shares: stock options (note 15) and the convertible debentures (note 7). For the stock options, a calculation was done to determine the number of shares that could have been acquired at fair value (determined using Market Price of the Company's shares as of March 31, 2013) based on the monetary value of the subscription rights attached to outstanding stock options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the stock options.

As of March 31, 2013, 668,917 of the Company's stock options are dilutive (March 31, 2012 – 6,250 options) as the exercise price of the vested stock options is below the average market stock price of $6.89 for the quarter ended March 31, 2013.

As of March 31, 2013, none of the Company's convertible debenture units are dilutive (March 31, 2012 – nil). Convertible debentures are antidilutive as the interest, net of tax and the change in fair value of financial instruments through profit and loss per ordinary share obtainable on conversion exceeds basic earnings per share.

	For the Three Months Ended March 31, 2013	2012
Net income	$ 6,386,000	$ 243,000
Diluted earnings per share	$ 0.15	$ 0.01
Weighted average number of common shares outstanding	41,754,012	18,230,471
Weighted average number of common shares outstanding Adjustments for stock options	668,917	6,250
Weighted average number of common shares outstanding for diluted earnings per share	42,422,929	18,236,721

18. SEGMENTED INFORMATION

The main segments of the business are considered to be private funds single-family homes and co-investments in the funds managed by the Company. The Company evaluates segment performance based on income (loss) before non-controlling interest and income taxes.

	Private Funds	Single-Family Homes	Co-Investment	Total
	A	B	C	
Three months ended March 31, 2013				
Revenues	$ 2,885,000	$ 11,929,000	$ 836,000	$ 15,650,000
Direct Expenses	(1,341,000)	2,557,000	-	1,216,000
	1,544,000	14,486,000	836,000	16,866,000
Overhead Allocation	(1,669,000)	(1,845,000)	(40,000)	(3,554,000)
Income (loss) before NCI and income taxes	(125,000)	12,641,000	796,000	13,312,000
Three months ended March 31, 2012				
Revenues	3,248,000	-	51,000	3,299,000
Direct Expenses	(457,000)	-	-	(457,000)
	2,791,000	-	51,000	2,842,000
Overhead Allocation	(2,447,000)	-	(46,000)	(2,493,000)
Income (loss) before NCI and income taxes	344,000	-	5,000	349,000

Notes:

A) The Private Funds segment revenues consist of all contractual and performance fees, interest income, and general partner distributions. Direct expense related to this segment is LTIP expense. Fees allocated to segment based on average Assets Under Management as of March 31, 13 and December 31, 12 as well as March 31, 2012 and December 31, 2011 for the respective periods. Please refer to item D) for details.

B) Single-family homes segment consists of rental revenue earned from investment properties, revenues from homes sold and interest income, as well as all direct rental expenses, rental operator management fees, fair value adjustment on investment properties, bank and debentures interest expense, impairment on inventory homes, and cost of homes sold.

C) The Co-investment segment consists of the Company's share of investment income (loss) in the funds managed by the Company and interest income.

D) Professional and directors' fees, general and administration, salaries and benefits, STIP, net change in fair value of financial instruments, amortization, realized and unrealized foreign exchange gain/loss, and equity compensation have been allocated to each segment based on segment's proportion of total average Assets Under Management ("AUM") as of March 31, 13 and December 31, 12 as well as March 31, 2012 and December 31, 2011 for the respective periods. The resulting balances under each segment are presented as "Overhead Allocation" in the schedule above.

	Funds	Single-Family Homes	Co-Investment	Corporate	Total
	A	B	C	D	
Segmented current assets (as at March 31, 2013)	$ 1,896,000	$ 81,965,000	$ 25,500,000	$ -	$109,361,000
Segmented non-current assets (as at March 31, 2013)					
Loans receivable	7,419,000	-	-	-	7,419,000
Deferred income tax assets	2,984,000	5,000	14,000	3,231,000	6,234,000
Investments in associates	6,624,000	-	20,054,000	-	26,678,000
Investment properties	-	196,847,000	-	-	196,847,000
Intangible assets	2,317,000	-	-	-	2,317,000
Office equipment and leasehold improvements	133,000	29,000	7,000	(1,000)	168,000
Total segmented assets (as at March 31, 2013)	21,373,000	278,846,000	45,575,000	3,230,000	349,024,000
Segmented current liabilities (as at March 31, 2013)	513,000	10,729,000	23,000	3,837,000	15,102,000
Segmented non-current liabilities (as at March 31, 2013)					
Bank debt	-	10,974,000	-	-	10,974,000
Deferred income tax liabilities	1,497,000	3,536,000	260,000	-	5,293,000
Non-controlling interest	-	16,027,000	-	-	16,027,000
Long-term incentive plan - non-current portion	11,317,000	-	-	-	11,317,000
Derivative financial instruments	-	42,363,000	-	-	42,363,000
Debentures payable	-	99,316,000	-	-	99,316,000
Other long-term liabilities	-	100,000	-	-	100,000
Total segmented liabilities (as at March 31, 2013)	13,327,000	183,045,000	283,000	3,837,000	200,492,000

	Funds	Single-Family Homes	Co-Investment	Corporate	Total
	A	B	C	D	
Segmented assets (as at December 31, 2012)	$22,010,000	$169,758,000	$ 44,845,000	$3,076,000	$239,689,000
Segmented liabilities (as at December 31, 2012)	13,137,000	80,944,000	139,000	4,174,000	98,394,000

Notes:

A) The Private Funds segmented current assets consist of cash, accounts receivable from the funds and prepaid expenses. Funds segmented current liabilities consist of accounts payable and accruals, current LTIP liabilities and income taxes payable.

B) Rental segmented current assets consist of cash held at the corporate and rental partnership levels, accounts receivable, prepaid expenses and inventory homes. Segmented current liabilities consist of bank debt, accounts payable and accruals, income tax liability and debentures interest payable.

C) Co-investment segmented current assets consist of cash and short-term investments reserved for future funding commitments to the private funds. Segmented current liabilities consist of income taxes payable.

D) Corporate assets consist of deferred income tax asset. Corporate liabilities consist of accounts payable and accruals, income tax payable and dividends payable. Remaining Corporate assets and liabilities have been allocated to each segment based on segment's proportion of total Assets Under Management ("AUM") as of March 31, 2013 and December 31, 2012.

The Company operates in the following geographic markets in North America:

	For the Three Months Ended March 31, 2013	2012
Revenue		
Canada	$ 1,550,000	$ 2,078,000
United States of America	14,100,000	1,221,000
	$ 15,650,000	$ 3,299,000

	March 31, 2013	December 31, 2012
Non-current assets		
Canada	$ 13,315,000	$ 12,412,000
United States of America	226,348,000	166,850,000
	$ 239,663,000	$ 179,262,000

19. RENTAL INCOME

	For the Three Months Ended March 31, 2013	2012
Rental revenue	$ 3,521,000	$ -
Rental expenses	(1,366,000)	-
Rental operating income	2,155,000	-
Rental operator management fees *(A)*	(578,000)	-
Net rental income	$ 1,577,000	$ -

Rental expenses include insurance fees related to coverage of rental properties, property management fees, lease commission, HOA/utilities expenses, property taxes, minor renovation expenses, operator management fees, rescinded purchase fees and auction fees.

20. WORKING CAPITAL

	For the Three Months Ended March 31, 2013	2012
Changes in non-cash working capital items		
Accounts receivable	$ (1,514,000)	$ 105,000
Income tax recoverable	-	(29,000)
Prepaid expenses and other assets	(816,000)	30,000
Accounts payable and accruals (note 5)	(80,000)	(109,000)
Debenture/ REIT interest payable	1,291,000	-
Inventory homes	610,000	-
Income taxes payable	(450,000)	(18,000)
	$ (959,000)	$ (21,000)

21. VARIABILITY OF RESULTS

The nature of our business does not allow for consistent year-to-year or period-to-period revenue comparisons. Revenues earned from a fund are dependent upon where the fund is in its life cycle. At the beginning of the fund's life cycle, consistent contractual fees and certain general partner distributions are earned to the end of the investment period. Subsequent to the investment period, contractual fees and the aforementioned general partner distributions start to decline as investments within a fund are realized. Performance fees which are earned at the end of the life cycle can vary significantly depending on fund performance resulting in volatile revenue streams.

22. SUBSEQUENT EVENTS

On May 8, 2013, the Company declared a dividend of $0.06 per share payable on July 15, 2013 to the common shareholders of record on June 30, 2013 for a total dividend of $2,505,000, following approval from the Board of Directors.