TRICON

Tricon Capital Group Inc.

Condensed Interim Consolidated Financial Statements

June 30, 2014 and 2013

Interim Consolidated Balance Sheets

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

	Notes	June 30, 2014	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents		$ 4,597,000	$ 13,122,000
Accounts receivable		2,876,000	2,920,000
Prepaid expenses and other assets		2,501,000	416,000
		9,974,000	16,458,000
Non-current assets			
Investments – single-family rental	4,5,7	324,394,000	287,053,000
Investments – land and homebuilding	4,5,7	328,652,000	332,556,000
Goodwill	6	230,000	–
Intangible assets	6,15	42,472,000	4,441,000
Office equipment and leasehold improvements		648,000	470,000
Deferred income tax assets	9	2,079,000	1,965,000
		698,475,000	626,485,000
Total assets		$ 708,449,000	$ 642,943,000
LIABILITIES			
Current liabilities			
Accounts payable and accruals		$ 3,977,000	$ 8,818,000
Long-term incentive plan – current portion	12	888,000	11,000
Dividends payable	10	5,433,000	5,417,000
Income taxes payable	9	5,175,000	2,512,000
Bank debt	4,8	33,077,000	4,354,000
Interest payable	8	2,496,000	2,333,000
		51,046,000	23,445,000
Non-current liabilities			
Deferred income tax liabilities	9	3,248,000	2,312,000
Long-term incentive plan – non-current portion	12	15,174,000	10,635,000
Derivative financial instruments	8	44,917,000	46,964,000
Debentures payable	8	105,541,000	102,790,000
Total liabilities		219,926,000	186,146,000
EQUITY			
Share capital	11	457,461,000	455,191,000
Contributed surplus		7,671,000	6,113,000
Accumulated other comprehensive loss		(28,000)	(38,000)
Retained earnings (deficit)		3,038,000	(4,469,000)
Non-controlling interest	6	20,381,000	–
Total equity		488,523,000	456,797,000
Total liabilities and equity		$ 708,449,000	$ 642,943,000

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

Approved by the Board of Directors

David Berman Michael Knowlton Duff Scott

Interim Consolidated Statements of Comprehensive Income

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

For the Six Months Ended	Notes	June 30, 2014	June 30, 2013
Revenue			
Contractual fees	7	$ 8,274,000	$ 4,215,000
General partner distributions	7	1,100,000	1,467,000
Performance fees	7	32,000	171,000
Interest income	7	31,000	316,000
		9,437,000	6,169,000
Investment income			
Investment income – single-family rental	5,7	16,024,000	21,553,000
Investment income – land and homebuilding	5,7	22,390,000	1,798,000
		38,414,000	23,351,000
		47,851,000	29,520,000
Expenses			
Salaries and benefits expense		5,649,000	2,334,000
Short-term incentive plan	12	2,304,000	1,219,000
Long-term incentive plan	12	5,507,000	2,229,000
Professional fees		1,317,000	701,000
Directors' fees	13	240,000	147,000
General and administration expense		1,394,000	725,000
Interest expense		7,462,000	5,368,000
Net change in fair value of derivative	8	(2,046,000)	(7,399,000)
Transaction costs		377,000	9,000
Amortization expense		1,012,000	342,000
Realized and unrealized foreign exchange gain		(1,300,000)	(1,281,000)
		21,916,000	4,394,000
Income before non-controlling interests and income taxes		**25,935,000**	**25,126,000**
Non-controlling interests	6	(295,000)	–
Income before income taxes		**25,640,000**	**25,126,000**
Income tax expense	9	6,940,000	3,065,000
Net income		**$ 18,700,000**	**$ 22,061,000**
Other comprehensive income			
Cumulative translation reserve		10,000	–
Comprehensive income for the period		**$ 18,710,000**	**$ 22,061,000**
Net income attributable to:			
Shareholders		18,405,000	22,061,000
Non-controlling interests		295,000	–
Comprehensive income attributable to:			
Shareholders		18,415,000	22,061,000
Non-controlling interests		295,000	–
Basic income per share		**$ 0.21**	**$ 0.53**
Diluted income per share		**$ 0.20**	**$ 0.36**
Weighted Average Shares Outstanding – Basic		**90,931,830**	**41,759,112**
Weighted Average Shares Outstanding – Diluted		**92,008,997**	**57,441,947**

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

Interim Consolidated Statements of Comprehensive Income (Loss)

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

For the Three Months Ended	Notes	June 30, 2014	June 30, 2013
Revenue			
Contractual fees	7	$ 5,154,000	$ 2,068,000
General partner distributions	7	370,000	737,000
Performance fees	7	32,000	163,000
Interest income	7	13,000	205,000
		5,569,000	3,173,000
Investment income			
Investment income – single-family rental	5,7	(3,309,000)	8,505,000
Investment income – land and homebuilding	5,7	(3,921,000)	985,000
		(7,230,000)	9,490,000
		(1,661,000)	12,663,000
Expenses			
Salaries and benefits expense		2,385,000	1,176,000
Short-term incentive plans	12	1,059,000	891,000
Long-term incentive plan	12	326,000	846,000
Professional fees		787,000	375,000
Directors' fees	13	79,000	43,000
General and administration expense		745,000	390,000
Interest expense		3,886,000	3,238,000
Net change in fair value of derivative		(48,000)	(8,579,000)
Transaction costs		377,000	–
Amortization expense		766,000	186,000
Realized and unrealized foreign exchange gain		(549,000)	(911,000)
		9,813,000	(2,345,000)
Income (loss) before non-controlling interests and income taxes		**(11,474,000)**	**15,008,000**
Non-controlling interests	6	(295,000)	–
Income (loss) before income taxes		**(11,769,000)**	**15,008,000**
Income tax expense	9	1,742,000	2,626,000
Net income (loss)		**$ (13,511,000)**	**$ 12,382,000**
Other comprehensive income (loss)			
Cumulative translation reserve		(147,000)	–
Comprehensive income (loss) for the period		**$ (13,658,000)**	**$ 12,382,000**
Net income (loss) attributable to:			
Shareholders		(13,806,000)	12,382,000
Non-controlling interests		295,000	–
Comprehensive income (loss) attributable to:			
Shareholders		(13,953,000)	12,382,000
Non-controlling interests		295,000	–
Basic income (loss) per share		**$ (0.15)**	**$ 0.30**
Diluted income (loss) per share		**$ (0.15)**	**$ 0.14**
Weighted Average Shares Outstanding – Basic		**91,016,558**	**41,764,212**
Weighted Average Shares Outstanding – Diluted		**92,089,596**	**60,114,888**

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

Interim Consolidated Statements of Changes in Equity

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

	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Non-Controlling Interest	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2013		$164,614,000	$ 1,377,000	$ –	$ –	$ (24,696,000)	$141,295,000
Net income for the period		–	–	–	–	22,061,000	22,061,000
Dividends/Dividend reinvestment plan	10,11	23,000	–	–	–	(5,011,000)	(4,988,000)
Issuance of common shares		75,000	–	–	–	–	75,000
Stock options	12	–	186,000	–	–	–	186,000
Phantom units	12	–	295,000	–	–	–	295,000
Balance at June 30, 2013		164,712,000	1,858,000	–	–	(7,646,000)	158,924,000
Net income		–	–	–	–	14,012,000	14,012,000
Cumulative translation reserve		–	–	(38,000)	–	–	(38,000)
Dividends/Dividend reinvestment plan	10,11	932,000	–	–	–	(10,826,000)	(9,894,000)
Repurchase of common shares	11	(57,000)	–	–	–	(9,000)	(66,000)
Issuance of common shares, net of issuance cost of $7,854,000	11	289,604,000	–	–	–	–	289,604,000
Stock options	12	–	352,000	–	–	–	352,000
Phantom units	12	–	2,908,000	–	–	–	2,908,000
Deferred share units	12	–	995,000	–	–	–	995,000
Balance at December 31, 2013		455,191,000	6,113,000	(38,000)	–	(4,469,000)	456,797,000
Net and comprehensive income for the period		–	–	–	295,000	18,700,000	18,995,000
Cumulative translation reserve		–	–	10,000	–	–	10,000
Acquisition of subsidiary	6	–	–	–	20,086,000	–	20,086,000
Dividends/Dividend reinvestment plan	10,11	1,640,000	–	–	–	(10,864,000)	(9,224,000)
Repurchase of common shares		(630,000)	–	–	–	(286,000)	(916,000)
Equity issuance costs		(15,000)	–	–	–	–	(15,000)
Stock options	12	568,000	234,000	–	–	–	802,000
Phantom units	12	682,000	(688,000)	–	–	(43,000)	(49,000)
Paid-in capital	11	25,000	–	–	–	–	25,000
Deferred share units	12	–	2,012,000	–	–	–	2,012,000
Balance at June 30, 2014		$457,461,000	$ 7,671,000	$ (28,000)	$ 20,381,000	$ 3,038,000	$488,523,000

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

Interim Consolidated Statements of Cash Flows

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

For the Six Months Ended	Notes	June 30, 2014	June 30, 2013
CASH PROVIDED BY (USED IN)			
Operating activities			
Net income (loss)		$ 18,700,000	$ 22,061,000
Adjustments for			
Non-controlling interest	6	295,000	–
Amortization		1,012,000	342,000
DSUP expense		59,000	18,000
Deferred income taxes	9	822,000	2,242,000
Long-term incentive plan	12	5,507,000	1,846,000
Short-term incentive plan	12	987,000	596,000
Accrued interest income		23,000	(68,000)
Accrued interest expense		3,130,000	2,056,000
Accrued investment income – single-family rental	7	(16,024,000)	(21,553,000)
Accrued investment income – land and homebuilding	7	(22,390,000)	(1,798,000)
Net change in fair value of derivative	8	(2,046,000)	(7,399,000)
Unrealized foreign exchange (gain) loss		(328,000)	(1,303,000)
Purchase of investments		(31,276,000)	(90,761,000)
Distributions received		36,151,000	1,682,000
		(5,378,000)	(92,039,000)
Changes in non-cash working capital items	16	1,253,000	(1,242,000)
		(4,125,000)	(93,281,000)
Investing activities			
Investment in Johnson		(20,335,000)	–
Purchase of office equipment, furniture and leasehold improvements		(268,000)	(66,000)
Placement fees		–	(61,000)
		(20,603,000)	(127,000)
Financing activities			
Issuance/(repurchase) of common shares	11	(446,000)	–
Equity issuance cost	11	(15,000)	(51,000)
Issuance/(repurchase) of debentures			
(net of issuance costs of $4,080,000)	8	–	81,846,000
Proceeds from borrowing (net of financing costs)	8	29,918,000	–
Debenture interest paid	8	(4,055,000)	(1,925,000)
Dividends paid	10	(9,208,000)	(4,988,000)
		16,194,000	74,882,000
Foreign exchange gain (loss) on cash		9,000	22,000
Change in cash and cash equivalents during the period		(8,525,000)	(18,504,000)
Cash and cash equivalents – beginning of period		13,122,000	31,137,000
Cash and cash equivalents – end of period		$ 4,597,000	$ 12,633,000
Supplementary information			
Income taxes paid		$ 4,755,000	$ 2,356,000

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 primarily invests in residential property through its Single-Family Rental and Land and Homebuilding business lines. 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 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 condensed interim consolidated financial statements were approved for issue on August 13, 2014 by the Board of Directors of Tricon.

2. Summary of Significant Accounting Policies

Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. They should be read in conjunction with the annual Audited Financial Statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS under the historical cost convention except for (i) investments in entities that own and operate in single-family rental and land and homebuilding investments and (ii) derivative financial instruments, which are recorded at fair value through profit or loss ("FVTPL").

Investment Entities

In October 2012, the International Accounting Standards Board ("IASB") issued Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), which provides an exception to consolidation for a class of entities that are defined as "investment entities". The Company met the definition of an investment entity and as such, investments in subsidiaries (other than those that provide investment-related services) are accounted for at fair value through profit or loss, rather than by consolidating them. All of the subsidiaries that provide investment-related services, including the Company's Canadian and U.S. asset management operating entities that earn contractual fees and performance fees from private funds, continue to be consolidated. Those entities no longer consolidated under the investment entity framework are the wholly-owned subsidiaries carrying the co-investments in Tricon IX, XI, XII, Separate Account investments and the single-family rental limited partnership interests.

Business combinations

On April 15, 2014, the Company completed an acquisition of a 50.1% interest in the Johnson Companies Limited Partnership ("Johnson"), for consideration of US$18.5 million. Under IFRS 3 – Business Combinations and IFRS 10 – Consolidated Financial Statements, the Company determined that this entity is controlled and the results are presented on a consolidated basis. Johnson is a leading Houston-based land development manager.

Use of estimates

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and income and expenses. The areas that involve a higher degree of judgment or complexity may result in a significant risk of material adjustment to the carrying amounts of assets or liabilities consistent with those disclosed in the Audited Financial Statements and include the fair values of those investments (Note 4).

As a result of the Company's operations in multiple jurisdictions, there are transactions and calculations for which the tax determination is uncertain (Note 9).

Additionally, judgment was used in the determination of the long-term incentive plan accrual and the fair valuation of stock option grants (Note 12).

Actual results may therefore differ from these estimates.

Critical judgment in applying the entity's accounting policies

The determination that the Company meets the definition of an investment entity requires significant judgment. In establishing its status as an investment entity, the Company has concluded that its primary business purpose is to invest funds received from its investors for capital appreciation and investment income. In addition, 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 the land and homebuilding limited partnerships, and that its participation in the limited partnerships is as an investor, rather than as an operator or developer of properties.

In determining whether the newly acquired interest in Johnson should be consolidated or fair valued, the Company assessed the nature of Johnson's business. Johnson is a development management company which provides a range of services, including activities such as arranging, supervising, administering and coordinating the preparation of feasibility and other studies, preparing recommendations for the development of projects, and managing, arranging, supervising and coordinating the acquisition, design, construction, development, financing and planning necessary to develop projects. Johnson acts solely as an agent for property owners and does not assume responsibility or liability for work performed by third parties. Management has determined that Johnson is a service entity under IFRS 10 and therefore Tricon consolidates Johnson's assets, liabilities and earnings. The valuation of the intangible assets also involves the use of significant judgment in determining the relevant inputs and which valuation model to use, including the judgment to exclude taxes from the valuation model based on the fact that from a market participant perspective, Johnson is a flow-through entity.

Consolidation

The Company applies the acquisition method to account for business combinations. The consideration for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The amounts attributable to Non-Controlling Interests are presented separately in the Statements of Comprehensive Income (Loss) below Net Income, and are included in the Equity section of the Balance Sheet.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to a cash-generating unit as it is the lowest level within the Company at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

The Johnson acquisition involved the use of estimates for determining the fair value of the intangible assets acquired including the allocation of the consideration to the various different intangibles.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealized gains or losses on transactions between the group of companies are eliminated. Amounts reported by subsidiaries have been adjusted to conform with the Company's accounting policies.

3. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These significant estimates should be read in conjunction with the Company's annual Audited Financial Statements as at December 31, 2013. There have been no changes in the risk management policies since the year-end except as noted below.

Liquidity

During the six months ended June 30, 2014, there was a change in the Company's liquidity which resulted in a working capital deficit of $41,072,000 (December 31, 2013 – $6,987,000). The Company increased its use of the corporate credit facility and as of June 30, 2014, the outstanding bank debt was $33,077,000 (December 31, 2013 – $4,354,000). The credit facility was used to finance investment activities during the period. Management estimates that the Company will receive sufficient cash flow from the single-family rental and the land and homebuilding businesses to enable repayment of the bank debt. During the six months ended June 30, 2014, the Company received distributions of $36,151,000 from its single-family rental and land and home building businesses.

4. Fair Value Estimation

The table below analyzes financial instruments carried at fair value, with the different levels defined as follows:

Level 1 – Unadjusted quoted prices 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 presents the Company's financial assets and liabilities that are measured at fair value.

June 30, 2014	Total	Level 1	Level 2	Level 3
Recurring measurements				
Financial assets				
Investments – single-family rental	$ 324,394,000	$ –	$ –	$ 324,394,000
Investments – land and homebuilding				
Canadian funds	11,033,000	–	–	11,033,000
US funds	290,854,000	–	–	290,854,000
Separate accounts/Side-car Investments	26,765,000	–	–	26,765,000
	328,652,000	**–**	**–**	**328,652,000**
Financial liabilities				
Derivative financial instruments (Note 8)	44,917,000	–	44,917,000	–

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	293,052,000	–	–	293,052,000
Separate accounts/Side-car Investments	32,834,000	–	–	32,834,000
	332,556,000	**–**	**–**	**332,556,000**
Financial liabilities				
Derivative financial instruments (Note 8)	46,964,000	–	46,964,000	–

There have been no transfers between levels during the six months ended June 30, 2014.

Valuation methodologies

Derivative financial instruments are valued using models that are calibrated to market inputs. Inputs to the valuation models are determined from observable market data wherever possible, including prices available from exchanges, over-the-counter markets, 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 valuation committee 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 EVP Finance 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 carried 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 in which the subsidiary holds an interest. 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 the investments in the homes held by the U.S. single-family rental home limited partnerships. The AVM uses 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 the limited partners receive their capital and preferred return. The fair value of external debt of the U.S. single-family rental home limited partnerships 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 U.S. single-family rental home limited partnerships approximates fair value.

At June 30, 2014, if interest rates at that date had been 10 basis points lower with all other variables held constant, investment income – single-family rental for the six months ended June 30, 2014 would have been $108,000 (2013 – $11,000) higher. If interest rates had been 10 basis points higher with all other variables held constant, investment income – single-family rental would have been $108,000 (2013 – $11,000) lower; the quarterly impact of a 10 basis points change is $62,000 (2013 – $4,000). Investment income is more sensitive to interest rate increases than decreases because of interest rate floors on borrowings. The sensitivity is higher in 2014 than in 2013 because of an increase in outstanding borrowings as a result of additional draws on the Deutsche Bank credit facility in 2014.

The inputs to the AVM include 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 held by the U.S. single-family rental home limited partnerships were to increase or decrease by 1% (December 31, 2013 – 1%), the impact on investments – single-family rental fair value would be $5,221,000 and ($5,221,000), respectively (December 31, 2013 – $4,505,000 and ($4,505,000)).

b) Investments – land and homebuilding

Tricon establishes wholly-owned subsidiaries that invest as a limited partner in the fund limited partnerships ("LP"). The investments are measured at fair value as determined by the Company's proportionate share of the fair value of each LP's net assets at each measurement date. The fair values of each LP's net assets are calculated by determining the fair values of the underlying projects using discounted cash flows, appraised values or share price as reported on the appropriate stock exchange.

In addition to the investments in LPs, the Company invests in separate accounts with other third parties. Tricon's ownership interests in these investments are held through the Company's wholly-owned subsidiaries. The investments are measured at fair value as determined by the waterfall calculations specified in the relevant limited partnership agreement. The inputs into the waterfall calculations include the fair value of the land and working capital held by the limited partnerships. The fair value of the investments held by the limited partnerships is based on appraisals prepared by an external third-party valuator or on internal valuations.

A syndicated investment or side-car is an investment where the Company invests with other LPs managed by the Company. Tricon's ownership interests in the side-car are held through the Company's wholly-owned subsidiaries. The side-car generally participates in larger investment opportunities brought by the fund general partner. The measurement and valuation methodologies are the same as the separate account and land and homebuilding investments.

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 rate (1)
		b) Future cash flow
Equity investments		
– Land and homebuilding	Net asset value	a) Discount rate (2)
		b) Future cash flow
		c) Control premium/discount, if any (3)
– Separate accounts and side-car investments	Waterfall distribution model	Appraised value (4)

(1) The range of the discount rates 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 20%.

(3) As at June 30, 2014, there were no equity investments with control discounts, and only the Tricon IX Co-Investment had a control premium.

(4) The Company obtained external valuations for two separate account equity investments for December 31, 2013 totaling $9,247,000; the Company determined that the fair value as of June 30, 2014 approximates the fair value at year-end. For the remaining separate account equity investment of $6,108,000, the Company determined that the fair value as of June 30, 2014 approximates the fair value at year-end, which was determined to be at cost. The investment and finance teams verified all major inputs to the valuation and reviewed the results with the independent valuator. The significant input within the appraised value is the value of land per acre.

Sensitivity

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

	June 30, 2014		December 31, 2013	
	1% increase	1% decrease	1% increase	1% decrease
Canadian funds	$ (364,000)	$ 348,000	$ (175,000)	$ 166,000
US funds	(2,427,000)	2,492,000	(2,373,000)	2,438,000
Separate accounts and side-car investments	(245,000)	251,000	(687,000)	714,000

Generally, an increase in future cash flow will result in an increase in the fair value of debt investments and fund equity investments. An increase in the discount rate will result in a decrease in the 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.

c) Continuity of investments

The following presents the movement in Level 3 instruments for the six months ended June 30, 2014 and year ended December 31, 2013:

	June 30, 2014	December 31, 2013
Opening balance	$ 619,609,000	$ 172,934,000
Advances	31,174,000	426,588,000
Distributions/sales	(36,151,000)	(51,553,000)
Investment income	38,414,000	71,640,000
Ending balance	$ 653,046,000	$ 619,609,000

The Level 3 instruments are made up as follows:

	June 30, 2014	December 31, 2013
Investments – single family rental	$ 324,394,000	$ 287,053,000
Investments – land and homebuilding	328,652,000	332,556,000
Ending balance	$ 653,046,000	$ 619,609,000

The investment income includes an unrealized gain of $11,452,000 (2013 – $27,674,000) resulting from foreign exchange movements and fair value increases in investments.

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

	June 30, 2014		December 31, 2013	
	2017 Debenture	2020 Debenture	2017 Debenture	2020 Debenture
Risk-free rate (1)	1.63%	2.07%	1.89%	2.57%
Credit spread (2)	13.95%	5.89%	14.97%	6.31%
Stock price (3)	$7.87	$7.87	$7.71	$7.71
Historical volatility (4)	33.92%	33.77%	35.19%	35.19%
Dividend yield (5)	3.10%	3.47%	3.23%	3.57%

(1) Risk-free rates were from the CAD swap curves matching the terms to maturity of the debentures.

(2) Credit spreads were imputed from the traded price.

(3) Closing price of the stock as of the valuation date.

(4) Historical volatility was computed from the dividend adjusted prices of the stock.

(5) Dividend yields were from the forecast dividend yields matching the term to maturities of the debentures.

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

5. Investments

Investments – single-family rental include 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 co-investments in funds and separate accounts/side-car investments managed by the Company. During the six months ended June 30, 2014, the Company had no new investments. As an investment entity, the Company accounts for certain investments at fair value rather than by consolidation.

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

June 30, 2014	Internal debt instruments	Equity	Total investment
Investments – single-family rental	$ 126,135,000	$ 198,259,000	$ 324,394,000
Investments – land and homebuilding			
Canadian funds	–	11,033,000	11,033,000
US funds	–	290,854,000	290,854,000
Separate accounts/Side-car investments	13,699,000	13,066,000	26,765,000
Total	$ 139,834,000	$ 513,212,000	$ 653,046,000

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	–	293,052,000	293,052,000
Separate accounts/Side-car investments	17,464,000	15,370,000	32,834,000
Total	$ 211,789,000	$ 407,820,000	$ 619,609,000

The underlying loan instruments within the Company's single-family rental and land and homebuilding investments are denominated in US dollars and bear interest rates between 9.45% and 11.95%, compounded monthly.

The investment loss for the three months ended June 30, 2014 from single-family rental and land and homebuilding included significant unrealized foreign exchange losses from the depreciation of US dollars (1.067 as of June 30, 2014 and 1.1055 as of March 31, 2014).

The table below shows the adjusted investment income excluding foreign exchange losses.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Investment income – Single-family rental per Financial Statements	$ (3,309,000)	$ 8,505,000	$ 16,024,000	$ 21,553,000
Add: unrealized foreign exchange loss (gain)	11,568,000	6,931,000	(346,000)	10,896,000
Investment income excluding foreign exchange	$ 8,259,000	$ 15,436,000	$ 15,678,000	$ 32,449,000

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Investment income – Land and Homebuilding per Financial Statements	$ (3,921,000)	$ 985,000	$ 22,390,000	$ 1,798,000
Add: unrealized foreign exchange loss (gain)	10,789,000	(178,000)	(1,172,000)	(331,000)
Investment income excluding foreign exchange	$ 6,868,000	$ 807,000	$ 21,218,000	$ 1,467,000

6. Johnson Companies LP Acquisition and Valuation

On April 15, 2014, the Company completed the acquisition of a 50.1% interest in Johnson for consideration of US$18.5 million. Under IFRS 3 – Business Combinations and IFRS 10 – Consolidated Financial Statements, the Company determined that it controls Johnson and its results are presented on a consolidated basis.

The following table summarizes the consideration paid for Johnson and the fair value of the assets acquired and liabilities assumed recognized at the acquisition date in both USD and CAD, using the April 15, 2014 noon exchange rate of 1.0981.

	USD	CAD
Consideration		
Cash	$ 18,518,000	$ 20,335,000
Total consideration	18,518,000	20,335,000
Non-controlling interest in Johnson	18,444,000	20,254,000
	36,962,000	40,589,000
Recognized amounts of identifiable assets acquired and liabilities assumed		
Percentage ownership	50.1%	50.1%
Amount to allocate	36,962,000	40,589,000
Cash	437,000	480,000
Accounts receivable and other assets	1,384,000	1,520,000
Prepaid expenses	42,000	46,000
Fixed assets	83,000	91,000
Intangible assets	36,380,000	39,950,000
Accounts payable and accrued expenses	(1,214,000)	(1,333,000)
Non-controlling interest share of net income	(366,000)	(402,000)
Total identifiable net assets	36,746,000	40,352,000
Goodwill	216,000	237,000
Total consideration	$ 36,962,000	$ 40,589,000

The fair value of the intangible assets consisted of three components: (1) fees receivable, (2) development fees receivable, and (3) customer relationship intangibles. The values were determined by an independent valuator using the income approach. The intangible assets relate to contracts with limited useful lives, and therefore are amortized on a straight-line basis from April 15, 2014 to December 31, 2027 for the fees receivable, and development fees receivable intangible assets, and from January 1, 2020 to December 31, 2026 for the customer relationship intangible assets.

The total amount of goodwill that is expected to be deducted for tax purposes is US$216,000.

The fair value of the accounts receivable at the acquisition date approximates the contractual amount of accounts receivable acquired. Management expects to collect all accounts receivable and as a result, no provision is recognized.

Non-Controlling Interest

The Non-Controlling Interest ("NCI") represents the 49.9% partnership interest of Johnson not held by the Company. The NCI is measured at the NCI's proportionate share of the recognized amounts of the acquiree' s identifiable net assets at the acquisition date of April 15, 2014, and is adjusted at each reporting period to reflect Johnson's proportionate share of earnings. The NCI balance at June 30, 2014 was US$19,101,000 (CA$20,381,000). The book value approximates the fair value of the NCI.

The income from Johnson, including contractual fees, and the expenses for the period of April 15, 2014 to June 30, 2014 is included below:

Contractual fees	$ 2,023,000
Total revenue	2,023,000
Salaries and benefits	787,000
General and administration expenses	24,000
Amortization	504,000
Transaction costs	220,000
Total expenses	1,535,000
Net income before taxes	488,000
Tax recovery	(104,000)
Net income attributable to non-controlling interest	295,000
Net income from Johnson	$ 592,000
Net income attributable to shareholders	297,000
Net income attributable to non-controlling interest	295,000

Had Johnson been consolidated from January 1, 2014, the interim consolidated statements of comprehensive income (loss) for the three- and six-month periods ended June 30, 2014 would have been as follows:

	For the Three Months Ended June 30, 2014	For the Six Months Ended June 30, 2014
Contractual fees	$ 2,322,000	$ 4,444,000
Total revenue	2,322,000	4,444,000
Salaries and benefits	695,000	1,469,000
General and administration expenses	22,000	92,000
Amortization	605,000	1,210,000
Transaction costs	220,000	440,000
Total expenses	1,542,000	3,211,000
Net income before taxes	780,000	1,233,000
Tax recovery	–	(104,000)
Net income from Johnson	$ 780,000	$ 1,337,000
Net income attributable to shareholders	391,000	670,000
Net income attributable to non-controlling interest	389,000	667,000

7. 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 a current director of Tricon. During the period ended June 30, 2014, the Company paid $60,000 in rental payments to Mandukwe, including maintenance, taxes and utility costs (2013 – $51,000).

Transactions with related parties

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Contractual fees	$ 5,154,000	$ 2,068,000	$ 8,274,000	$ 4,215,000
General partner distributions	370,000	737,000	1,100,000	1,467,000
Performance fees	32,000	163,000	32,000	171,000
Interest income	13,000	205,000	31,000	316,000
Total revenue	$ 5,569,000	$ 3,173,000	$ 9,437,000	$ 6,169,000
Investment income – single-family rental	(3,309,000)	8,505,000	16,024,000	21,553,000
Investment income – land and homebuilding	(3,921,000)	985,000	22,390,000	1,798,000
Total investment income	$ (7,230,000)	$ 9,490,000	$ 38,414,000	$ 23,351,000

The following table summarizes the balances in the investment funds that are managed by Tricon:

As at June 30, 2014

Investment	Tricon commitment	Unfunded commitment	Advances	Distributions	Investment at fair value
Tricon IX	$ 226,775,000	$ 19,120,000	$ 272,970,000	$ 42,378,000	$ 280,387,000
Tricon XI	25,000,000	18,011,000	6,989,000	–	10,467,000
Tricon XII	20,000,000	10,120,000	9,880,000	–	11,033,000
Cross Creek Ranch	14,400,000	1,916,000	12,484,000	8,527,000	13,579,000
Camp Strake	8,075,000	1,606,000	6,469,000	1,041,000	7,164,000
Fulshear Farms	5,000,000	1,845,000	3,155,000	267,000	3,367,000
Vistancia West	10,450,000	8,211,000	2,239,000	990,000	2,655,000
Single-family rental (TAH)	–	–	299,898,000	4,679,000	324,394,000
Total	$ 309,700,000	$ 60,829,000	$ 614,084,000	$ 57,882,000	$ 653,046,000

As at December 31, 2013

Investment	Tricon commitment	Unfunded commitment	Advances	Distributions	Investment at fair value
Tricon IX	$ 226,775,000	$ 19,120,000	$ 272,970,000	$ 21,736,000	$ 284,695,000
Tricon XI	25,000,000	18,124,000	6,876,000	–	8,388,000
Tricon XII	20,000,000	12,988,000	7,012,000	–	6,670,000
Cross Creek Ranch	14,400,000	1,916,000	12,484,000	7,743,000	13,036,000
Camp Strake	8,075,000	1,606,000	6,469,000	879,000	7,112,000
Fulshear Farms	5,000,000	1,845,000	3,155,000	247,000	3,356,000
Vistancia West	55,000,000	46,697,000	8,303,000	990,000	9,299,000
Single-family rental (TAH)	–	–	277,032,000	3,191,000	287,053,000
Total	$ 354,250,000	$ 102,296,000	$ 594,301,000	$ 34,786,000	$ 619,609,000

Balances arising from transactions with related parties

The items set out below are not necessarily set out in the various line items comprising the Company's Financial Statements.

	June 30, 2014	December 31, 2013
Receivables from related parties included in accounts receivable		
Contractual fees receivable from investment funds managed by the Company	$ 626,000	$ 523,000
Other receivables	1,633,000	804,000
Loan receivables from investment in associates and joint ventures	13,699,000	17,464,000
Loan receivables from investment in non-consolidated subsidiaries	126,135,000	194,325,000
Long-term incentive plan (current and non-current portion)	16,062,000	10,646,000
Annual Incentive Plan	2,042,000	4,222,000
Phantom units – cash liability (1)	–	1,405,000
Dividends payable to employees and associated corporations	406,000	418,000
Other payables to related parties included in accounts payable and accruals	883,000	491,000

(1) Phantom units liability is reclassified in long-term incentive plan non-current.

Revenues and receivables from related parties relate to general partnership distributions, and 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 June 30, 2014 (December 31, 2013 – $nil).

8. Financing Arrangements

Bank debt

As of June 30, 2014, US$31,000,000 ($33,077,000 Canadian) was drawn from the $105,000,000 credit facility as follows:

Date of drawdown/Repayment	Type	Interest rate	Currency	Borrowing/repayment amounts	Due date
4/17/14	Libor	3.75%	USD	17,000,000	8/18/14
5/6/14	Libor	3.75%	USD	5,000,000	9/8/14
5/8/14	Libor	3.75%	USD	1,000,000	7/8/14
6/10/14	Libor	3.75%	USD	4,000,000	8/10/14
6/23/14	Libor	3.75%	USD	4,000,000	8/26/14
Total				$ 31,000,000	

The interest expense incurred in the three months ended June 30, 2014 was $542,000 (2013 – $nil); the interest expense incurred in the six months ended June 30, 2014 was $687,000 (2013 – $nil). Subsequent to June 30, 2014, Tricon made net repayments of $400,000, consisting of additional borrowings of $10,600,000 and repayments of $11,000,000.

The contracts that matured between July 1 and August 13 were all renewed. As of August 13, 2014, the bank debt outstanding was US$30,600,000 (CAD$33,489,000).

As of June 30, 2014, the Company was in compliance with all bank covenants.

Interest Payable

Interest payable included the accrued interest expense of the two convertible debentures and the accrued interest and fees on the bank debt:

June 30, 2014	July 2012 Debenture	February 2013 Debenture	Total
Interest payable – beginning of period	$ 1,119,000	$ 1,214,000	$ 2,333,000
Interest expense	1,635,000	2,389,000	4,024,000
Interest paid	(1,647,000)	(2,408,000)	(4,055,000)
Debenture interest payable	1,107,000	1,195,000	2,302,000
Interest on Bank Debt	–	–	194,000
Interest payable – end of period	$ 1,107,000	$ 1,195,000	$ 2,496,000

December 31, 2013	July 2012 Debenture	February 2013 Debenture	Total
Interest payable – beginning of period	$ 1,379,000	$ –	$ 1,379,000
Interest expense	3,312,000	4,090,000	7,402,000
Interest paid	(3,572,000)	(2,876,000)	(6,448,000)
Debenture interest payable	$ 1,119,000	$ 1,214,000	$ 2,333,000
Interest on Bank Debt	–	–	100,000
Interest payable – end of period	$ 1,119,000	$ 1,214,000	$ 2,433,000

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.

June 30, 2014	July 2012 Debenture	February 2013 Debenture	Total
Derivative financial instruments – beginning of period	$ 30,375,000	$ 16,589,000	$ 46,964,000
Fair value changes (based on market price)	(64,000)	(1,983,000)	(2,047,000)
Derivative financial instruments – end of period	$ 30,311,000	$ 14,606,000	$ 44,917,000

December 31, 2013	July 2012 Debenture	February 2013 Debenture	Total
Derivative financial instruments – beginning of period	$ 23,921,000	$ –	$ 23,921,000
Derivative instrument value of debentures issued	–	17,363,000	17,363,000
Fair value changes (based on market price)	6,454,000	(774,000)	5,680,000
Derivative financial instruments – end of period	$ 30,375,000	$ 16,589,000	$ 46,964,000

Debentures payable

The balance of the debt components of the convertible debentures recognized on the interim consolidated balance sheet are calculated as follows:

June 30, 2014	July 2012 Debenture	February 2013 Debenture	Total
Face value outstanding	$ 51,675,000	$ 86,000,000	$ 137,675,000
Less: Transaction costs	(1,839,000)	(3,287,000)	(5,126,000)
Liability component on initial recognition	49,836,000	82,713,000	132,549,000
Debentures discount (net of amortization)	(11,817,000)	(15,191,000)	(27,008,000)
Debentures payable	$ 38,019,000	$ 67,522,000	$ 105,541,000

December 31, 2013	July 2012 Debenture	February 2013 Debenture	Total
Face value of convertible debentures issued	$ 51,750,000	$ 86,000,000	$ 137,750,000
Less: Debentures converted	(75,000)	–	(75,000)
Face value outstanding	51,675,000	86,000,000	137,675,000
Less: Transaction costs (net of amortization)	(2,106,000)	(3,694,000)	(5,800,000)
Liability component on initial recognition	49,569,000	82,306,000	131,875,000
Debentures discount (net of amortization)	(13,131,000)	(15,954,000)	(29,085,000)
Debentures payable	$ 36,438,000	$ 66,352,000	$ 102,790,000

The above carrying values were recognized at amortized costs discounting the future interest and principal payments using the effective interest rates. If the debt components of the debentures were recognized at fair value, then the balance appearing on the interim consolidated balance sheets would be $118,009,000 as of June 30, 2014, and $111,330,000 as of December 31, 2013. The difference between the amortized costs and implied fair value is mainly caused by the difference between the effective interest rate and market risk-free rate.

9. Income Taxes

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate as at June 30, 2014 for the 2014 year is 26.5% (the estimated tax rate used for 2013 was 26.5%). There is no change to the weighted average annual income tax rate.

	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
Current income tax				
Current income tax expense on income for the period	$ (4,639,000)	$ (625,000)	$ (6,126,000)	$ (884,000)
Adjustments relating to prior periods	8,000	35,000	8,000	61,000
	(4,631,000)	(590,000)	(6,118,000)	(823,000)
Deferred taxes				
Origination and reversal of temporary differences	2,873,000	(2,037,000)	(782,000)	(2,216,000)
Adjustments relating to prior periods	16,000	1,000	(40,000)	(26,000)
Impact of change in effective rates	–	–	–	–
	2,889,000	(2,036,000)	(822,000)	(2,242,000)
Income tax expense	$ (1,742,000)	$ (2,626,000)	$ (6,940,000)	$ (3,065,000)

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 Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
Income before income taxes	$ (11,769,000)	$ 15,008,000	$ 25,640,000	$ 25,126,000
Combined statutory federal and provincial income tax rate	26.50%	26.50%	26.50%	26.50%
Expected income tax recovery (expense)	3,118,000	(3,977,000)	(6,795,000)	(6,658,000)
Tax rate differential (foreign tax rates)	(928,000)	(30,000)	(992,000)	(44,000)
Tax effects of:				
Permanent differences	(3,830,000)	1,433,000	625,000	3,636,000
Change in effective tax rates	–	–	–	–
Tax impact embedded in investment income	–	–	–	–
Adjustments relating to prior periods	23,000	36,000	(32,000)	35,000
Other	(125,000)	(88,000)	254,000	(34,000)
Income tax expense	$ (1,742,000)	$ (2,626,000)	$ (6,940,000)	$ (3,065,000)

The estimated average annual rate used for 2014 is 26.5% (2013 – 26.5%).

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

	June 30, 2014	December 31, 2013
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	$ 468,000	$ 917,000
Deferred tax asset to be recovered within 12 months	1,611,000	1,048,000
Total deferred tax assets	$ 2,079,000	$ 1,965,000
Deferred tax liabilities:		
Deferred tax liabilities reversing after more than 12 months	$ 3,028,000	$ 1,651,000
Deferred tax liabilities reversing within 12 months	220,000	661,000
Total deferred tax liabilities	$ 3,248,000	$ 2,312,000

The movement of the deferred tax accounts is as follows:

	June 30, 2014	December 31, 2013
Difference between deferred tax assets and deferred tax liabilities:		
Opening balance	$ (347,000)	$ 4,001,000
Credit (charge) to the statement of comprehensive income	(822,000)	(8,050,000)
Credit to equity	–	3,702,000
Closing balance	$ (1,169,000)	$ (347,000)

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	Net operating losses	Investments	Debentures	Loans receivable	Other	Total
At January 1, 2013	$ 2,123,000	$ 2,649,000	$ –	$ –	$ 948,000	$ –	$ (54,000)	$ 5,666,000
Addition/(reversal)	2,312,000	172,000	394,000	(5,911,000)	(1,180,000)	–	512,000	(3,701,000)
At December 31, 2013	4,435,000	2,821,000	394,000	(5,911,000)	(232,000)	–	458,000	1,965,000
Addition/(reversal)	(715,000)	1,448,000	450,000	(850,000)	(3,000)	108,000	(324,000)	114,000
At June 30, 2014	$ 3,720,000	$ 4,269,000	$ 844,000	$ (6,761,000)	$ (235,000)	$ 108,000	$ 134,000	$ 2,079,000

Deferred Tax Liabilities	Deferred placement fees	Investments	Other	Total
At January 1, 2013	$ 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
Addition/(reversal)	232,000	679,000	25,000	936,000
At June 30, 2014	$ 1,594,000	$ 1,604,000	$ 50,000	$ 3,248,000

10. Dividends

Date of declaration	Record date	Payment date	Dividend amount per common share	Shares outstanding	Dividend amount
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
2014					
March 5, 2014	March 31, 2014	April 15, 2014	$ 0.06	90,513,609	$ 5,431,000
May 12, 2014	June 30, 2014	July 15, 2014	$ 0.06	90,546,289	$ 5,433,000
					$ 10,864,000

11. Share Capital

Date	Particulars	Number of shares issued		Share capital
As at January 1, 2013		41,752,849	$	164,614,000
January 15, 2013	Shares issued under DRIP	1,468		9,000
April 15, 2013	Shares issued under DRIP	2,063		14,000
April 30, 2013	Conversion of debenture	12,500		75,000
July 15, 2013	Shares issued under DRIP	9,997		61,000
August 13, 2013	Bought deal offering	39,272,500		233,599,000
August 13, 2013	Private placement – Tricon IX LP buyout	9,106,388		56,005,000
Aug. 30 – Sep. 6, 2013	Normal course issuer bid (NCIB)	(10,900)		(57,000)
October 15, 2013	Shares issued under DRIP	130,088		871,000
As at December 31, 2013		90,276,953	$	455,191,000
January 15, 2014 (1)	Shares issued under DRIP	110,318	$	827,000
March 7 – 10, 2014 (2)	Stock options exercised	40,113		250,000
Feb. 14 – March 14, 2014 (3)	Shares issued for phantom units vested	86,225		683,000
April 15, 2014 (4)	Shares issued under DRIP	108,517		799,000
May 5 – 27, 2014 (5)	Stock options exercised	44,163		341,000
May 20, 2014 (6)	Normal course issuer bid (NCIB)	(90,000)		(473,000)
June 11, 2014 (7)	Normal course issuer bid (NCIB)	(20,000)		(105,000)
June 12, 2014 (8)	Normal course issuer bid (NCIB)	(10,000)		(52,000)
As at June 30, 2014		90,546,289	$	457,461,000

(1) On January 15, 2014, 110,318 common shares were issued under the DRIP at $7.63 per share net of issuance cost.

(2) On March 7 and 10, 2014, a total of 40,113 shares were issued for stock options vested and exercised at various strike prices between $4.16 and $6.81 per share.

(3) On February 14 and March 14, 2014, 86,225 shares were issued for phantom units vested at $7.90 and $8.05 per share.

(4) On April 15, 2014, 108,517 common shares were issued under the DRIP at $7.35 per share net of issuance cost.

(5) On May 5 and 27, 2014, a total of 44,163 shares were issued for stock options vested and exercised at various strike prices between $7.49 and $7.66 per share.

(6) On May 20, 2014, the Company acquired and cancelled 90,000 common shares at an average cost of $5.25 for a reduction in Share Capital of $473,000. The average purchase price of the shares was $7.69. The difference between the cost and the purchase price is in contributed surplus.

(7) On June 11, 2014, the Company acquired and cancelled 20,000 common shares at an average cost of $5.25 for a reduction in Share Capital of $105,000. The average purchase price of the shares was $7.63. The difference between the cost and the purchase price is in contributed surplus.

(8) On June 12, 2014, the Company acquired and cancelled 10,000 common shares at an average cost of $5.25 for a reduction in Share Capital of $52,000. The average purchase price of the shares was $7.70. The difference between the cost and the purchase price is in contributed surplus.

12. Compensation Arrangements

The breakdown of the short-term incentive plans (STIP) and long-term incentive plans (LTIP) related to various compensation arrangements is as follows:

For the Three Months Ended June 30,	2014		2013	
	STIP	LTIP	STIP	LTIP
Cash	$ 635,000	$ 16,000	$ 409,000	$ 78,000
Future estimated LTIP	–	(371,000)	–	549,000
Phantom units (PUs)	–	(20,000)	210,000	74,000
Deferred share units (DSUs)	424,000	473,000	272,000	–
Stock options	–	228,000	–	145,000
Total compensation expense	$ 1,059,000	$ 326,000	$ 891,000	$ 846,000

For the Six Months Ended June 30,	2014		2013	
	STIP	LTIP	STIP	LTIP
Cash	$ 1,317,000	$ 16,000	$ 554,000	$ 79,000
Future estimated LTIP	–	3,500,000	–	1,850,000
Phantom units (PUs)	109,000	348,000	295,000	114,000
Deferred share units (DSUs)	878,000	857,000	370,000	–
Stock options	–	786,000	–	186,000
Total compensation expense	$ 2,304,000	$ 5,507,000	$ 1,219,000	$ 2,229,000

The changes to transactions of the various equity-settled and cash-settled arrangements during the period ended June 30, 2014 are detailed in the sections below.

Cash

Annual Incentive Plan ("AIP") – on February 14, 2014, Tricon made a $2,852,000 cash payment to employees for services performed in the year ended December 31, 2013. For the six months ended June 30, 2014, the Company accrued $2,195,000 in AIP expense of which 60% will be paid in cash in February 2015 and the balance in DSUs which will vest in one year.

Phantom Units

STIP – 161,540 phantom units previously issued were exercised net of taxes required to be withheld under the PUP on February 15 and March 15, 2014. No additional phantom units were granted during the six months ended June 30, 2014.

LTIP – 584,252 phantom units were outstanding as at June 30, 2014. The vested phantom units will be released on August 13 in each of the years 2014, 2015 and 2016.

Deferred share units

STIP – On February 14, 2014, 190,999 deferred share units ("DSUs") were granted at $7.90 per unit. The fair value of the DSUs on the grant date was $1,509,000 and they will vest on February 14, 2015.

LTIP – On February 14, 2014, 405,850 DSUs were granted at $7.90 per unit under the 2014 DSUs plan. The DSUs will vest proportionately over the next five years.

Stock option plan

The Company did not grant any stock options during the six months ended June 30, 2014. 222,500 options were exercised during the three months ended June 30, 2013 with various exercise prices between $5.26 and $7.49. 352,500 options were exercised during the six months ended June 30, 2014 with various exercise prices between $4.16 and $7.49. There were 2,189,000 stock options outstanding as of June 30, 2014 at an average exercise price per share of $6.49.

Short-term incentive plan liability continuity

	June 30, 2014	December 31, 2013
Opening balance – beginning of period	$ 5,276,000	$ 1,392,000
Cash payments	(2,608,000)	(1,352,000)
AIP – cash accrual	1,317,000	2,532,000
Phantom units	(1,015,000)	1,015,000
AIP – DSUs	878,000	1,689,000
Closing balance – end of period	$ 3,848,000	$ 5,276,000

STIP liability is shown included under the following balance sheet headings:

Balance sheet

	June 30, 2014	December 31, 2013
Accounts payable and accruals	$ 2,152,000	$ 4,588,000
Contributed surplus	1,696,000	688,000
	$ 3,848,000	$ 5,276,000

Long-term incentive plan liability continuity

	June 30, 2014	December 31, 2013
Opening balance – beginning of period	$ 15,234,000	$ 9,995,000
Cash payments	–	(85,000)
Cash accrual	4,036,000	736,000
Phantom units	302,000	3,593,000
DSUs	273,000	995,000
Closing balance – end of period	$ 19,845,000	$ 15,234,000

LTIP liability is shown included under the following balance sheet headings:

Balance sheet

	June 30, 2014	December 31, 2013
LTIP – current	$ 888,000	$ 370,000
LTIP – non-current	15,174,000	11,354,000
Equity – contributed surplus	3,783,000	3,510,000
	$ 19,845,000	$ 15,234,000

Key management compensation

Key management includes directors and the Named Executive Officers ("NEO"), 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 Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Salaries, benefits	$ 514,000	$ 486,000	$ 1,030,000	$ 964,000
Cash – AIP	326,000	160,000	674,000	318,000
Total salary and benefits	840,000	646,000	1,704,000	1,282,000
Phantom units – AIP	–	142,000	56,000	209,000
DSUs – AIP	219,000	–	460,000	–
Total STIP	219,000	142,000	516,000	209,000
Phantom units – LTIP	(12,000)	–	151,000	–
DSUs – LTIP	255,000	–	466,000	–
Stock Options	98,000	70,000	208,000	93,000
Future estimated LTIP	(195,000)	382,000	1,770,000	1,226,000
Total LTIP	146,000	452,000	2,595,000	1,319,000
Total key management compensation	$ 1,205,000	$ 1,240,000	$ 4,815,000	$ 2,810,000

13. Directors' Fees

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Directors' fees – cash	$ 53,000	$ 45,000	$ 181,000	$ 129,000
Directors' fees – Mandatory DSUs	22,000	–	40,000	–
Directors' fees – Optional DSUs	4,000	(2,000)	19,000	18,000
Total directors' fees	$ 79,000	$ 43,000	$ 240,000	$ 147,000

Cash

Independent directors receive 50% of the annual retainer in cash and the expense is recognized in the period when service is provided.

Optional deferred share unit plan

Directors can elect to receive DSUs in lieu of a cash payment ("Optional DSUs"). The Optional DSUs vest immediately on the grant date.

Mandatory deferred share unit plan

50% of the retainer payments are paid in DSUs which shall vest on the third anniversary of the date such DSUs are granted.

14. 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 ("SFR"). 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. In arriving at the Adjusted EBITDA, the Corporate overhead expenses are allocated to each segment based on the segment's adjusted revenue as a percentage of total adjusted revenue.

For the Three Months Ended June 30, 2014	Private funds	Single-family rental	Land and homebuilding	Total
Net Income	**$ 1,553,000**	**$ (9,159,000)**	**$ (5,905,000)**	**$ (13,511,000)**
Amortization	479,000	12,000	21,000	512,000
LTIP – other funds and separate accounts	(371,000)	–	(25,000)	(396,000)
Phantom units for 2012	7,000	6,000	(13,000)	–
Stock compensation expense	92,000	76,000	64,000	232,000
Non-recurring salaries and benefits expense	108,000	83,000	(158,000)	33,000
Transaction costs	90,000	80,000	207,000	377,000
Financing charges – single-family rental	–	222,000	–	222,000
Bond discount amortization	–	1,070,000	–	1,070,000
Interest expense	125,000	4,993,000	229,000	5,347,000
Net change in fair value of derivative	–	(48,000)	–	(48,000)
Unrealized selling expenses	–	517,000	–	517,000
Unrealized foreign exchange gain	(549,000)	11,568,000	10,788,000	21,807,000
Income tax expense (recovery)	1,424,000	(2,725,000)	(348,000)	(1,649,000)
Adjusted EBITDA	**$ 2,958,000**	**$ 6,695,000**	**$ 4,860,000**	**$ 14,513,000**

For the Three Months Ended June 30, 2013	Private funds	Single-family rental	Land and homebuilding	Total
Net Income	**$ 2,351,000**	**$ 9,563,000**	**$ 468,000**	**$ 12,382,000**
Amortization	177,000	6,000	3,000	186,000
LTIP – other funds and separate accounts	620,000	–	–	620,000
Phantom units for 2012	85,000	61,000	23,000	169,000
Stock compensation expense	76,000	50,000	19,000	145,000
Interest expense	–	2,541,000	–	2,541,000
Financing charges – single-family rental	–	3,583,000	–	3,583,000
Bond discount amortization	–	979,000	–	979,000
Net change in fair value of derivative	–	(8,579,000)	–	(8,579,000)
Unrealized selling expenses	–	3,909,000	–	3,909,000
Unrealized foreign exchange (gain) loss	(911,000)	(6,931,000)	(178,000)	(8,020,000)
Income tax expense (recovery)	(662,000)	548,000	99,000	(15,000)
Adjusted EBITDA	**$ 1,736,000**	**$ 5,730,000**	**$ 434,000**	**$ 7,900,000**

For the Six Months Ended June 30, 2014	Private funds	Single-family rental	Land and homebuilding	Total
Net Income	**$ 1,997,000**	**$ 4,740,000**	**$ 11,963,000**	**$ 18,700,000**
Amortization	689,000	19,000	50,000	758,000
LTIP – other funds and separate accounts	3,500,000	–	348,000	3,848,000
Phantom units for 2012	26,000	23,000	59,000	108,000
Stock compensation expense	188,000	166,000	432,000	786,000
Non-recurring salaries and benefits expense	375,000	331,000	865,000	1,571,000
Transaction costs	90,000	80,000	207,000	377,000
Financing charges – single-family rental	–	432,000	–	432,000
Bond discount amortization	–	2,077,000	–	2,077,000
Interest expense	164,000	9,290,000	379,000	9,833,000
Net change in fair value of derivative	–	(2,046,000)	–	(2,046,000)
Unrealized selling expenses	–	1,366,000	–	1,366,000
Unrealized foreign exchange (gain) loss	(1,300,000)	346,000	(1,172,000)	(2,126,000)
Income tax expense (recovery)	135,000	1,531,000	3,474,000	5,140,000
Adjusted EBITDA	**$ 5,864,000**	**$ 18,355,000**	**$ 16,605,000**	**$ 40,824,000**

For the Six Months Ended June 30, 2013	Private funds	Single-family rental	Land and homebuilding	Total
Net Income	**$ 2,483,000**	**$ 18,613,000**	**$ 965,000**	**$ 22,061,000**
Amortization	326,000	11,000	5,000	342,000
LTIP – other funds and separate accounts	1,957,000	–	–	1,957,000
Phantom units for 2012	156,000	99,000	40,000	295,000
Stock compensation expense	99,000	63,000	25,000	187,000
Interest expense	–	4,181,000	–	4,181,000
Financing charges – single-family rental	–	3,772,000	–	3,772,000
Bond discount amortization	–	1,646,000	–	1,646,000
Net change in fair value of derivative	–	(7,399,000)	–	(7,399,000)
Unrealized selling expenses	–	3,909,000	–	3,909,000
Unrealized foreign exchange (gain) loss	(1,281,000)	(10,896,000)	(332,000)	(12,509,000)
Income tax expense (recovery)	(223,000)	4,539,000	164,000	4,480,000
Adjusted EBITDA	**$ 3,517,000**	**$ 18,538,000**	**$ 867,000**	**$ 22,922,000**

The balance sheet segmented information is as follows:

June 30, 2014	Private funds		Single-family rental		Land and homebuilding		Corporate		Total
	Canada	United States	Canada	United States	Canada	United States	Canada	United States	
Canada	$ 3,767,000	$ –	$ –	$ –	$ 274,000	$ –	$ 4,089,000	$ –	$ 8,130,000
United States	–	401,000	–	–	–	1,443,000	–	–	1,844,000
Segmented current assets	3,767,000	401,000	–	–	274,000	1,443,000	4,089,000	–	9,974,000
Canada	5,964,000	–	–	–	11,069,000	–	648,000	–	17,681,000
United States	–	38,817,000	–	324,394,000	–	317,583,000	–	–	680,794,000
Segmented non-current assets	5,964,000	38,817,000	–	324,394,000	11,069,000	317,583,000	648,000	–	698,475,000
Total segmented assets	**9,731,000**	**39,218,000**	**–**	**324,394,000**	**11,343,000**	**319,026,000**	**4,737,000**	**–**	**708,449,000**
Canada	$ 3,517,000	$ –	$ 2,302,000	$ –	$ 646,000	$ –	$ 11,310,000	$ –	$ 17,775,000
United States	–	18,245,000	–	8,586,000	–	6,440,000	–	–	33,271,000
Segmented current liabilities	3,517,000	18,245,000	2,302,000	8,586,000	646,000	6,440,000	11,310,000	–	51,046,000
Canada	9,350,000	–	150,458,000	–	5,182,000	–	2,660,000	–	167,650,000
United States	–	1,230,000	–	–	–	–	–	–	1,230,000
Segmented non-current liabilities	9,350,000	1,230,000	150,458,000	–	5,182,000	–	2,660,000	–	168,880,000
Total segmented liabilities	**$ 12,867,000**	**$ 19,475,000**	**$152,760,000**	**$ 8,586,000**	**$ 5,828,000**	**$ 6,440,000**	**$ 13,970,000**	**$ –**	**$219,926,000**

December 31, 2013	Private funds		Single-family rental		Land and homebuilding		Corporate		Total
	Canada	United States	Canada	United States	Canada	United States	Canada	United States	
Canada	$ 7,148,000	$ –	$ 1,730,000	$ –	$ 308,000	$ –	$ 6,650,000	$ –	$ 15,836,000
United States	–	388,000	–	234,000	–	–	–	–	622,000
Segmented current assets	7,148,000	388,000	1,730,000	234,000	308,000	–	6,650,000	–	16,458,000
Canada	4,441,000	–	1,891,000	–	–	–	1,322,000	–	7,654,000
United States	–	2,312,000	–	287,053,000	–	329,466,000	–	–	618,831,000
Segmented non-current assets	4,441,000	2,312,000	1,891,000	287,053,000	–	329,466,000	1,322,000	–	626,485,000
Total segmented assets	**11,589,000**	**2,700,000**	**3,621,000**	**287,287,000**	**308,000**	**329,466,000**	**7,972,000**	**–**	**642,943,000**
Canada	$ 1,230,000	$ –	$ 6,687,000	$ –	$ 2,765,000	$ –	$ 10,745,000	$ –	$ 21,427,000
United States	–	2,018,000	–	–	–	–	–	–	2,018,000
Segmented current liabilities	1,230,000	2,018,000	6,687,000	–	2,765,000	–	10,745,000	–	23,445,000
Canada	11,997,000	–	149,754,000	–	925,000	–	25,000	–	165,791,000
United States	–	–	–	–	–	–	–	–	–
Segmented non-current liabilities	11,997,000	–	149,754,000	–	925,000	–	25,000	–	162,701,000
Total segmented liabilities	**$ 13,227,000**	**$ 2,018,000**	**$156,441,000**	**$ –**	**$ 369,000**	**$ –**	**$ 10,770,000**	**$ –**	**$186,146,000**

15. Intangible Assets

	As at June 30, 2014	As at December 31, 2013
Intangible asset balances		
Placement fees	$ 3,766,000	$ 4,030,000
Rights to performance fees	370,000	411,000
Johnson intangibles	38,336,000	–
	$ 42,472,000	$ 4,441,000

16. Working Capital

For the Six Months Ended June 30,	2014	2013
Changes in non-cash working capital items		
Accounts receivable	$ 21,000	$ (3,525,000)
Income tax recoverable	–	(1,267,000)
Prepaid expenses and other assets	(2,085,000)	(88,000)
Accounts payable and accruals	(3,090,000)	693,000
Interest payable	3,744,000	3,311,000
Income taxes payable	2,663,000	(366,000)
	$ 1,253,000	$ (1,242,000)

17. Variability of Results

The nature of our business does not allow for consistent year-to-year or quarter-to-quarter revenue and investment income comparisons. Revenues earned from a fund are dependent upon where the fund is in its life cycle. At the beginning of a fund's life cycle, consistent contractual fees and general partner distributions are earned to the end of the investment period. Subsequent to the investment period, contractual fees and general partner distributions start to decline as investments 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.

18. Subsequent Events

On July 15, 2014, recipients of dividends elected to receive 83,069 shares under the DRIP for a total amount of $600,000.

On July 23, 2014, the Company closed a US$59.0 million investment to support the acquisition, development and sale of almost 1,200 homes on a 606-acre site in northwest Charlotte, North Carolina. One of Tricon's institutional partners has committed US$39.0 million as a side-car investment with an additional US$15.7 million and US$4.3 million committed by U.S. fund Tricon XI and Tricon, respectively.

On August 5, 2014, the Company closed a US$142.5 million investment to support the acquisition of a fully entitled, large scale, infill residential master planned community located in Corona, California and the subsequent development and sale of partially finished lots thereon to public homebuilders. One of Tricon's institutional partners has committed US$96.75 million as a side-car investment with an additional US$35.0 million and US$10.75 million committed by U.S. fund Tricon XI and Tricon, respectively.

On August 7, 2014, the Company increased the size of the credit facility for its U.S. single-family rental platform, Tricon American Homes, by US$150 million to US$400 million.

On August 13, 2014, the Board of Directors declared a dividend of six cents per share to shareholders of record on September 30, 2014 payable on October 15, 2014.