Tricon Capital Group Inc.

Consolidated Financial Statements

December 31, 2013 and 2012

March 5, 2014

Independent Auditor's Report

To the Shareholders of
Tricon Capital Group Inc.

We have audited the accompanying consolidated financial statements of Tricon Capital Group Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013, December 31, 2012 and January 1, 2012 and the consolidated statements of comprehensive income (loss), changes in equity, and cash flows for the years ended December 31, 2013 and December 31, 2012, 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 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 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, the auditor considers 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tricon Capital Group Inc. and its subsidiaries as at December 31, 2013, December 31, 2012 and January 1, 2012 and their financial performance and their cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes the early adoption of the amendments to IFRS 10, Consolidated Financial Statements effective January 1, 2013. The amendments to the standard were applied retrospectively by management. The impacts of early adopting the amendments to the standard on the comparative information are described in Note 23 to the consolidated financial statements.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

Consolidated Balance Sheets

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

	Notes	December 31, 2013	December 31, 2012 (Restated)	January 1, 2012 (Restated)
ASSETS				
Current assets				
Cash and cash equivalents		$ 13,122,000	$ 31,137,000	$ 22,008,000
Short-term investments		–	4,094,000	9,188,000
Accounts receivable		2,920,000	812,000	779,000
Prepaid expenses and other assets		416,000	302,000	154,000
Income taxes recoverable	10	–	–	177,000
		16,458,000	36,345,000	32,306,000
Non-current assets				
Investments – single-family rental	4,6,7	287,053,000	140,693,000	–
Investments – land and homebuilding	4,6,7	332,556,000	32,241,000	8,087,000
Investments – other		–	–	10,802,000
Intangible assets	11	4,441,000	2,441,000	2,777,000
Office equipment and leasehold improvements	12	470,000	166,000	153,000
Deferred income tax assets	10	1,965,000	5,667,000	2,905,000
		626,485,000	181,208,000	24,724,000
Total assets		$ 642,943,000	$ 217,553,000	$ 57,030,000
LIABILITIES				
Current liabilities				
Accounts payable and accruals	4	8,818,000	2,670,000	889,000
Long-term incentive plan – current portion	15	11,000	15,000	40,000
Dividends payable	4,13	5,417,000	2,505,000	1,094,000
Income taxes payable	10	2,512,000	366,000	18,000
Bank debt	9	4,354,000	–	–
Interest payable		2,333,000	1,379,000	–
		23,445,000	6,935,000	2,041,000
Non-current liabilities				
Deferred income tax liabilities		2,312,000	1,666,000	706,000
Long-term incentive plan – non-current portion	15	10,635,000	9,980,000	8,270,000
Derivative financial instruments	6,9	46,964,000	23,921,000	–
Debentures payable	4,9	102,790,000	33,756,000	–
Total liabilities		186,146,000	76,258,000	11,017,000
EQUITY				
Share capital	14	455,191,000	164,614,000	57,901,000
Contributed surplus	14	6,113,000	1,377,000	1,190,000
Accumulated other comprehensive loss		(38,000)	–	–
Deficit		(4,469,000)	(24,696,000)	(13,078,000)
Total equity		456,797,000	141,295,000	46,013,000
Total liabilities and equity		$ 642,943,000	$ 217,553,000	$ 57,030,000

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

Approved by the Board of Directors

David Berman Michael Knowlton Duff Scott

Consolidated Statements of Comprehensive Income (Loss)

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

For the Year Ended	Notes	December 31, 2013	December 31, 2012 (Restated)
Revenue			
Contractual fees	8	$ 15,139,000	$ 9,985,000
General partner distributions	8	2,959,000	3,630,000
Performance fees	8	195,000	95,000
Interest income	8	1,302,000	608,000
		19,595,000	14,318,000
Investment income			
Investment income – single-family rental	8,18	37,158,000	(539,000)
Investment income – land and homebuilding	8,18	34,482,000	4,497,000
		71,640,000	3,958,000
		91,235,000	18,276,000
Expenses			
Salaries and benefits expense		4,992,000	3,795,000
Annual incentive plan	15	5,236,000	2,165,000
Long-term incentive plan	15	5,875,000	1,997,000
Professional fees		1,624,000	1,234,000
Directors' fees		333,000	247,000
Formation costs		–	(192,000)
General and administration expense	16	1,666,000	939,000
Interest expense		12,698,000	2,401,000
Net change in fair value of derivative		5,680,000	7,671,000
Transaction costs		4,624,000	–
Amortization expense		763,000	1,160,000
Realized and unrealized foreign exchange gain		(1,191,000)	(289,000)
		42,300,000	21,128,000
Income before income taxes		48,935,000	(2,852,000)
Income tax expense	10	(12,862,000)	(1,346,000)
Net income (loss)		$ 36,073,000	$ (4,198,000)
Other comprehensive income			
Cumulative translation reserve		(38,000)	–
Comprehensive income (loss) for the year		$ 36,035,000	$ (4,198,000)
Basic income (loss) per share	17	$0.60	$(0.15)
Diluted income (loss) per share	17	$0.59	$(0.15)
Weighted Average Shares Outstanding – Basic	17	60,534,679	27,731,820
Weighted Average Shares Outstanding – Diluted	17	61,372,589	27,746,195

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

Consolidated Statements of Changes in Equity

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

	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2012 (restated)		$ 57,901,000	$ 1,190,000	$ –	$ (13,078,000)	$ 46,013,000
Net loss for the year		–	–	–	(4,198,000)	(4,198,000)
Dividends	13	–	–	–	(7,339,000)	(7,339,000)
Repurchase of common shares	14	–	–	–	–	–
Issuance of common shares, net of issuance costs of $3,437,000		106,142,000	–	–	–	106,142,000
Stock option expense	15	–	265,000	–	–	265,000
Phantom units	15	571,000	(78,000)	–	(81,000)	412,000
Balance at December 31, 2012 (restated)		164,614,000	1,377,000	–	(24,696,000)	141,295,000
Net income for the year		–	–	–	36,073,000	36,073,000
Cumulative translation reserve		–	–	(38,000)	–	(38,000)
Dividends/dividend reinvestment plan	13	955,000	–	–	(15,837,000)	(14,882,000)
Repurchase of common shares		(57,000)	–	–	(9,000)	(66,000)
Issuance of common shares, net of issuance costs of $7,927,000	14	289,679,000	–	–	–	289,679,000
Stock option expense	15	–	538,000	–	–	538,000
Phantom units	15	–	3,203,000	–	–	3,203,000
Deferred share units	15	–	995,000	–	–	995,000
Balance at December 31, 2013		$ 455,191,000	$ 6,113,000	$ (38,000)	$ (4,469,000)	$ 456,797,000

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

Consolidated Statements of Cash Flows

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

For the Year Ended	Notes	December 31, 2013	December 31, 2012 (Restated)
CASH PROVIDED BY (USED IN)			
Operating activities			
Net income (loss)		$ 36,073,000	$ (4,198,000)
Adjustments for			
Amortization	11,12	764,000	1,160,000
DSUP expense		92,000	87,000
Deferred income taxes	10	8,112,000	(1,259,000)
Long-term incentive plan (net of $98,000 accrued and paid)	15	5,387,000	1,685,000
Stock compensation expense, net of tax	15	3,078,000	1,016,000
Accrued interest income		(82,000)	(84,000)
Accrued interest expense		12,056,000	1,287,000
Accrued investment (income) loss – single-family rental	8	(37,158,000)	539,000
Accrued investment (income) loss – land and homebuilding	8	(34,482,000)	(4,497,000)
Net change in fair value of derivative	9	5,680,000	7,671,000
Unrealized foreign exchange (gain) loss		(293,000)	263,000
Purchase of investments		(367,906,000)	(187,433,000)
Distributions received		55,746,000	42,943,000
		(312,933,000)	(140,820,000)
Changes in non-cash working capital items	20	2,914,000	2,024,000
		(310,019,000)	(138,796,000)
Investing activities			
Purchase of office equipment, furniture and leasehold improvements	12	(397,000)	(80,000)
Placement fees	11	(2,671,000)	(757,000)
		(3,068,000)	(837,000)
Financing activities			
Issuance of common shares	14	241,526,000	111,301,000
Equity issuance cost	14	(14,425,000)	(5,159,000)
Issuance/(repurchase) of debentures (net of issuance costs of $4,080,000)	9	81,920,000	48,984,000
Vested phantom units		–	(339,000)
Proceeds from borrowing (net of financing costs)	9	4,254,000	–
Debenture interest paid	9	(6,449,000)	–
Dividends paid	13	(11,970,000)	(5,928,000)
		294,856,000	148,859,000
Foreign exchange gain (loss) on cash		216,000	(97,000)
Change in cash and cash equivalents during the year		(18,015,000)	9,129,000
Cash and cash equivalents – beginning of year		31,137,000	22,008,000
Cash and cash equivalents – end of year		$13,122,000	$31,137,000
Supplementary information			
Income taxes paid		$ 3,026,000	$ 1,106,000

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

1 / Nature of Business

Tricon Capital Group Inc. ("Tricon" or the "Company") and its subsidiaries invest for investment income and capital appreciation through its Principal Investment business segments and earn fee income through its Private Funds and Advisory business in the U.S. and Canada. In the Principal Investment business, the Company is focused on related business lines that primarily invest in residential property: single-family rental ("SFR"), and land and homebuilding. In the Private Funds and Advisory business, the Company manages and originates investments through private comingled funds and separate investment accounts that participate in the development of real estate in North America by providing equity-type financing to developers. Tricon was incorporated in June 1997 under the Business Corporations Act (Ontario) and its head office is located at 1067 Yonge Street, Toronto, Ontario, M4W 2L2. The Company operates in Canada and the U.S. and is domiciled in Canada. Tricon became a public company on May 20, 2010 and its common shares are listed on the TSX (symbol: TCN).

These consolidated financial statements were approved for issue on March 5, 2014 by the Board of Directors of Tricon. After this date, the consolidated financial statements can only be amended with the Board of Directors' approval.

2 / Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies applied in the preparation of these consolidated financial statements.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, they have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) and investment in SFR, and land and homebuilding, which are recorded at fair value through profit or loss ("FVTPL").

Changes in accounting policy and disclosures

New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on January 1, 2013 and have a material impact on the Company:

The Company's consolidated financial statements for the year ended December 31, 2013 have been restated to reflect the early adoption of investment entity amendments to IFRS 10, Consolidated Financial Statements. These amendments were issued by the International Accounting Standards Board ("IASB") in October 2012 and are mandatory for financial years beginning on or after January 1, 2014. Early adoption is permitted. In addition to defining an investment entity, the amendments require that investments in subsidiaries (other than those that provide investment-related services) be accounted for at FVTPL rather than by consolidating them. The Company has adopted the amendments effective January 1, 2013 and determined that it became an investment entity as a result of investments in U.S. single-family rental home limited partnerships during 2012, collectively known as Tricon American Homes ("TAH"). Comparative information has been restated to reflect the Company's investment entity status. The effect of this restatement is summarized in Note 23.

The amendment to IFRS 7, Financial Instruments: Disclosures, on asset and liability offsetting includes new disclosures to enable users of financial statements to evaluate the effect or potential effects of netting arrangements on an entity's financial position. As of December 31, 2013, the Company does not have any asset or liability that is subject to an offsetting agreement.

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of financial statements. The standard sets out how to apply the principle of control to identify whether an investor controls an underlying investment and provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12, Disclosures of Interests in Other Entities, includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, structured entities and other off-balance sheet vehicles.

In addition, the Company adopted IFRS 13, Fair Value Measurement, as of January 1, 2013. IFRS 13 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 6.

New standards and interpretations not yet adopted

IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost, with the determination made at initial recognition. The classification depends on an entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that in cases where the fair value option is selected for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The

Company is yet to assess the full impact of IFRS 9. The Company will consider the impact of the remaining phases of IFRS 9 when the assessment is completed by the Board. Currently, no mandatory effective date is in place for IFRS 9.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the Company.

Consolidation

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

As an investment entity, the Company accounts for its subsidiaries at fair value, with the exception of those that provide services related to the Company's investment activities, including its Canadian and U.S. asset management operating entities, which earn contractual fees and performance fees from its managed funds and which continue to be consolidated. Subsidiaries providing such services are fully consolidated from the date on which control is obtained, and no longer consolidated from the date on which control ceases. Intercompany transactions, balances and unrealized gains or losses on transactions between the Company and its consolidated subsidiaries are eliminated. Accounting policies of the Company's consolidated subsidiaries have been conformed where necessary to ensure consistency with the policies adopted by the Company.

Investment in associates

Investments that are held as part of the Company's investment portfolio are carried on the balance sheet at fair value even though the Company may have significant influence over those companies. This treatment is permitted by IAS 28, Investment in Associates, which allows investments that are held by the Company to be recognized and measured at fair value through profit or loss and accounted for in accordance with IAS 39 and IFRS 13, with changes in fair value recognized in the statement of comprehensive income in the period of the change.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment of the subsidiary (the functional currency). The consolidated financial statements are presented in Canadian dollars, which is Tricon's functional currency and the functional currency of its foreign operations, with the exception of the subsidiary related to the U.S. asset management business which is US dollars (effective 4Q13 as commercial operations commenced and the entity was no longer an extension of the parent).

Foreign currency transactions are translated into Canadian dollars using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the historical exchange rate. Gains and losses arising from foreign exchange are included in the statements of comprehensive income (loss).

b) Subsidiaries

For subsidiaries that are required to be consolidated, the results and financial position of those subsidiaries (none of which uses the currency of a hyperinflationary economy) with a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities are translated at the closing rate at the date of the balance sheet;
ii) income and expenses are translated at average exchange rates. The Company uses monthly average exchange rates due to the volume of transactions each month; and
iii) all resulting exchange differences are recognized in other comprehensive income.

On disposal of a foreign operation (that is, a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified from other comprehensive income to net income (loss).

The consolidated subsidiaries and their respective functional currencies are as follows:

Name	Functional currency
Tricon Holdings Canada Inc.	Canadian dollar
Tricon XI Canada GP Inc.	Canadian dollar
Tricon Fund IX Co-Investment Inc.	Canadian dollar
Tricon Capital GP Inc.	Canadian dollar
Tricon XI B/C Incentive LP	Canadian dollar
Tricon XI C, LP	Canadian dollar
Tricon Holdings USA LLC	Canadian dollar
Tricon USA Inc.	US dollar
Altman VII General Partnership	Canadian dollar
Tri Continental Capital III Ltd.	Canadian dollar
Tri Continental Capital IV Ltd.	Canadian dollar
Tri Continental Capital VI Ltd.	Canadian dollar
Tricon Fund IX Incentive GP Inc.	Canadian dollar
TCC VII GP LP	Canadian dollar
Tricon Fund IX Incentive LP	Canadian dollar
TCC VII GP LLC	Canadian dollar
Tricon IX GP LLC	Canadian dollar
CCR Texas Agent Inc.	Canadian dollar

Office equipment and leasehold improvements

Furniture, office equipment, computer equipment and leasehold improvements are accounted for at cost less accumulated amortization. Leasehold improvements are amortized on a straight-line basis over the lease term (including reasonably assured renewal options). All other capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Furniture	3 years
Office equipment	5 years
Computer equipment	2 years
Leasehold improvements	5 years

Estimated useful lives and residual values of capital assets are reviewed and adjusted, if appropriate, at each financial year-end.

Placement fee and performance fee rights intangible assets

Placement fees represent costs incurred to secure investment management contracts. Performance fee rights represent costs incurred to obtain rights to receive future performance fees from certain funds. These are accounted for as intangible assets carried at cost less accumulated amortization. Amortization is recorded using the straight-line method and is based on the estimated useful lives of the associated funds, which is generally eight years.

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets are reviewed for possible impairment or reversal of a previously recorded impairment at each reporting date.

Financial instruments

Financial assets

Financial assets are classified as financial assets designated at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not carried at fair value through profit or loss, directly attributable transaction costs.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

The Fund's policy requires the Investment Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Financial assets at FVTPL are initially recognized at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Subsequent to initial recognition, financial assets at FVTPL are measured at fair value.

Gains and losses arising from changes in the fair value of the financial assets at FVTPL are presented in the statement of comprehensive income within investment income.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial assets expire or the Company transfers substantially all risks and rewards of ownership.

The Company's other financial assets carried at amortized cost consist of cash and cash equivalents and accounts receivable.

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents and accounts receivable are initially recognized at fair value and subsequently accounted for at amortized cost. Interest income is accounted for using the effective interest rate method.

The Company assesses, at each financial position date, whether there is objective evidence that receivables are impaired. If there is objective evidence of impairment (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the receivable is tested for impairment. The amount of the loss is measured as the difference between the account's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount is reduced through the use of an allowance account. The amount of the loss is recognized in net income (loss).

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the receivable does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in net income (loss).

Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities as appropriate.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

The Company's financial liabilities consist of accounts payable and accruals, dividends payable, income tax payable, debenture interest payable, bank debt, debentures payable and derivative financial instruments.

Bank debt and debentures payable are initially recognized at fair value and subsequently accounted for at amortized cost. Interest expense is accounted for using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Derivative financial instruments

Derivative financial instruments, which are comprised of the conversion and redemption options related to the convertible debentures, are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with the resulting gain or loss reflected in net income (loss). Derivatives are valued using a model which is calibrated periodically to the market. 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.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible unsecured subordinate debentures that can be converted to share capital at the option of the holder. The Company may settle the conversion right in cash in lieu of common shares unless the holder has explicitly indicated that they do not wish to receive cash. The cash settlement amount depends on the weighted average trading price of the common shares of the Company. This settlement option requires the Company to record the conversion option as a financial liability at fair value at each reporting period, with changes in fair value recorded in net income (loss).

In addition, the debentures contain a redemption option, subject to several conditions, which allows the Company to redeem the debentures, in whole or in part, and the Company may settle the redemption option either in cash at par plus accrued and unpaid interest or in common shares, with the number of common shares to be issued depending on the weighted average trading price of the common shares of the Company. The redemption option is recorded as a financial liability at fair value at each reporting period, with changes in fair value recorded in net income (loss).

The host liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The conversion and redemption options are considered to be interrelated and therefore are treated as a single compound embedded derivative which is recognized at fair value.

Any directly attributable transaction costs are allocated entirely to the host liability component.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. As of December 31, 2013, the Company does not have any asset or liability that is subject to an offsetting agreement.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are recorded as an expense in net income (loss) on a straight-line basis over the term of the lease. Leases of assets where the Company has substantially retained all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, from the proceeds.

Where the Company purchases its equity share capital for cancellation, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders.

Earnings (loss) per share

a) *Basic*

Basic earnings (loss) per share is determined using the weighted average number of shares outstanding and vested phantom units during the reporting period, taking into account on a retrospective basis any increases or decreases caused by share splits or reverse share splits occurring after the reporting period, but prior to the financial statements being authorized for issue.

b) *Diluted*

The Company considers the effects of stock compensation and convertible debentures in calculating diluted earnings per share. Diluted earnings (loss) per share is calculated by adjusting net income (loss) and the weighted average number of shares based on the assumption of the conversion of all potential dilutive shares on a weighted average basis from the date the options vest and from the conversion date of the debentures to the balance sheet date. The conversion date of the debenture units was assumed to be the later of the beginning of the reporting period or closing date in accordance with IAS 33.

Dividends

Dividends are accrued when declared by Tricon's Board of Directors.

Current and deferred income taxes

Income tax (recovery) expense includes current and deferred income taxes. Income tax (recovery) expense is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity, in which case the tax is also recognized directly in equity. Income taxes are calculated based on the enacted or substantively enacted rates in effect at the consolidated balance sheet date. Management evaluates uncertain tax positions subject to interpretation and establishes provisions as appropriate, based on expectations about future settlements, using the best estimate approach.

The Company uses the liability method to recognize deferred income taxes on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets are only recorded if it is probable that they will be realized. Enacted or substantively enacted rates in effect at the consolidated balance sheet date that are expected to apply when the deferred income tax asset is realized or the deferred tax liability is settled are used to calculate deferred income taxes.

Current and deferred income tax relating to items that are directly recognized in equity is recognized in equity and not in the statement of comprehensive income.

Investment income

Investment income includes gains and losses arising on the remeasurement of investments at fair value, including foreign exchange gains and losses.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the provision of services in the ordinary course of the Company's activities. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will be received and when specific criteria have been met, as described below.

Revenues comprise contractual fees and general partner distributions which are not contingent on the performance of the underlying funds, as well as performance fees earned in respect of investment management services provided to investment funds managed by the Company. Contractual fees are recognized as services are performed and are based on a fixed percentage of each fund's committed capital prior to the expiration of each such fund's investment period and based on invested capital following the expiration of the relevant investment period. General Partner Distributions are recognized as services are performed.

Performance fees are earned based on fixed percentages of the returns of each fund in excess of predetermined thresholds. Performance fees are recognized when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company, which is generally subsequent to the return of all the original capital provided by investors plus a preferred rate of return as specified in the limited partnership agreement. Contractual fees and performance fees are earned through the Company's fiduciary activities as an investment manager.

Compensation arrangements

Stock option plan

The Company accounts for its stock option plan by calculating the fair value of the options as of the grant date using a Black-Scholes option pricing model and observable market inputs. This fair value is recognized as compensation cost using the graded vesting method over the vesting period of the options.

Annual Incentive Plan ("AIP")

The Board of Directors approved a new Compensation Incentive Plan in September 2013, consisting of an Annual Incentive Plan ("AIP") and a Performance Fee-Related Bonus Plan known as the long-term incentive plan ("LTIP"). The plan was approved as of January 2013 and is retroactive from that time.

AIP will be calculated based on 15%–20% of Adjusted Base EBITDA excluding Tricon IX Investment Income, with the actual rate determined annually at the Board's discretion. For 2013, the AIP is calculated as 20% of Adjusted Base EBITDA excluding Tricon IX Investment Income. Unlike the previous plan where 100% of annual bonus was awarded in cash, under this new plan, 60% of AIP compensation will be distributed as cash, and 40% in deferred share units with a one-year vesting and expense period. Expenses incurred under the AIP are recognized in the period when services are provided.

Long-term incentive plan ("LTIP")

LTIP expense is generated from two sources: (i) 50% of the Company's share of performance fees or carried interest from land and homebuilding and (ii) 15%–20% of Tricon IX investment income payable in Deferred Stock Units ("DSUs") which vest over a five-year period. Amounts under the LTIP are allocated among the employees based on amounts defined in employment agreements.

For the LTIP generated from the Company's share of performance fees or carried interest from land and homebuilding, the Company estimates the LTIP liability by determining the fair value of the compensation expenses at each reporting date based on the estimated obligation arising under the LTIP plan. Changes in the LTIP liability are recognized in the statements of comprehensive income (loss).

For the LTIP generated from the Company's investment income in Tricon IX, as the deferred shares vest equally on the anniversary dates following the grant date over a five-year period, the compensation expenses are recognized over a six-year period on a graded vesting basis.

Director's fee – Deferred share unit plan ("DSUP")

On May 20, 2010, the Company established a DSUP. Under the DSUP, each independent director is entitled to elect to have any amount or percentage of their director fees contributed to the DSUP. The number of DSUs are determined by dividing the amount of the elected fee by the market price of the Company's shares on the grant date, which is the 15th day following the end of any fiscal quarter. The market price is defined as the five-day average of the closing price of the Company's shares on the TSX ending on the last trading date immediately preceding the date as of which the market price is determined. All notional units vest as of the grant date. Additional DSUs are issued equivalent to the value of any cash dividends that would have been paid on the common shares.

Notional units issued under the DSUP may only be redeemed by the independent director when such director no longer serves on the Board of Tricon. Redemptions will be paid out in cash. The directors elect the amount of his or her fees that will be contributed to the DSUP upon commencement of their term as a member of the Board. Directors may change their election from fiscal quarter to fiscal quarter.

The liability is fair valued at each reporting date, based on the share price of the Company as at the reporting date and is recorded within current liabilities as there are no vesting requirements and payment takes place when a Board member resigns.

Upon the redemption of the DSUs, the Company shall pay to the independent director a lump sum cash payment equal to the number of DSUs to be redeemed multiplied by the market price of the Company's common shares on the redemption date, net of applicable deductions and withholdings. If an independent director ceases to be an eligible director, they may choose a redemption date by giving written notice to the Company, provided that such date is not prior to the tenth day following the release of the Company's quarterly or annual results and is not later than eleven months following the cessation of the independent director being an eligible director. If written notice is not provided, the redemption date is deemed to be eleven months from the cessation of the independent director being an eligible director.

Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Company has determined that its chief operating decision-makers are the chief executive officer (CEO) of the Company and its president.

3 / Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. Actual results could differ from these estimates and the differences may be material.

Income taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. Judgment is required in determining whether deferred income tax assets should be recognized on the consolidated balance sheets. Deferred income tax assets are recognized to the extent that the Company believes it is probable that the assets can be recovered. Furthermore, deferred income tax balances are recorded using enacted or substantively enacted future income tax rates. Changes in enacted income tax rates are not within the control of management. However, any such changes in income tax rates may result in actual income tax amounts that may differ significantly from estimates recorded in deferred tax balances.

Fair value and impairment of financial instruments

Certain financial instruments are recorded in the Company's consolidated balance sheets at values that are representative of or approximate fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price or dealer price quotations. Investments in equity instruments whose fair value cannot be reliably measured are carried at cost.

The fair value of the Company's investments in SFR, and land and homebuilding are determined using the valuation methodologies described in Note 6.

The fair value of certain other financial instruments is determined using valuation techniques. By their nature, these valuation techniques require the use of assumptions. Changes in the underlying assumptions could materially impact the determination of the fair value of a financial instrument. Imprecision in determining fair value using valuation techniques may affect the amount of earnings recorded in a particular period.

The Company assesses, at each reporting date, whether there is any objective evidence that a financial instrument, including equity accounted investments, is impaired. The assessment of impairment of a financial instrument requires significant judgment, where management evaluates, among other factors, the duration and extent to which the carrying value or fair value of an investment is less than its cost, and the financial health and short-term business outlook of the investee.

The Company classifies the fair value of its financial instruments according to the following hierarchy, which is based on the nature of the observable inputs used to value the instrument:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Long-term incentive plan accrual

The most significant assumptions used in determining the LTIP liability relate to the future cash flows anticipated from projects within the funds managed by the Company and the discount rate applied to those cash flows.

If the expected performance fee cash flows relating to each project were increased or decreased by 5%, the LTIP liability would increase by approximately $374,000 or decrease by approximately $374,000. The weighted average discount rate used by management in calculating the fair value of performance fees for the LTIP liability is 30%. If the discount rate was increased or decreased by 5%, the LTIP liability would decrease by $540,000 or increase by $810,000, respectively.

Determination of investment entity

The most significant judgment made in preparing the consolidated financial statements is the determination that the Company became an investment entity when it invested in the U.S. single-family rental home limited partnerships during 2012. In accordance with IFRS 10, an investment entity is an entity that: "obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income (including rental income), or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis." In addition, IFRS 10 clarifies that an investment entity may earn fee income from the provision of investment-related services to external parties. The Company has historically co-invested alongside external parties in funds that it manages. During 2012, the Company raised additional capital through the issuance of convertible debentures, in order to invest in U.S. single-family home limited partnerships. The partnerships are established with local operating partners who acquire distressed single-family homes and renovate, lease and manage them during the investment period prior to their disposal. In determining its status as an investment entity, the Company has determined that fair value is the primary measurement attribute used to monitor and evaluate its investments, including the U.S. single-family home limited partnerships, and that its participation in the partnerships is substantially as an investor, rather than as an operator or developer of properties.

Prior to the formation of the U.S. single-family rental home limited partnerships, the Company's business purpose was primarily to provide investment-related services to external parties through the funds it manages. The impact of the Company's transition to an investment entity is disclosed in Note 23.

4 / Financial Risk Management

The Company's activities expose it to certain financial risks during or at the end of the reporting period as described below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, and the Company's investments expose it to this risk. The sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rates and changes in foreign currency rates.

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 Company invests in debt instruments, the fair values of which vary depending on market interest rates. The effects on net and comprehensive income (loss) of a 1% (December 31, 2012 – 1%) change in interest rates resulting from changes in the fair values of, or cash flows associated with, the Company's investments in associates would be $81,000 (December 31, 2012 – $24,000).

At December 31, 2013, if interest rates at that date had been 10 basis points lower with all other variables held constant, interest expense for the year would have been $100,000 (2012 – $14,000) lower, mainly as a result of lower interest expense on variable borrowings. If interest rates had been 10 basis points higher, with all other variables held constant, interest expense would have been $100,000 (2012 – $14,000) higher, mainly as a result of higher interest expense on variable borrowings. Net income is more sensitive to interest rate decreases than increases because of borrowings with capped interest rates. The sensitivity is higher in 2013 than in 2012 because of an increase in outstanding borrowings as a result of the Company issuing convertible debentures and drawing on its revolving credit facility in 2013.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company invests in equity instruments with returns that vary depending on the value of their underlying real estate. The effects on net and comprehensive income (loss) of a 1% increase or decrease (December 31, 2012 – 1%) in the prices of real estate resulting from changes in the fair values of, or cash flows associated with, the Company's investments – SFR would be $4,505,095 (December 31, 2012 – $1,396,000).

Foreign currency risk

The Company has exposure to foreign currency risk due to the effects of changes in foreign exchange rates related to consolidated U.S. subsidiaries, investments in SFR and Cross Creek and cash and cash equivalents in US dollars held at the corporate level. A 1% increase or decrease (December 31, 2012 – 1%) in the US dollar exchange rate would result in approximately a $5,671,000 and ($5,671,000) movement (December 31, 2012 – $1,667,000 and ($1,674,000)), respectively, in net and comprehensive income. The Company manages foreign currency risk by matching its principal cash outflows to the currency in which the principal cash inflows are denominated. The Company may use derivatives to hedge foreign currency risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has no significant concentrations of credit risk and its exposure to credit risk arises through loans and receivables which are due primarily from controlled subsidiaries. The loans and receivables due from subsidiaries are subject to the risk that the underlying real estate assets may not generate sufficient cash inflows in order to recover them in their entirety. The Company manages this risk by:

- Ensuring a due diligence process is conducted on each investment prior to funding;
- Approving all loans by management and the Investment Committee prior to funding; and
- Actively monitoring the loan portfolio and initiating recovery procedures when necessary.

At December 31, 2013, the Company's maximum exposure to credit risk was $211,789,000 (December 31, 2012 – $61,230,000). Through the equity portion of its investments – land and homebuilding balances, the Company is also indirectly exposed to credit risk arising on loans advanced by investees to individual real estate development projects. As of December 31, 2013, the unrealized gain or loss that is attributable to changes in credit risk is $nil (2012 – $nil).

Liquidity risk

Liquidity risk is the risk that an entity will have difficulty 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 Company uses long-term borrowings to finance its investment strategy for Single-Family Rental. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational and financing costs. Liquidity risk from the convertible debentures is mitigated at the Company's option, under the terms of the debenture, to settle the obligation with shares.

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

As at December 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	8,818,000	–	–	–	8,818,000
Dividend payable	5,417,000	–	–	–	5,417,000
Interest payable	8,115,000	16,236,000	12,925,000	7,227,000	44,503,000
Bank debt	4,371,000	–	–	–	4,371,000
Debentures payable	–	–	51,675,000	86,000,000	137,675,000

Concentration risk

Concentration risk arises as a result of the potential concentration of exposures, by country, geographical location, product type, industry sector or counterparty type. The following is a summary of the Company's concentration risk, based on the composition of the fair value of its investments – SFR and land and homebuilding balances:

Province/State	December 31, 2013	December 31, 2012
Canada		
British Columbia	$ 3,003,000	$ 3,116,000
Ontario	3,668,000	2,785,000
USA		
California	285,523,000	78,686,000
Arizona	96,797,000	24,229,000
Florida	72,800,000	23,918,000
North Carolina	52,548,000	22,511,000
Georgia	41,992,000	–
Nevada	34,669,000	–
Texas	28,609,000	17,689,000
	$ 619,609,000	$ 172,934,000

5 / Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's capital consists of debt, including bank debt, convertible debentures, demand credit facility and shareholders' equity. In order to maintain or adjust the capital structure, the Company manages equity as capital and may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

As of December 31, 2013, the Company is in compliance with all bank covenants.

6 / Fair Value Estimation

In the fair value hierarchy, the level 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 entire fair value measurement. For this purpose, the 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:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

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:

December 31, 2013	Total	Level 1	Level 2	Level 3
Recurring measurements				
Financial assets				
Investments – single-family rental	$ 287,053,000	$ –	$ –	$ 287,053,000
Investments – land and homebuilding				
Canadian funds	6,670,000	–	–	6,670,000
US funds	325,886,000	–	–	325,886,000
Financial liabilities				
Derivative financial instruments (Note 9)	46,964,000	–	46,964,000	–
Debenture payable (Note 9)	102,790,000	–	102,790,000	–

December 31, 2012	Total	Level 1	Level 2	Level 3
Recurring measurements				
Financial assets				
Short-term investments	$ 4,094,000	$ –	$ 4,094,000	$ –
Investments – single-family rental	140,693,000	–	–	140,693,000
Investments – land and homebuilding				
Canadian funds	5,901,000	–	–	5,901,000
US funds	26,340,000	–	–	26,340,000
Financial liabilities				
Derivative financial instruments (Note 9)	23,921,000	–	23,921,000	–
Debenture payable (Note 9)	33,756,000	–	33,756,000	–

There have been no transfers between levels for the years ended December 31, 2013 and December 31, 2012.

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.

The Company's finance department is responsible for determining fair value measurements included in the financial statements, including Level 3 measurements, with the exception of the valuation of derivative financial instruments, which is performed by an independent valuation firm. The valuation processes and results are reviewed and approved by the Controller and the CFO at least once every quarter, in line with the Company's quarterly reporting dates. Valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's financial statements.

The Company used the following techniques to determine the fair value measurements included in the financial statements categorized in Level 3:

a) Investments – single-family rental

All of the Company's investments in U.S. single-family rental home limited partnerships are held through a wholly-owned subsidiary which is recorded at fair value. The fair value of the Company's investment in the subsidiary is estimated based on the total of the Company's proportionate share of the fair value of the net assets of each limited partnership. The fair value of the net assets of each limited partnership is based on a sum of the parts approach, where assets and liabilities are fair valued individually.

The Automated Valuation Model ("AVM") is used to determine the fair value of our investments in the U.S. single-family limited partnerships based on the fair value of the underlying net assets, on a house by house basis. The model arrives at a value for these homes based on comparable sales and listings. In addition to investing in homes held as long-term rentals, the limited partnerships we are invested in also generate revenue from inventory homes sold. These are select properties purchased opportunistically specifically for the purpose of being renovated and sold within six months. AVMs are computer programs that calculate estimates of value for individual properties. They use public records data or tax assessment data to compile large databases of real estate information in a geographic area. This data includes historical sales information, individual property characteristics and specifications for each of the properties in the database. The AVM calculates estimates of value using the sales information and property specifications. Periodically, the AVM estimates of value are updated using current sales information to reflect changes in market conditions over time. An alternative valuation method of Broker Priced Opinion ("BPO") is utilized when AVM values are unavailable. The Company also takes into account the unrealized and realized carried interest payable to local operating partners as general partners to the limited partnerships in determining the fair value of its investment. The carried interest amounts are based on waterfall calculations specified in the relevant limited partnership agreement with each local operator and typically require payment of a performance fee to the general partner once limited partners receive their capital and preferred return. The fair value of external debt is based on a discounted cash flow model at a market rate that the limited partnerships would have obtained for similar financing. Deferred income taxes are based on the enacted tax rates for future years with fair value determined by discounting to the reporting period. Working capital of the limited partnerships approximates fair value.

At December 31, 2013, if interest rates at that date had been 10 basis points lower with all other variables held constant, investment income – SFR for the year would have been $59,000 (2012 – $8,000) higher, mainly as a result of lower interest expense on variable borrowings. If interest rates had been 10 basis points higher, with all other variables held constant, investment income – SFR would have been $51,000 (2012 – $8,000) lower, mainly as a result of higher interest expense on variable borrowings. Profit is more sensitive to interest rate decreases than increases because of borrowings with capped interest rates. The sensitivity is higher in 2013 than in 2012 because of an increase in outstanding borrowings as a result of the Company drawing on the Deutsche Bank credit facility in 2013.

The inputs to the AVM are the characteristics of the property being valued and recent prices for transactions involving similar properties in the same market. If the prices of single-family rental homes included in the Company's Investments were to increase or decrease by 1% (December 31, 2012 – 1%), the impact on net and comprehensive income would be $4,505,000 and ($4,505,000), respectively (December 31, 2012 – $1,396,000 and ($1,396,000)).

b) Investments – land and homebuilding

The Company has investments in the limited partnerships it manages. These investments are held through the Company's wholly-owned subsidiaries that invest in the limited partnerships as an LP and are recorded at fair value. The investments are measured at fair value as determined by the Company's proportionate share of the fair value of the partnerships' net assets at each measurement date. The fair values of the partnerships' net assets are calculated by determining the fair values of their investments in underlying projects using discounted cash flows, appraised values or implied multiples from recent transactions involving similar assets.

The Company has investments in the limited partnerships with other parties that are considered separate accounts. These investments are held through the Company's wholly-owned subsidiaries that invest in the limited partnerships as an LP and are recorded at fair value. The investments are measured at fair value determined by the waterfall calculations specified in the relevant limited partnership agreement of the limited partnerships. The inputs into the waterfall calculations include the fair value of the land and the fair value of the working capital held by the limited partnerships. The fair value of the land of the limited partnerships is based on appraisals prepared by an external third-party valuator or on internal valuations.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follows:

Description	Valuation technique(s)	Significant unobservable input
Debt investments	Discounted cash flow	a) Discount rates[(1)] b) Future cash flows
Equity investments – land and homebuilding	Net asset value	a) Discounted rates b) Future cash flows[(2)] c) Control premium, if any
Equity investments – single-family rental	Waterfall distribution model	Valuation of homes per AVM
Equity investments – separate accounts	Waterfall distribution model	Appraised value[(3)]

(1) The range of the discount rate in the discounted cash flow model is 10% to 12%.

(2) The range of the discount rates in the discounted cash flow model is 10% to 30%.
Generally, an increase in future cash flow will result in an increase to the fair value of debt investments and fund equity investments. An increase in the discount rate will result in a decrease in fair value of the debt instruments and fund equity investments. The same percentage change in the discount rate will result in a greater change in fair value than the same absolute percentage change in future cash flow.

(3) For equity investments totaling $9,247,000, the Company obtained external valuations for two separate accounts equity investments. For the appraisal subject to an independent valuation report, the investment team and finance team verify all major inputs to the valuation and review the results with the independent valuator. For the remaining separate accounts equity investments totaling $6,108,000, since the properties were purchased close to year-end, the fair value approximates acquisition price. The significant input within the appraised value is the value of land per acre.

Sensitivity

The effects on net and comprehensive income of a 1% change in the discount rates of the investments – land and homebuilding are as follows:

	December 31, 2013		December 31, 2012	
	1% increase	1% decrease	1% increase	1% decrease
Canadian funds	$ (175,292)	$ 165,900	$ (230,000)	$ 240,000
US funds	(2,372,863)	2,438,183	(534,000)	554,000
Separate accounts	(687,000)	714,000	(24,000)	24,000

c) Continuity of investments

The following presents the movement in Level 3 instruments for the years ended December 31, 2013 and December 31, 2012:

	December 31, 2013	December 31, 2012
Opening balance	$ 172,934,000	$ 8,087,000
Advances	426,588,000	174,566,000
Distributions/sales	(51,553,000)	(13,677,000)
Investment income	71,640,000	3,958,000
Ending balance	$ 619,609,000	$ 172,934,000

The investment income includes an unrealized gain of $49,304,000 (2012 – $1,552,000) resulting from foreign exchange and a fair value increase in investments.

Quantitative information about fair value measurements using significant unobservable inputs (Level 2) is as follows:

	2017 Debenture	2020 Debenture
Risk free rate	1.89%	2.57%
Credit spread	14.97%	6.31%
Stock price	$7.71	$7.71
Historical volatility	35.19%	35.19%
Dividend yield	3.23%	3.57%

The fair value of the convertible debentures was $111,330,000 as of December 31, 2013, and $36,109,000 as of December 31, 2012.

The values of the derivative financial instruments recognized in the consolidated balance sheet are calculated as follows:

	December 31, 2013	December 31, 2012
Derivative financial instruments – beginning of period	$ 23,921,000	$ –
Derivative instrument value of debentures issued	17,363,000	16,250,000
Fair value changes (based on market price)	5,680,000	7,671,000
Derivative financial instruments – end of period	$ 46,964,000	$ 23,921,000

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

7 / Investments

Investments – SFR includes investments in U.S. single-family rental home limited partnerships. The partnerships are established with local operators who acquire single-family homes and renovate, lease and manage them during the investment period.

Investments – land and homebuilding include investments in funds managed by the Company.

The Company makes these investments via loan advances and equity investments. The following is a summary of the composition of the Company's investments:

December 31, 2013	Internal debt instruments	Equity	Total investment
Investments – single-family rental	$ 194,325,000	$ 92,728,000	$ 287,053,000
Investments – land and homebuilding			
Canadian funds	–	6,670,000	6,670,000
US funds	17,464,000	308,422,000	325,886,000
Total	$ 211,789,000	$ 407,820,000	$ 619,609,000

December 31, 2012	Internal debt instruments	Equity	Total investment
Investments – single-family rental	$ 52,901,000	$ 87,792,000	$ 140,693,000
Investments – land and homebuilding			
Canadian funds	–	5,901,000	5,901,000
US funds	8,329,000	18,011,000	26,340,000
Total	$ 61,230,000	$ 111,704,000	$ 172,934,000

January 1, 2012	Internal debt instruments	Equity	Total investment
Investments – single-family rental	$ –	$ –	$ –
Investments – land and homebuilding			
Canadian funds	–	290,000	290,000
US funds	–	7,797,000	7,797,000
Investments – Other	10,802,000	–	10,802,000
Total	$ 10,802,000	$ 8,087,000	$ 18,889,000

The loan instruments are denominated in US dollars and bear interest rates between 9.45%–11.95%, compounded monthly.

Tricon SF Home Rental Inc. is one of the guarantors of the $45 million RBC credit facility available to the Company (see Note 9).

On June 13, 2013, the Company provided a guarantee for certain non-recourse carve-outs under a US$150 million credit facility between the U.S. single-family operating partnerships and Deutsche Bank. On December 10, 2013, the credit facility was increased to US$250 million.

As an investment entity, the Company accounts for certain investments at fair value rather than consolidating them. The controlled subsidiaries which are not consolidated by the Company include:

Name	Type	Principal place of business	Country of incorporation	Ownership interest %	Voting rights %[1]
Tricon SF Home Rental Inc.	Holding Company	USA	Canada	100%	100%
Tricon American Homes LLC	Holding Company	USA	USA	100%	100%
Turnstone LA LP	Limited Partnership	USA	USA	97%	100%
Greater Phoenix SF Home Rental LP	Limited Partnership	USA	USA	97%	100%
Greater Sacramento SF Home Rental LP	Limited Partnership	USA	USA	97%	100%
McKinley SF Home Rental LP	Limited Partnership	USA	USA	97%	100%
Southeast Florida Rental Housing LP	Limited Partnership	USA	USA	70%	50%/100%[2]
29 McKinley SF Home Rental LP	Limited Partnership	USA	USA	97%	100%
Tricon IX LP	Limited Partnership	USA	USA	68%	68%
Tricon XI B GP LP	Limited Partnership	USA	USA	16%	16%
Tricon Capital Fund XII Co-Investment Inc.	Holding Company	Canada	Canada	100%	100%
Tricon XII LP (Ontario)	Limited Partnership	Canada	Canada	10%	10%
Tricon USA Lender Inc. (formerly CCR Texas Lender Inc.)	Holding Company	USA	Canada	100%	100%
Vistancia West Lender Inc.	Holding Company	USA	Canada	100%	100%
Castle Atlanta Holding LP	Limited Partnership	USA	USA	100%	100%
CCR Texas Equity LP	Limited Partnership	USA	USA	10%	50%
CCR Texas Holdings LP	Limited Partnership	USA	USA	9%	50%
Vistancia West Equity LP	Limited Partnership	USA	USA	73%	100%
Vistancia West Holdings LP	Limited Partnership	USA	USA	66%	50%
FF Texas Equity LP	Limited Partnership	USA	USA	10%	50%
FF Texas Holdings LP	Limited Partnership	USA	USA	9%	50%
Conroe CS Texas Equity LP	Limited Partnership	USA	USA	10%	50%
Conroe CS Texas Holdings LP	Limited Partnership	USA	USA	9%	50%

(1) In respect of major decisions only.

(2) 50% voting rights with respect to certain major decisions and 100% to the balance of the major decisions as outlined in the limited partnership agreement.

8 / Related Party Transactions and Balances

The Company has a 10-year sub-lease commitment on the head office premises with Mandukwe Inc., a company owned and controlled by Geoff Matus, co-founder and current director of the Company. During the year ended December 31, 2013, the Company paid $154,000 in rental payments to Mandukwe, including maintenance and utility costs (2012 – $96,000).

Transactions with related parties

The following table summarizes revenue based on contractual arrangements from investment funds managed by the Company. The funds are considered related parties, of which the Company is the general partner of the investment funds. In addition, the table summarizes investment income from entities engaged in real estate development and the investment and sale of single-family rental housing:

For the Year Ended December 31,	2013	2012
Contractual fees	$ 15,139,000	$ 9,985,000
General partner distributions	2,959,000	3,630,000
Performance fees	195,000	95,000
Interest income	1,302,000	608,000
Total revenue	$ 19,595,000	$ 14,318,000
Investment income – single-family rental	37,158,000	(539,000)
Investment income – land and homebuilding	34,482,000	4,497,000
Total investment income	$ 71,640,000	$ 3,958,000

Balances arising from transactions with related parties

	December 31, 2013	December 31, 2012
Receivables from related parties included in accounts receivable		
Contractual fees receivable from investment funds managed by the Company	$ 523,000	$ 612,000
Other receivables	804,000	88,000
Loan receivables from investment in associates and joint ventures	17,464,000	8,329,000
Loan receivables from investment in non-consolidated subsidiaries	194,325,000	52,901,000
Long-term incentive plan (current and non-current portion)	10,646,000	9,995,000
Annual Incentive Plan	4,222,000	1,392,000
Phantom units (cash settled)	1,405,000	–
Dividends payable to employees and associated corporations	418,000	397,000
Other payables to related parties included in accounts payable and accruals	491,000	108,000

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

9 / Financing Arrangements

Bank debt

On August 13, 2013, the Company obtained a four-year revolving credit facility of $45 million, provided jointly by J.P. Morgan Chase and The Royal Bank of Canada with interest of Libor plus 350 bps. As of December 31, 2013, US$4,000,000 ($4,254,000 Canadian) was drawn from the credit facility, which will mature on February 10, 2014. Interest on this draw was 3.75%. Interest expense incurred in the year ended December 31, 2013 was US$263,000 ($276,000 Canadian) and total interest payable on maturity (February 10, 2014) was US$16,000 ($17,000 Canadian).

Convertible debentures

The values of both convertible debentures recognized on the consolidated balance sheet are calculated as follows:

	December 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
Debentures converted	(75,000)	–
Less: Transaction costs	(4,080,000)	(2,766,000)
Embedded derivative options (at conversion price)	(17,363,000)	(16,250,000)
Interest expense	11,955,000	2,401,000
Interest paid	(6,449,000)	–
Debentures and interest payable – end of period	$ 105,123,000	$ 35,135,000

July 2012 convertible debentures

The Company issued 517,500 6.375% convertible debentures at $1,000 per unit for a par value of $51,750,000 on July 30, 2012. The debentures mature on August 31, 2017 at their nominal value of $51.8 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 $6.00 or at a rate of 166.67 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 weighted average trading price of the common shares on the TSX during the prior 20 consecutive trading days by the number of common shares into which the elected amount would then be convertible.

The convertible debenture units outstanding are redeemable at the option of the Company on or after August 31, 2015 and prior to August 31, 2016 provided that the current market price of the common shares on the TSX on the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after August 31, 2016 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 the 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 weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending five trading days preceding the date fixed for redemption.

As of December 31, 2013, 75 units of the debentures have been converted at the conversion rate of 166.67 shares per $1,000 debentures owned, resulting in the issuance of 12,500 common shares on April 30, 2013.

February 2013 convertible debentures

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 $86,000,000 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 explicitly 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 the 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 December 31, 2013.

Derivative financial instruments

The conversion and 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 $46,964,000 as of December 31, 2013 (2012 – $23,921,000) resulting in a loss on the derivative financial instruments of $5,680,000 (2012 – $7,671,000) for the year ended December 31, 2013.

10 / Income Taxes

For the Year Ended December 31,		2013		2012
Current income tax				
Current income tax expense on income for the year	$	(4,693,000)	$	(1,560,000)
Adjustments relating to prior years		(108,000)		90,000
		(4,801,000)		(1,470,000)
Deferred taxes				
Origination and reversal of temporary differences	$	(8,056,000)	$	239,000
Adjustments relating to prior years		(5,000)		(140,000)
Impact of change in effective rates		–		25,000
		(8,061,000)		124,000
Income tax expense	$	(12,862,000)	$	(1,346,000)

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:

For the Year Ended December 31,		2013		2012
Income before income taxes	$	48,935,000	$	(2,852,000)
Combined statutory federal and provincial income tax rate		26.50%		26.50%
Expected income tax recovery (expense)		(12,968,000)		756,000
Tax rate differential (foreign tax rates)		(726,000)		(449,000)
Tax effects of				
Permanent differences		996,000		(1,563,000)
Change in effective tax rates		–		25,000
Adjustments relating to prior periods		(113,000)		(50,000)
Other		(51,000)		(65,000)
Income tax expense	$	(12,862,000)	$	(1,346,000)

The estimated average annual rate used for the year ended December 31, 2013 was 26.5% (2012 – 26.5%).

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

		December 31, 2013		December 31, 2012
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	$	917,000	$	4,833,000
Deferred tax asset to be recovered within 12 months		1,048,000		834,000
Total deferred tax assets	$	1,965,000	$	5,667,000
Deferred tax liabilities:				
Deferred tax liabilities reversing after more than 12 months	$	1,651,000	$	1,655,000
Deferred tax liabilities reversing within 12 months		661,000		11,000
Total deferred tax liabilities	$	2,312,000	$	1,666,000

The movement of the deferred tax account is as follows:

Difference between deferred tax assets and deferred tax liabilities:				
Opening balance	$	4,001,000	$	2,199,000
Credit (charge) to the statement of comprehensive income		(8,050,000)		85,000
Credit to equity		3,702,000		–
Other		–		1,717,000
Closing balance	$	(347,000)	$	4,001,000

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

Deferred Tax Assets	Issuance costs	Long-term incentive plan accrual	Investments	Net operating losses	Debentures	Other	Total
At January 1, 2012	$ 1,057,000	$ 2,078,000	$ (408,000)	$ –	$ –	$ 177,000	$ 2,904,000
Addition/(reversal)	1,066,000	571,000	408,000	–	948,000	(231,000)	2,762,000
At December 31, 2012	2,123,000	2,649,000	–	–	948,000	(54,000)	5,666,000
Addition/(reversal)	2,312,000	172,000	(5,911,000)	394,000	(1,180,000)	512,000	(3,701,000)
At December 31, 2013	$ 4,435,000	$ 2,821,000	$ (5,911,000)	$ 394,000	$ (232,000)	$ 458,000	$ 1,965,000

Deferred Tax Liabilities	Deferred placement fees	Investments	Other	Total
At January 1, 2012	$ 706,000	$ –	$ –	$ 706,000
Addition/(reversal)	–	960,000	–	960,000
At December 31, 2012	706,000	960,000	–	1,666,000
Addition/(reversal)	656,000	(35,000)	25,000	646,000
At December 31, 2013	$ 1,362,000	$ 925,000	$ 25,000	$ 2,312,000

11 / Intangible Assets

	Placement fees	Rights to performance fees	Total
Year ended December 31, 2012			
Opening net book value	$ 2,205,000	$ 572,000	$ 2,777,000
Additions	757,000	–	757,000
Amortization expense	(1,012,000)	(81,000)	(1,093,000)
Net book value	1,950,000	491,000	2,441,000
As at December 31, 2012			
Cost	9,362,000	707,000	10,069,000
Accumulated amortization	(7,412,000)	(216,000)	(7,628,000)
Net book value	$ 1,950,000	$ 491,000	$ 2,441,000
Year ended December 31, 2013			
Opening net book value	1,950,000	491,000	2,441,000
Additions	2,671,000	–	2,671,000
Amortization expense	(590,000)	(81,000)	(671,000)
Net book value	4,031,000	410,000	4,441,000
As at December 31, 2013			
Cost	12,033,000	707,000	12,740,000
Accumulated amortization	(8,002,000)	(297,000)	(8,299,000)
Net book value	$ 4,031,000	$ 410,000	$ 4,441,000

There were no impairment charges of placement fees and rights to performance fees in the year ended December 31, 2013 and December 31, 2012.

12 / Office Equipment and Leasehold Improvements

	Furniture	Office equipment	Computer equipment	Leasehold improvements	Total
Year ended December 31, 2012					
Opening net book value	$ 13,000	$ 3,000	$ 25,000	$ 112,000	$ 153,000
Additions	3,000	9,000	26,000	42,000	80,000
Amortization expense	(7,000)	(3,000)	(30,000)	(27,000)	(67,000)
Net book value	$ 9,000	$ 9,000	$ 21,000	$ 127,000	$ 166,000
As at December 31, 2012					
Cost	$ 155,000	$ 67,000	$ 494,000	$ 468,000	$ 1,184,000
Accumulated amortization	(146,000)	(58,000)	(473,000)	(341,000)	(1,018,000)
Net book value	$ 9,000	$ 9,000	$ 21,000	$ 127,000	$ 166,000
Year ended December 31, 2013					
Opening net book value	$ 9,000	$ 9,000	$ 21,000	$ 127,000	$ 166,000
Adjustment	9,000	(9,000)			
Additions	157,000	–	41,000	199,000	397,000
Amortization expense	(20,000)	–	(30,000)	(43,000)	(93,000)
Net book value	$ 155,000	$ –	$ 32,000	$ 283,000	$ 470,000
As at December 31, 2013					
Cost	$ 321,000	$ 58,000	$ 535,000	$ 667,000	$ 1,581,000
Accumulated amortization	(166,000)	(58,000)	(503,000)	(384,000)	(1,111,000)
Net book value	$ 155,000	$ –	$ 32,000	$ 283,000	$ 470,000

There were no impairment charges in the years ended December 31, 2013 and December 31, 2012.

13 / Dividends

Date of declaration	Record date	Payment date	Dividend amount per common share	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
May 8, 2013	June 30, 2013	July 15, 2013	$ 0.06	41,768,705	$ 2,506,000
August 13, 2013	September 30, 2013	October 15, 2013	$ 0.06	90,146,865	$ 5,409,000
November 12, 2013	December 31, 2013	January 15, 2014	$ 0.06	90,276,953	$ 5,417,000
					$ 15,837,000

On November 20, 2012, the Company implemented a Dividend Reinvestment Plan ("DRIP") under which eligible shareholders of the Company may elect to have all or part of their cash dividend automatically reinvested into additional common shares. These additional shares will be issued from treasury (or purchased on the open market) on the applicable dividend payment date and will be priced at 95% of the average market price, calculated as the volume weighted trading price of the Company's common shares on the TSX over the five business days immediately preceding the dividend payment date. If common shares are purchased in the open market, they will be priced at the average weighted cost of the Company's common shares on the TSX over the five business days following the dividend payment date.

Brokerage, commissions and service fees are not charged to shareholders for purchases or withdrawals of the Company's shares under the DRIP, and all DRIP administrative costs are assumed by the Company.

As of December 31, 2013, 143,616 common shares were issued under the DRIP (nil in 2012) for a total amount of $955,000 ($nil in 2012).

14 / Share Capital

Date	Particulars	Notes	Number 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)	1,468	9,000
April 15, 2013	Shares issued under DRIP	(B)	2,063	14,000
April 30, 2013	Conversion of debenture	(C)	12,500	75,000
July 15, 2013	Shares issued under DRIP	(D)	9,997	61,000
August 13, 2013	Bought deal offering	(E)	39,272,500	233,599,000
August 13, 2013	Private placement – Tricon IX LP	(F)	9,106,388	56,005,000
August 30 – Sep 6, 2013	Normal course issuer bid (NCIB)	(G)	(10,900)	(57,000)
October 15, 2013	Shares issued under DRIP	(H)	130,088	871,000
As at December 31, 2013			90,276,953	$ 455,191,000

Notes

(A) On January 15, 2013, 1,468 common shares were issued under the DRIP at $6.78 per share.

(B) On April 15, 2013, 2,063 common shares were issued under the DRIP at $6.70 per share.

(C) On April 30, 2013, 75 units of the July convertible debenture were converted at a rate of 166.67 shares per $1,000 owned.

(D) On July 15, 2013, 9,997 common shares were issued under the DRIP at $6.15 per share.

(E) On August 13, 2013, the Company issued 39,272,500 common shares under a bought deal agreement at $6.15 per share for gross proceeds of $241,526,000 resulting in net proceeds from the offering of approximately $233,503,000. The net proceeds from the offering were primarily used to fund a portion of the acquisition of a 68.4% limited partnership interest in Tricon IX.

(F) On August 13, 2013, 9,106,388 common shares were issued to limited partners of Tricon IX at $6.15 per share as partial consideration for their interest.

(G) On August 27, 2013, the Toronto Stock Exchange ("TSX") approved the Company's intention to make a normal course issuer bid (NCIB) for a portion of its common shares. Under the NCIB, the Company may repurchase for cancellation up to a maximum of 4,507,888 common shares, being 5% of the issued and outstanding common shares in the twelve-month period commencing August 29, 2013 and ending August 29, 2014. Between August 30 and September 6, 2013, the Company acquired and cancelled 10,900 common shares at an average price of $5.24 for a total of $57,000.

(H) On October 15, 2013, 130,088 common shares were issued under the DRIP at $6.70 per share.

The Company can issue unlimited common shares and unlimited redeemable and retractable Class A, B and C shares. The common shares of the Company do not have par value.

As of December 31, 2013, the Company had 90,276,953 common shares outstanding (December 31, 2012 – 41,752,849).

15 / Compensation Arrangements

The breakdown of the various compensation arrangements is as follows:

For the Year Ended December 31,	2013	2012
AIP – cash	$ 2,532,000	$ 1,443,000
AIP – phantom units	1,015,000	722,000
AIP – deferred share units	1,689,000	–
Total short-term compensation expense	$ 5,236,000	$ 2,165,000
Stock options	$ 538,000	$ 265,000
Tricon IX deemed performance fees – phantom units	3,593,000	–
LTIP – DSU Tricon IX investment income	995,000	–
LTIP – other funds and separate accounts	749,000	1,732,000
Total long-term compensation expense	$ 5,875,000	$ 1,997,000
Directors' fees – cash	$ 241,000	$ 160,000
Directors' fees – DSUP	92,000	87,000
Total directors' fees	$ 333,000	$ 247,000

The Company operates various equity-settled and cash-settled arrangements, detailed in the sections below.

Stock option plan

Stock options may be granted to all employees. Prior to September 30, 2013, the exercise price of the options was calculated using the volume-weighted average trading price of the common shares for the five trading days immediately preceding the grant date. Starting in 4Q13, the exercise price of the options is calculated using the closing price of the trading day immediately preceding the grant date.

The options are not conditional on any performance criteria, and shall vest equally at one-third per year from the anniversary of the grant date (the vesting period) provided the optionee is employed with the Company. The options are exercisable at any time from the date of vesting and have a contractual option term of 10 years for employees and at management's discretion for service providers. The Company has no legal or constructive obligation to repurchase or settle the options in cash. All options will be settled in equity.

In the year ended December 31, 2013, 1,530,000 stock options were granted and will require shareholder certification in May 2014. No options were exercised during the year. There were 2,541,500 stock options outstanding as of December 31, 2013 at an average exercise price per share of $6.45.

The fair value of the options granted in 2013 was determined using the Black-Scholes valuation model. The fair value of the options granted in 2013 totaled $1,671,000. The significant inputs to the model were:

As at	November 25, 2013	November 1, 2013	September 9, 2013	May 17, 2013
Number of stock options granted	250,000	20,000	250,000	1,010,000
Share price	$ 7.59	$ 7.39	$ 6.22	$ 6.84
Exercise price	$ 7.74	$ 7.49	$ 6.07	$ 6.81
Expected volatility	24%	20%	26%	30%
Expected dividend yield	3.16%	3.25%	3.86%	3.51%
Expected option life	4.6 years	0.71 years	4.6 years	4.6 years
Risk-free interest rate	1.53%	1.09%	1.72%	1.13%

Phantom Unit Plan

The Company adopted a Phantom Unit Plan ("PUP") on April 18, 2011 in accordance with the Toronto Stock Exchange guidelines as approved by the shareholders on May 18, 2011. The Plan consists of share-based awards to officers and employees of, and advisors to, the Company and its subsidiaries.

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 1Q13 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 December 31, 2013, none of the units issued in 1Q13 have vested.

The fair value of the units granted in 3Q13 totaled $3,593,000 (being 584,252 units issued at $6.15 per unit). As of December 31, 2013, all of the units issued in 3Q13 have vested but are held in escrow to be released to employees over the next three years.

The Company estimated that 30% of the benefit value will be settled in cash to satisfy the tax withholding requirements. Accordingly, the cash-settled component is fair valued at each reporting period and is reflected in current liabilities on the balance sheet.

Annual Incentive Plan ("AIP")

The AIP is based on a percentage of Adjusted Base EBITDA, as defined in the plan, with the percentage varying between 15%–20% and will be determined annually by the Board of Directors. The AIP percentage for 2013 is 20%; of this amount 60% will be paid in cash and 40% in deferred share units. These deferred share units are expensed over a one-year period in the Consolidated Statements of Comprehensive Income.

Long-term incentive plan ("LTIP")

Certain of the Company's executives and management participate in the LTIP. The LTIP pool is determined based on 50% of performance fees earned from funds managed by the Company and is paid to plan participants only if and when performance fees are generated from the funds. LTIP for all employees in funds established prior to May 20, 2010 is fully vested. For current active funds, the employees' LTIP entitlements will vest at one third each year from the initial closing of such future funds, except for Tricon XI. Tricon XI shall vest in equal proportions on each of the first four anniversaries of the initial close of the Fund. Future funds shall have a vesting period calculated from the initial close of the Fund and ending one year after the end of the investment period. The LTIP liability is determined based on 50% of the expected performance fee that would be generated from the fair value of the assets within each fund at the balance sheet date; such performance fees will be recognized as revenue when earned. The fair value determination of the assets within a fund is based on a discounted cash flow model and requires management to make estimates and judgments concerning the future. These estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors. The resulting accounting estimates may differ from the related actual results. These estimates, assumptions and management judgments could result in a material adjustment to the carrying value of amounts of the LTIP liability in future years.

Year Ended	December 31, 2013	December 31, 2012
Opening balance – beginning of period	$ 9,995,000	$ 8,310,000
Payments	(85,000)	(48,000)
LTIP expense – other funds and separate accounts	736,000	1,733,000
LTIP expense – Tricon IX investment income	995,000	–
Closing balance – end of period	$ 11,641,000	$ 9,995,000

Balance sheet

	December 31, 2013	December 31, 2012
Long-term incentive plan – current portion	$ 11,000	$ 15,000
Long-term incentive plan – non-current portion	10,635,000	9,980,000
Equity – contributed surplus – DSU	995,000	–
	$ 11,641,000	$ 9,995,000

Key management compensation

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

For the Year Ended December 31,	2013	2012
Salaries, benefits and AIP – Cash	$ 3,988,000	$ 2,564,000
Stock options	218,000	139,000
AIP – phantom units	464,000	–
Tricon IX deemed performance fees – phantom units	2,156,000	–
LTIP – other funds and separate accounts	335,000	693,000
LTIP – DSU Tricon IX investment income	597,000	–
	7,758,000	3,396,000
Directors' fees	333,000	247,000
Total key management compensation	$ 8,091,000	$ 3,643,000

16 / General and Administration

For the Year Ended December 31,	2013	2012
Office and other	$ 762,000	$ 510,000
U.S. office relocation	135,000	11,000
Public company expenses	340,000	231,000
Rent (Note 8)	154,000	96,000
Travel	275,000	91,000
	$ 1,666,000	$ 939,000

17 / Income Per Share

a) Basic

Basic income per share is calculated by dividing net income by the weighted average number of shares outstanding and vested phantom units during the year.

For the Year Ended December 31,	2013	2012
Net income (loss)	$ 36,073,000	$ (4,198,000)
Weighted average number of common shares outstanding	60,377,812	27,731,820
Vested phantom units	156,868	–
Weighted average number of common shares outstanding for basic earnings per share	60,534,679	27,731,820
Basic net income (loss) per share	$ 0.60	$ (0.15)

b) Diluted

Diluted income per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. The Company has four categories of dilutive potential shares: stock options, phantom units, deferred share unit plan (see Note 15) and the convertible debentures (see Note 9). For the stock compensation, a calculation was done to determine the number of shares that could have been acquired at fair value (determined using the market price of the Company's shares as of December 31, 2013) based on the monetary value of the stock compensation arrangements. The number of shares calculated as described above is comparable to the number of shares that would have been issued assuming the execution of the stock compensation arrangements.

Stock compensation

As at December 31, 2013, the Company's stock compensation plans resulted in 837,910 dilutive share units (December 31, 2012 – 14,375) as the exercise price of the potential share units is below the average market share price of $6.80 for the year.

Convertible debentures

As of December 31, 2013, none of the Company's convertible debenture units is dilutive (December 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 Year Ended December 31,	2013	2012
Net income (loss)	$ 36,073,000	$ (4,198,000)
Weighted average number of common shares outstanding	60,534,679	27,731,820
Adjustments for stock compensation	837,910	14,375
Weighted average number of common shares outstanding for diluted earnings per share	61,372,589	27,746,195
Diluted earnings (loss) per share	$ 0.59	$ (0.15)

18 / Segmented Information

The main segments of the business are considered to be private funds and advisory; principal investing in land and homebuilding, and the U.S. Single-Family Rental Limited Partnership. The Company evaluates segment performance based on Adjusted EBITDA.

Adjusted EBITDA refers to Earnings before interest expense, income taxes, depreciation and amortization and includes AIP, investment income – SFR fair value adjustment, performance fees, performance fee-related bonus pool (LTIP) and non-recurring items of the business.

The reconciliation between Adjusted EBITDA and net income is shown below:

For the Year Ended December 31, 2013	Private fund	Single-family rental	Land and homebuilding	Total
Adjusted EBITDA	$ 16,782,000	$ 38,543,000	$ 13,462,000	$ 68,787,000
Amortization	(708,000)	(18,000)	(37,000)	(763,000)
LTIP – other funds and separate accounts	(736,000)	–	–	(736,000)
LTIP paid	85,000	–	–	85,000
Phantom units for 2012	(420,000)	(194,000)	(401,000)	(1,015,000)
Stock compensation expense	(222,000)	(103,000)	(213,000)	(538,000)
Tricon IX advisory fees	–	–	(4,624,000)	(4,624,000)
Financing charges – single-family rental	–	(5,118,000)	–	(5,118,000)
Bond discount amortization	–	(3,690,000)	–	(3,690,000)
Interest expense	(142,000)	(10,663,000)	(136,000)	(10,941,000)
Financing charges – credit facility	(166,000)	(76,000)	(158,000)	(400,000)
Net change in fair value of derivative	–	(5,680,000)	–	(5,680,000)
Unrealized selling expenses	–	(5,159,000)	–	(5,159,000)
Unrealized foreign exchange gain	1,191,000	14,091,000	8,798,000	24,080,000
Income tax (expense) recovery	(2,116,000)	(8,714,000)	(7,385,000)	(18,215,000)
Net Income	$ 13,548,000	$ 13,219,000	$ 9,306,000	$ 36,073,000

For the Year Ended December 31, 2012	Private fund	Single-family rental	Land and homebuilding	Total
Adjusted EBITDA	$ 8,481,000	$ 430,000	$ 2,551,000	$ 11,462,000
Amortization	(1,144,000)	(1,000)	(15,000)	(1,160,000)
LTIP – other funds and separate accounts	(1,732,000)	–	–	(1,732,000)
LTIP paid	48,000	–	–	48,000
Phantom units for 2012	(546,000)	(11,000)	(165,000)	(722,000)
Stock compensation expense	(200,000)	(4,000)	(61,000)	(265,000)
Interest expense	–	(1,455,000)	–	(1,455,000)
Bond discount amortization	–	(838,000)	–	(838,000)
Formation costs – new funds	192,000	–	–	192,000
Net change in fair value of derivative	–	(7,671,000)	–	(7,671,000)
Unrealized foreign exchange (gain) loss	289,000	(1,048,000)	74,000	(685,000)
Income tax (expense) recovery	(2,158,000)	955,000	(169,000)	(1,372,000)
Net Income	$ 3,230,000	$ (9,643,000)	$ 2,215,000	$ (4,198,000)

The Corporate overhead expenses are allocated to each segment based on the segment's adjusted revenue.

The balance sheet segmented information is as follows:

	Private fund	Single-family rental	Land and homebuilding	Corporate	Total
	A	B	C	D	
Segmented current assets (as at December 31, 2013)	$ 7,536,000	$ 1,964,000	$ 308,000	$ 6,650,000	$ 16,458,000
Segmented non-current assets (as at December 31, 2013)					
Investments – single-family rental	–	287,053,000	–	–	287,053,000
Investments – land and homebuilding	–	–	332,556,000	–	332,556,000
Intangible assets	4,441,000	–	–	–	4,441,000
Office equipment and leasehold improvements	–	–	–	470,000	470,000
Deferred income tax assets	2,312,000	1,891,000	–	852,000	5,055,000
Total segmented assets (as at December 31, 2013)	14,289,000	290,908,000	332,864,000	7,972,000	646,033,000
Segmented current liabilities (as at December 31, 2013)	3,247,792	6,687,000	2,765,393	10,744,815	23,445,000
Segmented non-current liabilities (as at December 31, 2013)					
Deferred income tax liabilities	1,362,000	–	4,015,000	25,000	5,402,000
Long-term incentive plan – non-current portion	10,635,000	–	–	–	10,635,000
Derivative financial instruments	–	46,964,000	–	–	46,964,000
Debentures payable	–	102,790,000	–	–	102,790,000
Total segmented liabilities (as at December 31, 2013)	$ 15,244,792	$ 156,441,000	$ 6,780,393	$ 10,769,815	$ 189,197,000

	Private fund	Single-family rental	Land and homebuilding	Corporate	Total
	A	B	C	D	
Segmented current assets (as at December 31, 2012)	$ 918,000	$ 7,165,000	$ 28,214,000	$ 48,000	$ 36,345,000
Segmented non-current assets (as at December 31, 2012)					
Investments – single-family rental	–	140,693,000	–	–	140,693,000
Investments – land and homebuilding	–	–	32,241,000	–	32,241,000
Intangible assets	2,441,000	–	–	–	2,441,000
Office equipment and leasehold improvements	–	–	–	166,000	166,000
Deferred income tax assets	2,590,000	–	–	3,077,000	5,667,000
Total segmented assets (as at December 31, 2012)	5,949,000	147,858,000	60,455,000	3,291,000	217,553,000
Segmented current liabilities (as at December 31, 2012)	1,265,000	1,379,000	118,000	4,173,000	6,935,000
Segmented non-current liabilities (as at December 31, 2012)					
Deferred income tax liabilities	707,000	–	959,000	–	1,666,000
Long-term incentive plan – non-current portion	9,980,000	–	–	–	9,980,000
Derivative financial instruments	–	23,921,000	–	–	23,921,000
Debentures payable	–	33,756,000	–	–	33,756,000
Total segmented liabilities (as at December 31, 2012)	$ 11,952,000	$ 59,056,000	$ 1,077,000	$ 4,173,000	$ 76,258,000

(A) The Private fund segmented current assets consist of 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) U.S. single-family rental home LPs' segmented current assets consist of cash held at the corporate level and accounts receivable. Segmented current liabilities consist of debentures interest payable and bank debt.

(C) The land and homebuilding segmented current assets consist of cash and accounts receivable. Segmented current liabilities consist of income taxes payable.

(D) Corporate segmented current assets consist of cash held at the corporate level and prepaid expenses. Segmented current liabilities consist of accounts payable and accruals and dividends payable.

19 / Lease Commitments

The Company has a lease commitment on its head office premises located at 1067 Yonge Street, Toronto, Ontario. The landlord is Mandukwe Inc., a related corporation (see Note 9). The minimum rental amount is $43,000 per annum extending to November 30, 2019. Additional maintenance and utility costs and realty taxes are payable as incurred. In 2013, the Company entered into a new lease commitment on an office premise located at 1055 Yonge Street, Toronto, Ontario. The minimum rent and shared common area expenses amount is $58,000 per annum extending to December 31, 2018. The Company also entered into a lease commitment on an office premise in San Francisco, California. The minimum lease payment is $90,000 (US$87,000) per annum extending to April 31, 2018.

In addition, the Company leases office equipment. The future minimum payments in respect of the office equipment leases are:

2014	$ 30,000
2015	27,000
2016	19,000
2017	17,000
2018	9,000
2019	4,000
Thereafter	–

20 / Working Capital

For the Year Ended December 31,		2013		2012
Changes in non-cash working capital items				
Accounts receivable	$	(2,096,000)	$	(46,000)
Income tax recoverable		–		177,000
Prepaid expenses and other assets		(114,000)		(148,000)
Accounts payable and accruals		2,978,000		1,694,000
Income taxes payable		2,146,000		347,000
	$	2,914,000	$	2,024,000

21 / Indemnification

Pursuant to Indemnification Agreements with certain General Partners of Limited Partnerships managed by the Company and certain shareholders of the Company (who are also officers and directors of the Company), the Company has agreed to indemnify the General Partner and those shareholders and, where applicable, any of their directors, officers, agents and employees (collectively, the Indemnified Parties) for any past, present or future amounts paid or payable by any of the Indemnified Parties to the Limited Partnership in the form of a capital contribution or clawback guarantee relating to performance fees for any claim or obligation, as set out in the Limited Partnership Agreements. There are no amounts payable in respect of this indemnification as of December 31, 2013 (December 31, 2012 – $nil).

22 / Variability of Results

The nature of our business does not allow for consistent year-to-year or quarter-to-quarter 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 that are earned at the end of the life cycle can vary significantly depending on fund performance, resulting in volatile revenue streams. Similarly, the performance of the Company's investments carried at fair value through profit or loss may not be consistent from period to period.

23 / Impact of Adoption of Investment Entities Amendments

The Company previously consolidated its investments in SFR acquired during 2012 and subsequently. As explained in Note 2, the Company has early adopted the investment entity amendments of IFRS 10 effective January 1, 2013 and determined that the Company qualified as an investment entity in 2012. As a result, it has accounted for this change in accounting policy using the relevant transitional provisions and derecognized the carrying amounts of assets, liabilities and non-controlling interests of the limited partnerships as at the date of their acquisition and instead recorded the investments therein at fair value through profit or loss. The adjustments for each financial statement line item affected for the year ended December 31, 2013 are shown below.

Balance Sheet

December 31, 2012	Before accounting change	Adjustment(s)	After accounting change
ASSETS			
Current assets			
Cash and cash equivalents	$ 38,321,000	$ (7,184,000)	$ 31,137,000
Short-term investments	4,094,000	–	4,094,000
Accounts receivable	2,226,000	(1,414,000)	812,000
Prepaid expenses and other assets	1,242,000	(940,000)	302,000
Inventory homes	14,544,000	(14,544,000)	–
	60,427,000	(24,082,000)	36,345,000
Non-current assets			
Loan receivable	7,429,000	(7,429,000)	–
Investments – single-family rental	–	140,693,000	140,693,000
Investments – land and homebuilding	23,897,000	8,344,000	32,241,000
Investment properties	139,603,000	(139,603,000)	–
Intangible assets	2,441,000	–	2,441,000
Office equipment and leasehold improvements	166,000	–	166,000
Deferred income tax assets	5,726,000	(59,000)	5,667,000
	179,262,000	1,946,000	181,208,000
Total assets	$ 239,689,000	$ (22,136,000)	$ 217,553,000
LIABILITIES			
Current liabilities			
Bank debt	$ 1,459,000	$ (1,459,000)	$ –
Accounts payable and accruals	5,059,000	(2,389,000)	2,670,000
Long-term incentive plan – current portion	15,000	–	15,000
Dividends payable	2,505,000	–	2,505,000
Income taxes payable	786,000	(420,000)	366,000
Interest payable	1,379,000	–	1,379,000
	11,203,000	(4,268,000)	6,935,000
Non-current liabilities			
Bank debt	6,298,000	(6,298,000)	–
Deferred income tax liabilities	1,740,000	(74,000)	1,666,000
Non-controlling interest	11,496,000	(11,496,000)	–
Long-term incentive plan – non-current portion	9,980,000	–	9,980,000
Derivative financial instruments	23,921,000	–	23,921,000
Debentures payable	33,756,000	–	33,756,000
Total liabilities	98,394,000	(22,136,000)	76,258,000
EQUITY			
Share capital	164,614,000	–	164,614,000
Contributed surplus	1,377,000	–	1,377,000
Accumulated other comprehensive income	1,014,000	(1,014,000)	–
Deficit	(25,710,000)	1,014,000	(24,696,000)
Total equity	141,295,000	–	141,295,000
Total liabilities and equity	$ 239,689,000	$ (22,136,000)	$ 217,553,000

Statements of Comprehensive Income (Loss)

For the Year Ended December 31, 2012	Before accounting change	Adjustment(s)	After accounting change
Revenue			
Contractual fees	$ 9,985,000	$ –	$ 9,985,000
General partner distributions	3,630,000	–	3,630,000
Performance fees	95,000	–	95,000
Investment income	2,594,000	(2,594,000)	–
Rental revenue	2,291,000	(2,291,000)	–
Revenue from homes sold	11,091,000	(11,091,000)	–
Gain on sale of investments in associates	958,000	(958,000)	–
Interest income	1,358,000	(750,000)	608,000
Total revenue	32,002,000	(17,684,000)	14,318,000
Investment income			
Investment income – single-family rental	–	(539,000)	(539,000)
Investment income – land and homebuilding	–	4,497,000	4,497,000
Total investment income	–	3,958,000	3,958,000
Total revenue and investment income	32,002,000	(13,726,000)	18,276,000
Expenses			
Salaries and benefits expense	3,919,000	(124,000)	3,795,000
Short-term incentive plan	1,443,000	–	1,443,000
Long-term incentive plan	1,733,000	–	1,733,000
Stock compensation	986,000	–	986,000
Rental expense	1,069,000	(1,069,000)	–
Rental operator management fees	619,000	(619,000)	–
Impairment on inventory homes	332,000	(332,000)	–
Cost of homes sold	10,301,000	(10,301,000)	–
Professional fees	1,788,000	(554,000)	1,234,000
Directors' fees	247,000	–	247,000
Formation costs	(192,000)	–	(192,000)
Fair value adjustment on investment properties	(254,000)	254,000	–
General and administration expense	1,028,000	(89,000)	939,000
Interest expense	2,477,000	(76,000)	2,401,000
Net change in fair value of derivative	7,671,000	–	7,671,000
Amortization expense	1,160,000	–	1,160,000
Realized and unrealized foreign exchange (gain) loss	1,847,000	(2,136,000)	(289,000)
	36,174,000	(15,046,000)	21,128,000
Income (loss) before non-controlling interest and income taxes	(4,172,000)	1,320,000	(2,852,000)
Non-controlling interest fair value change	332,000	(332,000)	–
Income (loss) before income taxes	(3,840,000)	988,000	(2,852,000)
Income tax expense	(1,372,000)	26,000	(1,346,000)
Net income (loss)	$ (5,212,000)	$ 1,014,000	$ (4,198,000)
Other comprehensive income			
Cumulative translation reserve	1,014,000	(1,014,000)	–
Comprehensive income (loss) for the year	$ (4,198,000)	$ –	$ (4,198,000)
Basic and diluted income (loss) per share	$ (0.19)		$ (0.15)

Statements of Cash Flows

December 31, 2012	Before accounting change	Adjustment(s)	After accounting change
CASH PROVIDED BY (USED IN)			
Operating activities			
Net (loss)	$ (5,212,000)	$ 1,014,000	$ (4,198,000)
Adjustments for			
Non-controlling interest	(332,000)	332,000	–
Amortization	1,160,000	–	1,160,000
DSUP expense	87,000	–	87,000
Deferred income taxes	(1,717,000)	458,000	(1,259,000)
Long-term incentive plan	1,685,000	–	1,685,000
Stock compensation expense	1,016,000	–	1,016,000
Gain on disposal of long-term investment	(258,000)	258,000	–
Bond premium amortization/write-off	341,000	–	341,000
Accrued interest income	(122,000)	38,000	(84,000)
Accrued interest expense	1,022,000	(76,000)	946,000
Accrued investment income – single-family rental	–	539,000	539,000
Accrued investment income – land and homebuilding	–	(4,497,000)	(4,497,000)
Fair value adjustment on investment properties	(254,000)	254,000	–
Impairment on inventory homes	332,000	(332,000)	–
Net change in fair value of financial instruments at fair value through profit or loss	7,671,000	–	7,671,000
Investment (income) loss	(2,594,000)	2,594,000	–
Gain on sale of investment in associates	(958,000)	958,000	–
Unrealized foreign exchange (gain) loss	410,000	(147,000)	263,000
Purchase of investments	–	(187,433,000)	(187,433,000)
Distributions received	–	42,943,000	42,943,000
	2,277,000	(143,097,000)	(140,820,000)
Changes in non-cash working capital items	(10,558,000)	12,582,000	2,024,000
	(8,281,000)	(130,515,000)	(138,796,000)
Investing activities			
Purchase of office equipment, furniture and leasehold improvements	(80,000)	–	(80,000)
Purchase of short-term investments	(10,500,000)	10,500,000	–
Placement fees	(757,000)	–	(757,000)
Investment in associates	(27,011,000)	27,011,000	–
Proceeds on disposal of investments in associates	14,582,000	(14,582,000)	–
Proceeds on disposal of short-term investment	19,688,000	(19,688,000)	–
Proceeds on disposal of long-term investments	6,709,000	(6,709,000)	–
Investment properties/inventories	(138,622,000)	138,622,000	–
Loan receivable	(7,464,000)	7,464,000	–
	(143,455,000)	142,618,000	(837,000)
Financing activities			
Issuance/(repurchase) of common shares (net of issuance costs)	106,142,000	–	106,142,000
Issuance/(repurchase) of debentures (net of issuance costs)	48,984,000	–	48,984,000
Vested phantom units	(339,000)	–	(339,000)
Proceeds from borrowing (net of financing costs)	7,689,000	(7,689,000)	–
Dividends paid	(5,928,000)	–	(5,928,000)
Non-controlling interest	11,745,000	(11,745,000)	–
	168,293,000	(19,434,000)	148,859,000
Foreign exchange gain (loss) on cash	(244,000)	147,000	(97,000)
Change in cash and cash equivalents during the year	16,313,000	(7,184,000)	9,129,000
Cash and cash equivalents – Beginning of year	22,008,000	–	22,008,000
Cash and cash equivalents – End of year	$ 38,321,000	$ (7,184,000)	$ 31,137,000

24 / Subsequent Events

On January 15, 2014, recipients of dividends elected to receive 110,318 shares under the DRIP (nil in 2012) for a total amount of $842,035 ($nil in 2012).

On March 5, 2014, the Company declared a dividend of $0.06 per share payable on April 15, 2014 to common shareholders of record on March 31, 2014 for a total dividend of $5,417,000, following approval from the Board of Directors.