TRICON

TRICON CAPITAL GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended December 31, 2015

March 9, 2016

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, 2015, December 31, 2014 and January 1, 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and December 31, 2014, 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, 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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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, 2015, December 31, 2014 and January 1, 2014 and their financial performance and their cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars, except per share amounts)

	Notes	December 31, 2015	December 31, 2014	January 1, 2014
			(restated)	*(restated)*
ASSETS				
Cash		$ 4,493	$ 4,940	$ 12,337
Amounts receivable		8,088	5,515	2,741
Prepaid expenses and deposits	*5*	2,542	1,183	391
Investments – Tricon Housing Partners	*6,7*	303,782	317,123	312,670
Investments – Tricon American Homes	*6,7*	426,030	344,170	269,888
Investments – Tricon Lifestyle Communities	*6,7*	19,153	4,246	–
Investments – Tricon Luxury Residences	*6,7*	19,582	–	–
Intangible assets	*12*	30,527	36,671	4,267
Deferred income tax assets	*11*	11,282	5,113	1,847
Other assets	*13*	1,047	763	445
Total assets		**$ 826,526**	**$ 719,724**	**$ 604,586**
LIABILITIES				
Amounts payable and accrued liabilities	*9*	$ 7,621	$ 18,322	$ 11,525
Dividends payable	*14*	4,857	4,665	5,093
Long-term incentive plan	*18*	15,717	17,854	11,331
Debt	*8*	71,353	140,262	100,737
Deferred income tax liabilities	*11*	20,600	12,667	2,210
Derivative financial instruments	*10*	8,376	35,976	44,155
Total liabilities		**128,524**	**229,746**	**175,051**
Equity				
Share capital	*15*	561,347	393,200	427,972
Contributed surplus		9,812	7,833	5,747
Accumulated other comprehensive income		20,098	17,631	(33)
Retained earnings		90,813	52,954	(4,151)
Total shareholders' equity		682,070	471,618	429,535
Non-controlling interest		15,932	18,360	–
Total equity		**698,002**	**489,978**	**429,535**
Total liabilities and equity		**$ 826,526**	**$ 719,724**	**$ 604,586**

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

(in thousands of U.S. dollars, except per share amounts)

For the Years Ended	Notes	December 31, 2015	December 31, 2014
			(restated)
Revenue			
Contractual fees	*20*	$ 23,947	$ 24,341
General partner distributions	*20*	1,290	1,718
Performance fees	*20*	414	39
Interest income	*20*	59	111
		25,710	26,209
Investment income			
Investment income – Tricon Housing Partners	*19,20*	18,753	65,452
Investment income – Tricon American Homes	*19,20*	57,746	76,863
Investment income – Tricon Lifestyle Communities	*19,20*	97	307
Investment income – Tricon Luxury Residences	*19,20*	(185)	–
		76,411	142,622
		102,121	168,831
Expenses			
Compensation expense	*18*	23,019	28,089
General and administration expense		5,273	5,682
Interest expense		14,014	14,092
Net change in fair value of derivative		1,272	(4,967)
Transaction costs		3,546	1,104
Amortization expense		6,376	4,156
Realized and unrealized foreign exchange (gain) loss		(20,418)	1,244
		33,082	49,400
Income before non-controlling interest and income taxes		**69,039**	**119,431**
Non-controlling interest change		(283)	(1,607)
Income before income taxes		**68,756**	**117,824**
Income tax expense	*11*	10,576	18,574
Net income		**$ 58,180**	**$ 99,250**
Other comprehensive income			
Cumulative translation reserve		2,467	(119)
Comprehensive income for the period		**$ 60,647**	**$ 99,131**
Basic income per share		**$ 0.60**	**$ 1.09**
Diluted income per share		**$ 0.59**	**$ 0.95**
Weighted Average Shares Outstanding – Basic	*17*	**96,488,659**	**90,821,117**
Weighted Average Shares Outstanding – Diluted	*17*	**114,474,851**	**109,756,765**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of U.S. dollars, except per share amounts)

	Notes	Share Capital	Contributed Surplus	Accumuated Other Comprehensive Income	Retained Earnings (Deficit)	Total Shareholders' Equity	Non-controlling Interest	Total Equity
Balance at January 1, 2015		**$ 393,200**	**$ 7,833**	**$ 17,631**	**$ 52,954**	**$ 471,618**	**$ 18,360**	**$ 489,978**
Net income		–	–	–	58,180	58,180	283	58,463
Cumulative translation reserve		–	–	2,467	–	2,467	–	2,467
Distribution to non-controlling interest		–	–	–	–	–	(2,711)	(2,711)
Dividends/Dividend reinvestment plan	*14*	2,558	–	–	(18,157)	(15,599)	–	(15,599)
Repurchase of common shares	*15*	(2,921)	–	–	(2,164)	(5,085)	–	(5,085)
Debentures conversion	*15*	56,499	–	–	–	56,499	–	56,499
Issuance of common shares, net of issuance costs of $5,300	*15*	109,436	–	–	–	109,436	–	109,436
Stock options	*18*	1,075	431	–	–	1,506	–	1,506
Phantom units	*18*	528	(641)	–	–	(113)	–	(113)
Deferred share units	*18*	972	2,189	–	–	3,161	–	3,161
Balance at December 31, 2015		**$ 561,347**	**$ 9,812**	**$ 20,098**	**$ 90,813**	**$ 682,070**	**$ 15,932**	**$ 698,002**
Balance at January 1, 2014 *(restated)*		**$ 427,972**	**$ 5,747**	**$ (33)**	**$ (4,151)**	**$ 429,535**	**$ –**	**$ 429,535**
Net income		–	–	–	99,250	99,250	1,607	100,857
Cumulative translation reserve		–	–	(119)	–	(119)	–	(119)
Acquisition of subsidiary		–	–	–	–	–	18,825	18,825
Dividends/Dividend reinvestment plan	*14*	2,363	–	–	(19,531)	(17,168)	–	(17,168)
Repurchase of common shares	*15*	(3,326)	(1,636)	–	–	(4,962)	–	(4,962)
Equity issuance cost		–	–	–	–	–	–	–
Stock options	*18*	509	434	–	–	943	–	943
Phantom units	*18*	1,278	(1,382)	–	(220)	(324)	–	(324)
Deferred share units	*18*	–	3,641	–	–	3,641	–	3,641
Revaluation adjustment		(35,596)	1,029	17,783	(22,394)	(39,178)	(2,072)	(41,250)
Balance at December 31, 2014		**$ 393,200**	**$ 7,833**	**$ 17,631**	**$ 52,954**	**$ 471,618**	**$ 18,360**	**$ 489,978**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)

For the Years Ended	Notes	December 31, 2015	December 31, 2014
			(restated)
CASH PROVIDED BY (USED IN)			
Operating activities			
Net income		$ 58,180	$ 99,250
Adjustments for non-cash items			
Non-controlling interest		283	1,607
Amortization of intangibles and fixed assets	*12,13*	6,376	4,156
Deferred income taxes	*11*	1,764	3,960
Long-term incentive plan	*18*	4,444	6,199
Annual incentive plan	*18*	2,733	1,488
Amortization of debenture discount and issue costs	*8*	4,811	5,100
Accrued investment income – Tricon Housing Partners	*19,20*	(18,753)	(65,452)
Accrued investment income – Tricon American Homes	*19,20*	(57,746)	(76,863)
Accrued investment income – Tricon Lifestyle Communities	*19,20*	(97)	(307)
Accrued investment income – Tricon Luxury Residences	*19,20*	185	–
Net change in fair value of derivative	*10*	1,272	(4,967)
Unrealized foreign exchange loss (gain)		(26,706)	3,691
Distributions to non-controlling interest		(2,693)	(2,096)
Acquisitions of investments	*7*	(186,706)	(59,634)
Distributions received	*7*	160,444	68,407
		(52,209)	(15,461)
Changes in non-cash working capital items	*24*	(14,888)	6,426
		(67,097)	(9,035)
Investing activities			
Investment in Johnson		–	(18,518)
Purchase of office equipment, furniture and leasehold improvements	*13*	(353)	(251)
Placement fees	*12*	(18)	(247)
		(371)	(19,016)
Financing activities			
Issuance (repurchase) of common shares	*15*	114,736	(5,090)
Equity issuance cost	*15*	(5,299)	(14)
Proceeds from (repayment of) borrowing – net of financing costs	*8*	(26,800)	42,800
Dividends paid	*14*	(15,544)	(17,042)
		67,093	20,654
Foreign exchange gain (loss) on cash		**(72)**	**–**
Change in cash during the period		**(447)**	**(7,397)**
Cash – beginning of period		**4,940**	**12,337**
Cash – end of period		**$ 4,493**	**$ 4,940**
Supplementary information			
Income taxes paid		**$ 16,932**	**$ 8,798**

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

1. NATURE OF BUSINESS

Tricon Capital Group Inc. ("Tricon" or the "Company") is a principal investor and asset manager focused on the residential real estate industry in North America. In the Principal Investment business, the Company primarily invests through its Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities and Tricon Luxury Residences business lines. In the Private Funds and Advisory business, the Company manages, on behalf of private investors, commingled funds, side-cars and separate investment accounts that participate in the development of real estate in North America and generate contractual fee income for the Company.

Tricon was incorporated on June 16, 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 consolidated financial statements were approved for issue on March 8, 2016 by the Board of Directors of Tricon.

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

The consolidated financial statements are prepared on a going-concern basis and have been presented in U.S. dollars, which is also the Company's functional currency. All financial information has been rounded to the nearest thousand U.S. dollars except where otherwise indicated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost basis except for (i) investments in Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities and Tricon Luxury Residences, and (ii) derivative financial instruments, which are recorded at fair value through profit or loss ("FVTPL").

The notes to the consolidated financial statements provide information on the Company's current assets and current liabilities (Note 21). The Company believes this presentation is more relevant given the nature of the Company's operations, which do not have specifically identifiable operating cycles.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Foreign currency translation

Functional and presentation currency

Effective January 1, 2015, Tricon changed the functional and presentation currency to U.S. dollars given the increasing prevalence of U.S. dollar-denominated activities of the Company over time. The change in functional currency from Canadian dollars to U.S. dollars is accounted for prospectively from January 1, 2015. The exchange rate used to translate the balance sheet to reflect the change in functional currency on adoption is $1.16. 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 U.S. dollars. Prior-year comparable information is restated to reflect the change in presentation currency. The exchange rates used to translate the balance sheet to reflect the change in presentation currency as at January 1, 2014, December 31, 2014 and December 31, 2015 are $1.06, $1.16 and $1.38, respectively, while the average exchange rates used to translate the statements of comprehensive income for the year ended December 31, 2015 and December 31, 2014 are $1.28 and $1.10, respectively. There were no changes to the measurement basis of the financial statement line items as a result of the change in presentation currency.

Foreign currency transactions (Canadian dollar) are translated into U.S. dollars using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized at FVTPL. Gains and losses arising from foreign exchange are included in the statement of comprehensive income.

Subsidiaries

For subsidiaries that are required to be consolidated, the results and financial position of those subsidiaries 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising 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.

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

Name	Functional currency
Tricon Holdings Canada Inc.	U.S. dollar
Tricon Housing Partners US II (Canada) GP Ltd.	Canadian dollar
Tricon Capital GP Inc.	Canadian dollar
Tricon Housing Partners US II A Incentive LP	U.S. dollar
Tricon Housing Partners US II B/C Incentive LP	U.S. dollar
Tricon Holdings USA LLC	U.S. dollar
Tricon USA Inc.	U.S. dollar
Tricon Housing Partners Canada Ltd.	Canadian dollar
Tricon Housing Partners Canada II Ltd.	Canadian dollar
Tricon JDC LLC	U.S. dollar
Tricon Development Group Ltd.	Canadian dollar
Tricon Luxury Residences PM Inc.	Canadian dollar

CONSOLIDATION

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company 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.

The Company meets the definition of an investment entity and as such, investments in subsidiaries (other than those that provide investment-related services) are accounted for at FVTPL, 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.

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 statement of comprehensive income below net income, and are included in the equity section of the balance sheet.

Acquisition-related costs are expensed as incurred.

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

INVESTMENTS IN ASSOCIATES

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Associates 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 FVTPL and accounted for in accordance with IAS 39 and IFRS 13, with changes in fair value recognized in the statement of comprehensive income.

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.

JOHNSON INTANGIBLES

The intangibles from Johnson represent the future management fees, development fees and commissions that Tricon expects to collect over the life of the projects that the Johnson Companies LP manages. They are amortized by project over the estimated periods that the projects expect to collect these fees, which is approximately seven years for the fees receivable and lot development fees receivable.

The customer relationship intangible from Johnson represents the management fees, development fees and commissions that Tricon will collect from future projects. These are based on future projects which are a result of Johnson's existing customer relationships, and as such are considered to be definite-life intangibles.

GOODWILL

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in the 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 greater 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.

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 at FVTPL, 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 FVTPL, directly attributable transaction costs.

Transaction costs related to financial assets at FVTPL 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 category 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 of the risks and rewards of ownership.

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

Cash includes cash on hand and deposits held at call with banks.

Cash and amounts 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.

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.

Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL 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 amounts payable and accruals, dividends payable, income tax payable, debentures interest payable, bank debt and debentures payable and derivative financial instruments. The Company's financial liabilities are classified as other liabilities.

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. Derivatives are valued using model calibration. Inputs to the valuation model 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.

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 derivative financial instrument measured at fair value at each reporting period, with changes in fair value recorded in net income.

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 derivate financial instrument measured 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, 2015, the Company does not have any assets or liabilities that are 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 on a straight-line basis over the term of the lease. Leases of assets where the Company has retained substantially all of 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

Basic

Basic earnings (loss) per share is determined using the weighted average number of shares outstanding including vested phantom units and deferred share units issued 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.

Diluted

The Company considers the effects of stock compensation and convertible debentures in calculating diluted earnings per share. Diluted earnings per share is calculated by adjusting net income and the weighted average number of shares outstanding based on the assumption of the conversion of all potentially dilutive shares on a weighted average basis from the date the potential share compensation vests and from the conversion date of the debentures to the balance sheet date. The conversion date of the debenture units is assumed to be the later of the beginning of the reporting period and the 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

INVESTMENT INCOME

Investment income includes gains and losses arising on the remeasurement of investments at FVTPL, 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 the fund's investment period and based on invested capital following the expiration of the relevant investment period. The contractual fees also include the management and development fees earned by Johnson from its underlying projects.

General partner distributions are recognized as services are performed.

Performance fees are earned based on fixed percentages of the distributions of each fund in excess of predetermined thresholds as outlined by each limited partnership agreement. 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 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 2014.

AIP is calculated on an annual basis with the actual rate determined annually at the Board's discretion. Under the current plan, at least 60% of AIP compensation will be distributed as cash, and up to 40% in Deferred Share Units ("DSUs") 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 Tricon Housing Partners and (ii) 15% of THP1 US investment income payable in DSUs which vest over a five-year period. The percentage for any year is the same as the AIP percentage. 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 Tricon Housing Partners, 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 statement of comprehensive income.

For the LTIP generated from the Company's investment income in THP1 US, 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.

Directors' fees – 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 in lieu of cash payment. The number of DSUs is 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 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-maker is the chief executive officer (CEO) of the Company.

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.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
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 material adjustments to the carrying amounts of assets and liabilities within the next financial year are outlined 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. Significant estimates are required in determining the Company's consolidated income tax provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions. 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 sheet at values that are representative of or approximate fair value. The fair value of a financial instrument that is traded in active markets is determined at each reporting date by reference to its quoted market price or dealer price quotations.

The fair values of the Company's investments in Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities and Tricon Luxury Residences are determined using the valuation methodologies described in Note 7.

The fair value of certain other financial instruments is determined using valuation techniques. By their nature, these valuation techniques require the use of assumptions that are mainly based on market conditions existing at the end of each reporting period. 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 investment income recognized in a particular period.

CRITICAL JUDGMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

Determination of investment entity

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.

Initiation of Tricon Luxury Residences

IFRS 10 allows an entity to participate in investment-related services and activities if the activities are undertaken to maximize the investment return (capital appreciation or investment income) from its investees and do not represent a separate substantial business activity or a separate substantial source of income to the investment entity.

Similarly to other investments, the Company raised capital to invest in purpose-built rental projects in Canada and the U.S. These projects are expected to generate investment income through fair value adjustment and rental income. Based on the Company's judgment, Tricon continues to meet the definition of an investment entity and will measure its investment in Tricon Luxury Residences by FVTPL.

Fair Value

The Company assesses, at each reporting date, whether there is any objective evidence that a financial instrument 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.

Income Taxes

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 when future taxable profit will be available against which the temporary differences can be utilized. The Company assesses deferred income tax liabilities on its investments in Tricon American Homes ("TAH") and Tricon Lifestyle Communities ("TLC") based on a reduction of its investment as opposed to a sale of underlying assets held by the investment.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 9, "Financial Instruments" ("IFRS 9"), establishes principles for the reporting of financial assets and financial liabilities. The final version of IFRS 9 was issued in July 2014 and includes (i) a third measurement category for financial assets (fair value through other comprehensive income); (ii) a single, forward-looking "expected loss" impairment model; and (iii) a mandatory effective date of annual periods beginning on or after January 1, 2018.

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), specifies how and when revenue should be recognized, in addition to requiring more informative and relevant disclosures. This standard supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and a number of revenue-related interpretations. IFRS 15 must be applied for periods beginning on or after January 1, 2018, with early application permitted.

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15.

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. The Company is currently reviewing new standards to assess the impact they may have upon adoption.

5. PREPAID EXPENSES AND DEPOSITS

(in thousands of U.S. dollars)	December 31, 2015	December 31, 2014	January 1, 2014
Deposits for investments	$ 436	$ 493	$ –
Deposits for office building (Note 27)	1,626	347	–
Other prepaid expenses and deposits	480	343	391
Total prepaid expenses and deposits	**$ 2,542**	**$ 1,183**	**$ 391**

6. INVESTMENTS

Investments – Tricon Housing Partners ("THP") are co-investments in funds and separate accounts and side-car investments managed by the Company.

Investments – Tricon American Homes ("TAH") are investments in operating entities which invest in U.S. single-family rental homes. The investments are managed through an integrated business platform managed by the operating entity, which is responsible for the acquisition, renovation and leasing of the homes.

Investments – Tricon Lifestyle Communities ("TLC") are investments in U.S. manufactured housing communities that lease land to owners of pre-fabricated homes.

Investments – Tricon Luxury Residences ("TLR") are investments in Canadian multi-family rental developments.

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, 2015			December 31, 2014		
(in thousands of U.S. dollars)	Internal debt instruments	Equity	Total investment	Internal debt instruments	Equity	Total investment
Investments – THP						
U.S. funds	$ –	$ 233,547	$ 233,547	$ –	$ 271,903	$ 271,903
Canadian funds	–	8,340	8,340	–	11,165	11,165
Separate accounts and side-cars	18,000	43,895	61,895	13,862	20,193	34,055
	18,000	285,782	303,782	13,862	303,261	317,123
Investments – TAH	–	426,030	426,030	–	344,170	344,170
Investments – TLC	–	19,153	19,153	–	4,246	4,246
Investments – TLR	–	19,582	19,582	–	–	–
Total	**$ 18,000**	**$ 750,547**	**$ 768,547**	**$ 13,862**	**$ 651,677**	**$ 665,539**

The underlying loan instruments within the Company's Tricon Housing Partners investments are denominated in U.S. dollars and bear interest at rates between 9.45% and 11.95%, compounded monthly.

Each investment vertical may utilize debt in order to finance normal business operations, with the debt secured by the underlying assets of the related investment. The Company has specifically provided guarantees to the lenders of the TAH warehouse facility, the TLC mortgages and the TLR land loan, each on a non-recourse basis subject only to specific carved-out events.

The following tables summarize the balances in the investment funds that are managed by Tricon, presented in the functional currency of the fund:

(in thousands of dollars)

Investments	Currency	Tricon commitment	Advances	Unfunded commitment	Fees	Distributions	Total Distributions	Investment at fair value[2]
As at December 31, 2015[1]								
THP1 US[3,4]	US	$ 226,775	$ 272,970	$ 19,120	$ –	$ 132,062	$ 132,062	$ 212,159
THP2 US	US	25,000	15,105	9,895	–	–	–	21,388
Cross Creek Ranch	US	14,400	12,295	2,105	4,860	9,952	14,812	8,708
Fulshear Farms	US	5,000	3,206	1,794	553	–	553	3,215
Grand Central Park	US	8,075	7,357	718	1,939	1,520	3,459	6,996
Trilogy at Verde River	US	10,350	6,691	3,659	1,509	–	1,509	8,155
Trilogy at Vistancia West	US	4,950	3,480	1,470	1,352	–	1,352	4,502
Trilogy Lake Norman	US	4,330	2,625	1,705	582	–	582	2,700
Arantine Hills	US	8,600	6,715	1,885	1,040	–	1,040	6,792
Viridian	US	25,400	24,328	1,072	476	3,500	3,976	20,827
Total US Investments		**332,880**	**354,772**	**43,423**	**12,311**	**147,034**	**159,345**	**295,442**
THP3 Canada	CA	20,000	11,194	8,806	–	2,368	2,368	8,340
Total CA Investments		**$ 20,000**	**$ 11,194**	**$ 8,806**	**$ –**	**$ 2,368**	**$ 2,368**	**$ 8,340**
As at December 31, 2014[1]								
THP1 US[3]	US	$ 226,775	$ 272,970	$ 19,120	$ –	$ 72,188	$ 72,188	$ 255,439
THP2 US	US	25,000	11,388	13,612	–	–	–	16,464
Cross Creek Ranch	US	14,400	12,484	1,916	4,045	7,620	11,665	9,787
Fulshear Farms	US	5,000	3,155	1,845	514	–	514	3,179
Grand Central Park	US	8,075	6,520	1,555	1,509	1,520	3,029	6,124
Trilogy at Verde River	US	10,350	4,092	6,258	1,035	–	1,035	4,325
Trilogy at Vistancia West	US	4,950	2,675	2,275	1,057	–	1,057	2,975
Trilogy Lake Norman	US	4,330	1,135	3,195	434	–	434	1,158
Arantine Hills	US	8,600	6,507	2,093	399	–	399	6,507
Total US Investments		**307,480**	**320,926**	**51,869**	**8,993**	**81,328**	**90,321**	**305,958**
THP3 Canada	CA	20,000	10,893	9,107	–	–	–	11,165
Total CA Investments		**$ 20,000**	**$ 10,893**	**$ 9,107**	**$ –**	**$ –**	**$ –**	**$ 11,165**

(1) Commitment, unfunded commitment, advances and distributions are shown in Fund or Separate Account originating currency.
(2) Investments at fair value as of December 31, 2015 and December 31, 2014 are shown in U.S. dollars.
(3) $226,775 represents the Company's total fund commitment; the purchase price of the 68.4% interest was $260,500.
(4) Actual cash distribution received from THP1 US was reduced by $1,281 (2014 – $291) of withholding tax.

(in thousands of U.S. dollars, except per share amounts and percentage amounts)

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 Housing Partners US LP	Limited Partnership	USA	USA	68%	68%
Tricon Housing Partners US II B LP	Limited Partnership	USA	USA	16%	16%
Tricon Housing Partners Canada III Co-Investment Ltd.	Holding Company	Canada	Canada	100%	100%
Tricon Housing Partners Canada III LP	Limited Partnership	Canada	Canada	10%	10%
Tricon USA Lender Inc.	Holding Company	USA	Canada	100%	100%
Tricon Lender II 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	7%	50%
Vistancia West Holdings LP	Limited Partnership	USA	USA	6%	50%
FF Texas Equity LP	Limited Partnership	USA	USA	10%	50%
FF Texas Holdings LP	Limited Partnership	USA	USA	10%	50%
Conroe CS Texas Equity LP	Limited Partnership	USA	USA	10%	50%
Conroe CS Texas Holdings LP	Limited Partnership	USA	USA	10%	50%
Tegavah Equity LP	Limited Partnership	USA	USA	10%	50%
Tegavah Holdings LP	Limited Partnership	USA	USA	9%	50%
Lake Norman Equity LP	Limited Partnership	USA	USA	7%	50%
Lake Norman Holdings LP	Limited Partnership	USA	USA	7%	50%
Arantine Hills Equity LP	Limited Partnership	USA	USA	7%	50%
Arantine Hills Holdings LP	Limited Partnership	USA	USA	7%	50%
Viridian Equity LP	Limited Partnership	USA	USA	18%	50%
Viridian Holdings LP	Limited Partnership	USA	USA	17%	50%
Tricon Manufactured Housing Communities Inc.	Holding Company	USA	Canada	100%	100%
Tricon Manufactured Housing Communities LLC	Holding Company	USA	USA	100%	100%
Tricon/COB MHC LP	Limited Partnership	USA	USA	98%	67%
Tricon Luxury Residences Co-Investment Inc.	Holding Company	Canada	Canada	100%	100%
592 Sherbourne LP	Limited Partnership	Canada	Canada	15%	50%
Tricon SLR US Multifamily LLC	Holding Company	USA	USA	100%	100%
Tricon SLR US Multifamily I LP	Limited Partnership	USA	USA	100%	50%
SLR-TCN McKenzie Project, LP	Limited Partnership	USA	USA	90%	50%
SLR-TCN Canals at Grand Park II Project, LP	Limited Partnership	USA	USA	90%	50%

(1) In respect of major decisions only.

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

7. FAIR VALUE ESTIMATION

In the fair value hierarchy, the level in which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of the input is assessed against the fair value measurement. Assessing the significance of a particular input to the fair value measurement 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, 2015			December 31, 2014		
(in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investments – THP						
U.S. funds	$ –	$ –	$ 233,547	$ –	$ –	$ 271,903
Canadian funds	–	–	8,340	–	–	11,165
Separate accounts and side-cars	–	–	61,895	–	–	34,055
	–	–	303,782	–	–	317,123
Investments – TAH	–	–	426,030	–	–	344,170
Investments – TLC	–	–	19,153	–	–	4,246
Investments – TLR	–	–	19,582	–	–	–
	$ –	**$ –**	**$ 768,547**	**$ –**	**$ –**	**$ 665,539**
Financial liabilities						
Derivative financial instruments (Note 10)	$ –	$ 8,376	$ –	$ –	$ 35,976	$ –

There have been no transfers between levels for the years ended December 31, 2015 and 2014.

FINANCIAL ASSETS VALUATION METHODOLOGIES

The Company's Valuation Committee is responsible for fair value measurements included in the financial statements, including Level 3 measurements. The valuation processes and results are reviewed and approved by the Valuation Committee 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:

Investments – Tricon Housing Partners

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

In addition to the investments in limited partnerships, the Company invests in separate accounts and side-car investments through limited partnership 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 distribution calculations specified in the relevant limited partnership agreement. The inputs into the waterfall distribution calculations include the fair value of the land and working capital held by the limited partnerships. The fair value of the land is based on appraisals prepared by an external third-party valuator or on internal valuations.

A side-car is a co-investment vehicle under common sponsorship with a Tricon fund. 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 provided by the fund sponsor or general partner. The measurement and valuation methodologies for side-cars are the same as those for the limited partnership investments.

Quantitative information about fair value measurements of the investments uses the following significant unobservable inputs (Level 3):

Description	Valuation technique(s)	Significant unobservable output
Debt investments	Discounted cash flow	a) Discount rate[1] b) Future cash flow
Equity investments		
Commingled funds	Net asset value	a) Discount rate[2] b) Future cash flow c) Control premium/discount, if any[3]
Separate accounts and side-cars	Waterfall distribution model	Appraised value[4]

(1) The range of discount rates in the discounted cash flow model was from 10% to 12%.

(2) The range of discount rates in the discounted cash flow model was from 12.5% to 20.0%. Generally, an increase in future cash flow will result in an increase to the fair value of debt investments and 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) As at December 31, 2015, the THP1 US Co-Investment included a Control Premium of $2,493.

(4) The Company obtained external valuations for seven separate account equity investments at December 31, 2015, totaling $22,929. The Company's investment team and finance team verified all major inputs to the valuation and reviewed the results with the independent appraisor. The significant input within the appraised value is the value of land per acre.

Sensitivity

The effects on Investments – Tricon Housing Partners of a 1% change in the discount rates are as follows:

		December 31, 2015		December 31, 2014	
(in thousands of dollars)	Currency	1% increase	1% decrease	1% increase	1% decrease
US funds	US	$ (1,437)	$ 1,470	$ (2,543)	$ 2,611
Canadian funds	CA	(264)	274	(299)	312
Separate accounts and side-cars	US	(424)	435	(386)	401

Investments – Tricon American Homes

All of the Company's investments in Investments – TAH limited partnerships are held through a wholly-owned subsidiary, Tricon SF Home Rental Inc., and are recorded at fair value. The fair value of the Company's investment in Tricon SF Home Rental Inc. is calculated based on Tricon's proportionate share of each entity's fair value of net assets. The fair value of the net assets of the various entities is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

Under the assumption that home values do not change materially in the short term, and that the capital expenditures do not have a significant impact in the first three months of purchase, no valuation has been performed for homes purchased after September 30, 2015. As a result, these homes will be recorded at their purchase price plus the cost of capital expenditures, if applicable. The remaining homes were valued at November 30, 2015. Management has assessed whether any market changes have occurred subsequent to the date of valuation and has determined that values were valid at December 31, 2015.

During the year, the Broker Price Opinion ("BPO") valuation methodology was used to determine the fair value of 4,088 of TAH's rental properties held before October 1, 2015. The homes were valued by independent brokers who hold active real estate licenses and have market experience in the locations and segments of the homes valued. The brokers value each home based on recent comparable sales and active comparable listings in the area, assuming the homes were all renovated to an average standard in their respective areas. The BPO retrieves information on the comparable properties from the Multiple Listing Service ("MLS") public database.

Rental properties acquired after September 30, 2015 and rental properties that were previously valued by BPO have their values updated using the Home Price Indexes ("HPI") methodology. The HPI is calculated based on a repeat-sales model using large real estate information databases compiled from public records. Twelve months trailing HPI was used where quarterly HPI change was determined by averaging the index movement over the past 12 months. The quarterly HPI change is then applied to the previously recorded fair value of the investment properties.

In addition to the investment generating rental income, a small percentage of the investment properties is held for resale. These are select properties purchased for the purpose of rental operations but subsequently selected for sale within the next quarter mostly due to undesirable rental prospect. All inventory homes are valued at lower of carrying amount and fair value less cost to sell.

The Company also takes into account the unrealized and realized carried interest payable to local operating partners as general partners of some of the underlying limited partnerships in determining the fair value of its investment. The carried interest amounts are based on waterfall distribution calculations specified in the relevant limited partnership agreement with each local operator and may result in the 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.

Sensitivity

Tricon American Homes' ("TAH") debt facility operates based on floating interest rates at a rate of one-month LIBOR plus 300 basis points, subject to a 25 basis points LIBOR floor. As of December 31, 2015, the rental partnership and the Company as its sponsor are in compliance with the covenant and other undertakings outlined in the loan agreement (previously, the rate was three-month LIBOR plus 360 basis points, subject to a 50 basis points LIBOR floor). As a result, interest expense will only be impacted when the one-month LIBOR increases above 0.25%. The one-month LIBOR during 2015 ranged from 0.17% to 0.24% for the year ended December 31, 2015. If interest rates had been 10 basis points lower, with all other variables held constant, the interest rate would have remained at 3.25% as a result of the interest rate floor in place, and there would have been no change in Investment income – TAH for 2015 or 2014. At December 31, 2015, if interest rates had been 10 basis points higher with all other variables held constant, Investment income – TAH for 2015 would have been $63 (2014 – $0) lower. Investment income is more sensitive to interest rate increases than decreases because of the interest rate floor on borrowings. The calculated impact of a 10 basis point increase is higher in 2015 than in 2014 because of the decrease in the interest rate floor from 0.50% on the three-month LIBOR to 0.25% on the one-month LIBOR in the June 12, 2015 amendment.

TAH is indebted in the amount of $361 million under a securitization loan. The securitization transaction involved the issuance and sale of single-family rental pass-through certificates that represent beneficial ownership interests in a loan secured by a portion of the Company's portfolio of single-family properties. Monthly payments of interest commenced on June 9, 2015. All outstanding principal and interest shall be paid in full prior to maturity on May 9, 2017, with three one-year extensions available at the Company's option. As of December 31, 2015, the rental partnership is in compliance with the covenant and other undertakings outlined in the loan agreement. Interest-only payments are required on the bank debt at a weighted average interest rate of one-month LIBOR plus 1.96% per annum, subject to a 3.955% cap. As a result, interest expense will only be impacted when the one-month LIBOR is below 1.995%. The one-month LIBOR during 2015 ranged from 0.17% to 0.24%. If interest rates had been 10 basis points higher or lower, with all other variables held constant, Investment income – TAH for 2015 would have been $211 (2014 – $0) lower or higher.

If the prices of single-family rental homes held by the TAH limited partnerships were to increase or decrease by 1% (December 31, 2014 – 1%), the impact on Investments – TAH fair value at December 31, 2015 would be $9,705 and ($9,705), respectively (December 31, 2014 – $4,270 and ($5,266)).

Investments – Tricon Lifestyle Communities

The Company's investment in Investments – Tricon Lifestyle Communities ("TLC") is held through a wholly-owned subsidiary, Tricon Manufactured Housing Communities LLC, that carries the investment at fair value. The fair value of the Company's investment is estimated based on the Company's proportionate share of the net assets of the TLC limited partnership. The fair value of the net assets is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

Since all variables impacting fair value of the investment property, such as rental growth, expense inflation and the impact of future capital expenditures, generally do not change significantly in the first 12 months after acquisition, investments are recorded at cost for the first 12 months after acquisition. As a result, these properties are recorded at their purchase price plus the cost of capital expenditures. Key variables are monitored on a quarterly basis to determine if there may be a material change in fair value.

The Company fair values the TLC properties using the discounted cash flow methodology. The fair value is determined based on rental income from the current leases and assumptions about rental income from future leases, such as increases in rental rates and occupancy, less future cash outflows in respect of such leases and capital expenditures. Other factors included in the future cash flow estimate are the terminal value of the underlying property based on reliable estimates of the terminal year Net Operating Income ("NOI"), supported by the terms of existing leases and assumptions of future leases, and market capitalization rates of comparable precedent transactions within each market.

The Company also takes into account the unrealized and realized carried interest payable to the general partner of the underlying limited partnership in determining the fair value of its investment. The carried interest amounts are based on waterfall distribution calculations specified in the limited partnership agreement and may result in the 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 partnership would have obtained for similar financing. Deferred income taxes are based on the enacted tax rates for future years. Working capital of the limited partnership approximates fair value.

Sensitivity

Since the rate of interest on borrowings made by Tricon Lifestyle Communities is fixed, Investment income – Tricon Lifestyle Communities for the period would not change due to interest rate fluctuation.

Fair values are computed using discount rates. The effects of changes in discount rate are as follows:

(in thousands of U.S. dollars)

December 31, 2015	1% increase	1% decrease
Tricon Lifestyle Communities	$ (913)	$ 879

December 31, 2014	1% increase	1% decrease
Tricon Lifestyle Communities	$ –	$ –

Investments – Tricon Luxury Residences

In July 2015, the Company, through its investment in Tricon Luxury Residences ("TLR"), announced a new strategic initiative focused on funding investments which acquire land for development of purpose-built multi-family rentals in Canada and the United States. On March 31, 2015, TLR acquired its first property ("The Selby") in Toronto, Ontario, through a limited partnership in which Tricon has a 15% ownership interest. On October 21, 2015 and October 27, 2015, respectively, TLR acquired two properties for development ("The Harvard" and "Canals at Grand Park II") in Dallas, Texas, through limited partnerships in which Tricon has a 90% ownership interest.

The Company's investment in TLR Canada is held through a wholly-owned subsidiary, Tricon Luxury Residences Co-Investment Inc. Its investment in TLR U.S. is held through a wholly-owned subsidiary, Tricon SLR US Multifamily LLC. Both subsidiaries carry their investments at fair value. The fair value of the investments in TLR is estimated based on the subsidiaries' proportionate share of the net assets of TLR limited partnerships. The fair value of the net assets is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

TLR Canada fair values the Selby property based on an external appraisal performed as of November 30, 2015. The fair value is determined based on active market prices, adjusted (if necessary) for differences in the nature, location or condition of the asset, as well as assumptions about the recoverability of development costs. Management has assessed whether any market changes have occurred subsequent to the date of valuation and has determined that the value remained unchanged at December 31, 2015.

Since all variables impacting fair value of the investment property generally do not change significantly in the first 12 months after acquisition, the fair value is not materially different from the acquisition price. As at December 31, 2015, the fair value of TLR U.S. equals the acquisition price of its underlying properties plus any costs incurred by underlying projects. Key variables are monitored on a quarterly basis to determine if there may be a material change in fair value.

Sensitivity

TLR Canada's income is largely based on the fair value of appraised assets held for development at year end. An increase of 1% of the appraised value results in a change to fair value of $36, and a decrease of 1% of the appraised value results in a change in fair value of ($36).

Continuity of investments

The following presents the changes in Level 3 instruments for the years ended December 31, 2015 and December 31, 2014:

(in thousands of U.S. dollars)	December 31, 2015	December 31, 2014
Opening balance	$ 665,539	$ 582,558
Acquisitions	186,706	59,634
Distributions/sales	(160,444)	(68,407)
Investment income	76,411	142,623
Deferred tax adjustment for TAH and THP	–	2,758
Revaluation of opening balance	335	(53,627)
Ending balance	**$ 768,547**	**$ 665,539**

FINANCIAL LIABILITIES

Valuation methodologies

Derivative financial instruments relate to the conversion and redemption features of the debentures and are valued using model calibration, as discussed in Note 10. 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.

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

	December 31, 2015		December 31, 2014	
	2012 Debenture	2013 Debenture	2012 Debenture	2013 Debenture
Risk-free rate[1]	N/A	1.08%	1.52%	1.81%
Stock price[2]	N/A	C$9.06	C$8.72	C$8.72
Implied volatility[3]	N/A	30.17%	29.96%	29.91%
Dividend yield[4]	N/A	2.92%	2.72%	3.05%

(1) Risk-free rates were from the CAD swap curves matching the terms to maturity of the debentures.
(2) Closing price of the stock as of the valuation date.
(3) Implied volatility was computed from the trading volatility of the Company's stock.
(4) Dividend yields were from the forecast dividend yields matching the terms to maturity of the debentures.

Cash, amounts receivable, amounts payable and accruals, dividends payable, interest payable and bank debt are measured at amortized cost, since their carrying values are a reasonable approximation of fair value due to their short-term nature. The July 2012 Debenture was redeemed on November 30, 2015.

8. DEBT

(in thousands of U.S. dollars)	December 31, 2015	December 31, 2014
Revolving term credit facility	$ 20,000	$ 46,800
Convertible debentures	51,353	93,462
	$ 71,353	**$ 140,262**

During 2015, the Company paid interest on debt in the amount of $11,434 (2014 – $8,172).

REVOLVING TERM CREDIT FACILITY

On July 23, 2013, the Company entered into an amended and restated credit agreement with a syndicate of Canadian and U.S. banks to provide a revolving term credit facility (the "Credit Facility") not to exceed $45,000. On April 29, 2014, the Company amended the Credit Facility, increasing the total commitment to $105,000, and extending the term of the Credit Facility to April 29, 2018. The Company increased the existing corporate revolving credit facility from $105 million to $175 million on March 2, 2015, and again to $235 million on June 30, 2015. The increased credit facility includes a syndicate of lenders comprised of Canadian and U.S. banks. The credit facility may be further increased to $275 million with the approval of the lenders. The remaining key terms of the credit facility, including pricing and a maturity date of April 2018, remain unchanged. The Company has provided a general security agreement creating a first priority security interest on the assets of the Company.

During 2015, the minimum balance drawn on the credit facility was $0, and the maximum amount drawn was $118,800.

Advances under the Credit Facility are available by way of Prime, USBR and LIBOR loans as well as Banker's Acceptances. The applicable margin on advances is determined in reference to the senior funded debt-to-EBITDA ratio and is added to the applicable loan reference rate as follows: Prime and USBR loans range from 250 to 300 basis points ("bps") above the respective reference rate, and LIBOR loans and Banker's Acceptances range from 350 to 400 bps above the respective reference rate. Standby fees ranging from 87.5 to 100 bps of the unutilized portion of the total commitment are payable, with reference to funded debt-to-EBITDA ratio, on a quarterly basis. The credit facility total interest expense incurred for the year ended December 31, 2015 amounted to $2,930 (2014 – $1,643). The weighted average interest rate for 2015 was 3.701%.

The Credit Facility agreement requires the Company to maintain the following covenants: a funded debt-to-EBITDA ratio not to exceed 3.25:1; a minimum interest coverage ratio of 1.5:1; and a consolidated total funded debt-to-capital not to exceed 45%. As at December 31, 2015, the outstanding balance of the credit facility was $20,000 and the Company was in compliance with each of the covenants of the Credit Facility.

CONVERTIBLE DEBENTURES

February 2013 issuance

The Company issued 86,000 units of 5.6% convertible debentures at C$1,000 per unit for a principal value of $83,800 (C$86,000) on February 25, 2013 (the "February 2013 Debentures"). The debentures mature on March 31, 2020 at their outstanding principal value 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 C$9.80 per share or at a rate of 102.04 shares per C$1,000 of debentures owned. The February 2013 Debentures were initially recorded on the consolidated balance sheets as debt of $83,800 (C$86,000) less costs of $3,448 (C$3,539). In addition, the Company allocated $16,915 (C$17,363) to the conversion and redemption feature on initial recognition, which was deducted from the principal balance and will be accreted to the principal amount of the debenture over its term. As at December 31, 2015, the outstanding principal amount was $61,940 (December 31, 2014 – $74,132).

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 2013 issuance are redeemable at the option of the Company on or after March 31, 2016 and prior to March 31, 2018, provided that the current market price on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2018 and prior to the maturity date, the Company may elect to redeem the outstanding debentures in whole or part at a price equal to the principal amount plus accrued and unpaid interest.

The Company has an option to settle the redemption right by delivering the number of common shares determined by dividing the principal amount of the convertible debentures by 95% of the trading price on the fifth trading day preceding the date fixed for redemption or the maturity date. In 2015, $223 (C$269) of the February 2013 Debentures was converted to 27,448 common shares at an average price of $8.12 (C$9.80) per share.

Debentures payable

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

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD[1]	CAD	USD[1]	CAD	USD[1]	CAD
December 31, 2015						
Face value outstanding	$ –	$ –	$ 61,940	$ 85,731	$ 61,940	$ 85,731
Less: Transaction costs (net of amortization)	–	–	(1,957)	(2,709)	(1,957)	(2,709)
Liability component on initial recognition	–	–	59,983	83,022	59,983	83,022
Debentures discount (net of amortization)	–	–	(8,630)	(11,945)	(8,630)	(11,945)
Debentures payable	**$ –**	**$ –**	**$ 51,353**	**$ 71,077**	**$ 51,353**	**$ 71,077**

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD[1]	CAD	USD[1]	CAD	USD[1]	CAD
December 31, 2014						
Face value outstanding	$ 44,544	$ 51,675	$ 74,132	$ 86,000	$ 118,676	$ 137,675
Less: Transaction costs (net of amortization)	(1,370)	(1,589)	(2,809)	(3,258)	(4,179)	(4,847)
Liability component on initial recognition	43,174	50,086	71,323	82,742	114,497	132,828
Debentures discount (net of amortization)	(8,942)	(10,374)	(12,093)	(14,029)	(21,035)	(24,403)
Debentures payable	**$ 34,232**	**$ 39,712**	**$ 59,230**	**$ 68,713**	**$ 93,462**	**$ 108,425**

(1) Balance translated at period-end exchange rate.

The above carrying values were recognized at amortized cost after 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 consolidated balance sheets would be $60,852 (C$84,219) as of December 31, 2015 and $111,383 (C$129,215) as of December 31, 2014. The difference between the amortized costs and implied fair value is a result of the difference between the effective interest rate and the market risk-free rate.

On November 30, 2015, the Company completed the redemption of its outstanding 6.375% convertible unsecured subordinated debenture due August 31, 2017. Pursuant to the conversion option available to holders of the debentures, an aggregate of 8,200,163 common shares were issued in relation to conversion requests received by the Company between the date of its redemption announcement and November 27, 2015. The remaining balance of the outstanding principal amount of the debentures was redeemed on the redemption date for an aggregate of 55,308 common shares. Accrued interest of C$15.89 per C$1,000 principal amount of debentures redeemed was paid in cash. Cash was also paid in lieu of any fractional shares that would have otherwise been issued on conversion or redemption. The principal of the debentures outstanding, the balance of the unamortized transaction costs and debenture discount were reclassified to share capital.

The face and weighted average interest rates are as follows:

(in thousands of U.S. dollars)	Coupon interest rates	Effective interest rates	Maturity dates	Debt balance December 31, 2015	Debt balance December 31, 2014
Fixed Rate					
July 2012 Debentures	6.375%	7.660%	2015	$ –	$ 34,232
February 2013 Debentures	5.60%	6.46%	2020	51,353	59,230
Total fixed-rate debt	5.60%	6.46%		51,353	93,462
Variable Rate					
Revolving Term Credit Facility	3.94%	3.94%	2018	20,000	46,800
Total debt	**5.13%**	**5.75%**		**$ 71,353**	**$ 140,262**

The scheduled principal repayments and debt maturities are as follows:

(in thousands of U.S. dollars)	Revolving term credit facility	Convertible debentures	Total
2016	$ –	$ –	$ –
2017	–	–	–
2018	20,000	–	20,000
2019	–	–	–
2020	–	61,940	61,940
2021	–	–	–
2022 and thereafter	–	–	–
	20,000	61,940	81,940
Transaction costs (net of amortization)			(1,957)
Debenture discounts (net of amortization)			(8,630)
			$ 71,353

9. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables and accruals consist of amounts payable and accruals, income taxes payable, and interest payable, as follows:

(in thousands of U.S. dollars)	December 31, 2015	December 31, 2014
Accrued liabilities	$ 6,017	$ 5,567
Income taxes payable	–	10,485
Interest payable	1,604	2,270
Total	**$ 7,621**	**$ 18,322**

10. DERIVATIVE FINANCIAL INSTRUMENTS

The conversion and redemption options of the convertible debentures are combined pursuant to IAS 39, "Financial Instruments: Recognition and Measurement", and are measured at fair value at each reporting period using model calibration.

The conversion and redemption option components were valued using a binomial pricing model and then the valued amount was calibrated to the traded price of the underlying debentures. The valuation model uses market-based inputs including the spot price of the underlying equity, implied volatility of the equity, risk-free rates from the CAD swap curves and dividend yields related to the equity.

The valuation of the conversion and redemption components assumes that the debentures are held to maturity.

The fair value of the embedded derivative payable on the July 2012 debenture was measured up to each conversion date, and a fair value increase of $3,948 (C$5,465) was recognized, offset by a decrease of $2,845 due to foreign exchange revaluation. The fair value of the embedded derivative payable of $26,737 (C$31,903) was reclassified to share capital upon conversion and redemption of the debentures.

As at December 31, 2015, the fair value of the embedded derivative payable on the February 2013 debenture decreased by $2,676 (C$3,705), primarily as a result of a decrease in the price of the Company's stock in relation to the conversion price of the underlying debentures. The fair value of the embedded derivative was further daecreased by $2,135 due to foreign exchange revaluation, resulting in a fair value at December 31, 2015 of $8,376 (C$11,594). The total fair value loss on derivative financial instruments was $1,272 (C$1,760).

Refer to Note 7 – Fair Value Estimation for details of quantitative information used as inputs in measuring the fair value of the conversion and redemption options.

The assumed conversion of the debentures was dilutive in 2015; as a result, the shares issuable on conversion were included in the weighted average diluted shares outstanding for 2015. The comparative period in 2014 also included the impact of the assumed conversion.

The value attributed to each derivative financial instrument is shown below:

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD	CAD	USD	CAD	USD	CAD
December 31, 2015						
Derivative financial instruments – beginning of period	$ 22,789	$ 26,438	$ 13,187	$ 15,299	$ 35,976	$ 41,737
Fair value changes (based on market price)	3,948	5,465	(2,676)	(3,705)	1,272	1,760
Conversion of convertible debentures	(23,892)	(31,903)	–	–	(23,892)	(31,903)
Revaluation to period-end exchange rate	(2,845)	–	(2,135)	–	(4,980)	–
Derivative financial instruments – end of period	**$ –**	**$ –**	**$ 8,376**	**$ 11,594**	**$ 8,376**	**$ 11,594**

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD	CAD	USD	CAD	USD	CAD
December 31, 2014						
Derivative financial instruments – beginning of period	$ 28,559	$ 30,375	$ 15,597	$ 16,589	$ 44,156	$ 46,964
Fair value changes (based on market price)	(3,741)	(3,937)	(1,226)	(1,290)	(4,967)	(5,227)
Revaluation to period-end exchange rate	(2,029)	–	(1,184)	–	(3,213)	–
Derivative financial instruments – end of period	**$ 22,789**	**$ 26,438**	**$ 13,187**	**$ 15,299**	**$ 35,976**	**$ 41,737**

11. INCOME TAXES

(in thousands of U.S. dollars)

For the Years Ended December 31	2015	2014
Current income tax	$ 7,562	$ 14,090
Deferred income tax	3,014	4,484
Income tax expense	**$ 10,576**	**$ 18,574**

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:

(in thousands of U.S. dollars)

For the Years Ended December 31	2015	2014
Income before non-controlling interest and income taxes	$ 68,756	$ 117,824
Combined statutory federal and provincial income tax rate	26.50%	26.50%
Expected income tax expense	18,220	31,223
Tax rate differential (foreign tax rates)	475	671
Tax effects of		
Permanent differences[1]	(2,075)	(14,876)
Prior year adjustments associated with exit strategy changes[2]	(3,634)	–
Prior year adjustments	(2,643)	1,408
Other[3]	233	148
Income tax expense	**$ 10,576**	**$ 18,574**

(1) Permanent differences for 2015 are comprised of the following: (a) unrealized foreign exchange gains on conversion of consolidated subsidiaries that file income tax returns on a U.S. dollar basis; (b) the non-taxable portion of the unrealized gain recognized on the investment in Tricon American Homes; and (c) fair value change on the derivative.

(2) As a result of a change in the exit strategy for TAH and TLC, portfolio gains will be taxed at capital gains rates instead of ordinary income rates.

(3) Other adjustments includes revaluation due to change of presentation currency.

The expected realization of deferred tax assets and deferred tax liabilities is as follows:

(in thousands of U.S. dollars)	December 31, 2015	December 31, 2014
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	$ 11,282	$ 5,113
Total deferred tax assets	**$ 11,282**	**$ 5,113**
Deferred tax liabilities:		
Deferred tax liabilities reversing after more than 12 months	$ 20,600	$ 12,667
Total deferred tax liabilities	**$ 20,600**	**$ 12,667**

The movement of the deferred tax accounts was as follows:

(in thousands of U.S. dollars)	December 31, 2015	December 31, 2014
Change in net deferred tax assets (liabilities):		
Opening balance	$ (7,554)	$ (363)
Credit (charge) to the statement of comprehensive income	(3,014)	(4,484)
Other	1,250	(2,707)
Closing balance	**$ (9,318)**	**$ (7,554)**

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

(in thousands of U.S. dollars)	Long-term incentive plan accrual	Issuance costs	Net operating losses	Other	Total
Deferred tax assets					
At December 31, 2014	$ 1,782	$ 3,271	$ 60	$ –	$ 5,113
Addition/(reversal)	2,673	(1,650)	4,852	294	6,169
At December 31, 2015	**$ 4,455**	**$ 1,621**	**$ 4,912**	**$ 294**	**$ 11,282**

(in thousands of U.S. dollars)	Investments	Debentures	Deferred placement fees	Other	Total
Deferred tax liabilities					
At December 31, 2014	$ 11,379	$ 253	$ 983	$ 52	$ 12,667
Addition/(reversal)	7,986	(47)	46	(52)	7,933
At December 31, 2015	**$ 19,365**	**$ 206**	**$ 1,029**	**$ –**	**$ 20,600**

Tricon believes it will have sufficient future revenue to realize the future tax assets.

12. INTANGIBLE ASSETS

There were no impairments to placement fees and rights to performance fees during 2015 and 2014.

The intangible assets are comprised as follows:

(in thousands of U.S. dollars)	December 31, 2015	December 31, 2014
Placement fees	$ 2,471	$ 3,172
Rights to performance fees	250	313
Customer relationship intangible	5,788	6,688
Contractual development fees	22,018	26,498
Total intangible assets	**$ 30,527**	**$ 36,671**

Intangible assets represent future management fees, development fees and commissions that Tricon expects to collect over the life of the projects that the Johnson Companies LP manages. They are amortized by project over the estimated periods that the projects expect to collect these fees, which is approximately seven years for the fees receivable and lot development fees receivable.

The customer relationship intangible from Johnson represents the management fees, development fees and commissions that Tricon will collect from future projects. These are based on future projects which are a result of Johnson's existing customer relationships, and as such are considered to be definite-life intangibles.

For the Year Ended December 31, 2015	Opening	Additions	Amortization expense	Revaluation	Ending
Placement fees	$ 3,172	$ –	$ (690)	$ (11)	$ 2,471
Rights to performance fees	313	–	(63)	–	250
Customer relationship intangible	6,688	–	(900)	–	5,788
Contractual development fees	26,498	–	(4,480)	–	22,018
Intangible assets	**$ 36,671**	**$ –**	**$ (6,133)**	**$ (11)**	**$ 30,527**

For the Year Ended December 31, 2014	Opening	Additions	Amortization expense	Revaluation	Ending
Placement fees	$ 3,881	$ –	$ (700)	$ (9)	$ 3,172
Rights to performance fees	386	–	(73)	–	313
Customer relationship intangible	–	6,688	–	–	6,688
Contractual development fees	–	29,692	(3,194)	–	26,498
Intangible assets	**$ 4,267**	**$ 36,380**	**$ (3,967)**	**$ (9)**	**$ 36,671**

13. OTHER ASSETS

As at December 31	2015	2014
Office equipment	$ 529	$ 249
Leasehold improvements	299	295
Goodwill	219	219
Total other assets	**$ 1,047**	**$ 763**

There were no impairment charges in the years ended December 31, 2015 and December 31, 2014.

14. DIVIDENDS

(in thousands of dollars, except per share amounts)

				Dividend amount per share		Total dividend amount		Dividend reinvestment plan ("DRIP")	
Date of declaration	Record date	Payment date	Common shares outstanding	in C$	in US$[1]	in C$	in US$[1]	in C$	in US$[2]
March 10, 2015	March 31, 2015	April 15, 2015	90,431,078	$ 0.06	$ 0.05	$ 5,420	$ 4,281	$ 639	$ 516
May 11, 2015	June 30, 2015	July 15, 2015	90,533,290	0.06	0.05	5,438	4,351	806	623
August 13, 2015	September 30, 2015	October 15, 2015	104,211,647	0.06	0.04	6,253	4,668	965	748
November 11, 2015	December 31, 2015	January 15, 2016	112,037,851	0.06	0.04	6,722	4,857	1,365	940
						$ 23,833	**$ 18,157**	**$ 3,775**	**$ 2,827**
March 5, 2014	March 31, 2014	April 15, 2014	90,513,609	$ 0.06	$ 0.05	$ 5,431	$ 4,913	$ 799	$ 727
May 12, 2014	June 30, 2014	July 15, 2014	90,546,289	0.06	0.06	5,433	4,861	600	557
August 13, 2014	September 30, 2014	October 15, 2014	90,734,794	0.06	0.05	5,444	5,092	515	456
November 11, 2014	December 31, 2014	January 15, 2015	90,192,448	0.06	0.05	5,412	4,665	800	671
						$ 21,720	**$ 19,531**	**$ 2,714**	**$ 2,411**

(1) Dividends are issued and paid in Canadian dollars. For reporting purposes, amounts are translated to USD using the noon rate on the date of record.

(2) Dividends reinvested are translated to USD using the noon rate on the date common shares are issued.

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 are issued from treasury (or purchased on the open market) on the applicable dividend payment date and are 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 are 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.

For the year ended December 31, 2015, 318,615 common shares were issued under the DRIP (373,058 in 2014) for a total amount of $2,558 ($2,363 in 2014).

15. SHARE CAPITAL

(in thousands of dollars)	December 31, 2015 Number of shares issued	December 31, 2015 Share capital in US$[1]	December 31, 2015 Share capital in C$	December 31, 2014 Number of shares issued	December 31, 2014 Share capital in US$[7]	December 31, 2014 Share capital in C$
Beginning balance	90,192,448	$ 393,200	$ 456,148	90,276,953	$ 427,972	$ 455,191
Shares issued under DRIP[1]	318,615	2,558	3,210	373,058	2,363	2,741
Stock options exercised[2]	135,890	1,075	1,426	84,276	509	591
Shares issued for phantom units released from escrow[3]	112,434	528	691	192,361	1,278	1,483
Normal course issuer bid	(636,400)	(2,921)	(3,856)	(734,200)	(3,326)	(3,858)
Deferred share units exercised[4]	152,779	972	1,209	–	–	–
Debenture conversions[5,6]	8,604,085	$ 56,499	$ 75,384	–	$ –	$ –
Bought deal offering[7]	13,158,000	109,436	143,065	–	–	–
Revaluation to period-end exchange rate[8]	–	–	–	–	(35,596)	–
Ending balance	**112,037,851**	**$ 561,347**	**$ 677,277**	**90,192,448**	**$ 393,200**	**$ 456,148**

(1) In 2015, 318,615 common shares were issued under the DRIP at an average price of $8.03 (C$10.07) per share.

(2) In 2015, a total of 135,890 shares were issued for stock options vested and exercised at an average price of $7.91 per share (C$10.49).

(3) On August 17, 2015, 112,434 shares were issued for phantom units vested at $4.70 (C$6.15).

(4) In 2015, 152,779 deferred shared units (DSUs) were exercised at an average price of $6.36 (C$7.91).

(5) On November 30, 2015, the Company redeemed its outstanding 6.375% debentures due August 31, 2017 for $410 (C$547) and issued 55,308 common shares at $7.41 (C$9.89) per share. Prior to this date, $38,312 (C$51,128) of debentures were converted into 8,521,329 common shares at an average price of $4.50 (C$6.00) per share. Upon conversion, unamortized transaction costs and discounts totaling $6,339 (C$8,463) and the fair value of derivative financial instruments totaling $23,893 (C$31,903) were reclassified to share capital.

(6) In 2015, $223 (C$269) 5.6% debentures were converted to 27,448 common shares at an average price of $8.12 (C$9.80) per share.

(7) On August 18, 2015, the Company issued 13,158,000 common shares under a public offering of shares at $8.72 (C$11.40) per share for gross proceeds of $114,736 (C$150,001) resulting in net proceeds from the offering of approximately $109,436 (C$143,065).

(8) The 2014 opening balance was revalued at the period-end rate of $1.16 CAD/USD, and the 2015 opening balance was carried at the historical rate and not revalued.

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

As of December 31, 2015, the Company had 112,037,851 common shares outstanding (December 31, 2014 – 90,192,448).

16. JOHNSON DEVELOPMENT CORPORATION

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 balances within Johnson Development Corporation ("JDC"):

(in thousands of U.S. dollars)	December 31, 2015	December 31, 2014
Assets		
Cash	$ 2,000	$ 2,871
Amounts receivable	2,371	900
Intangible assets, net	27,805	32,800
Investments	43	194
Prepaid expenses	88	78
Fixed assets	125	68
Goodwill	216	216
Total assets	32,648	37,127
Liabilities		
Accrued expenses	1,347	1,063
Taxes payable	(714)	638
Total liabilities	633	1,701
Equity		
Contributed surplus	1,470	–
Tricon JDC LLC equity	18,468	18,569
Retained earnings	2,917	2,196
Distributions – Tricon	(4,810)	(2,104)
Distributions – NCI	(4,790)	(2,096)
Minority interest (Johnson Development Corp.)	18,760	18,861
Total equity	32,015	35,426
Total liabilities and equity	**$ 32,648**	**$ 37,127**

The following table summarizes the items within comprehensive income that relate to JDC:

(in thousands of U.S. dollars)	December 31, 2015	December 31, 2014
Contractual fees	$ 10,831	$ 10,466
Salaries and benefits	4,316	3,402
General and administration	477	357
Professional fees	55	278
Amortization	5,412	3,209
Total expenses	**10,260**	**7,246**
Income before taxes	571	3,220
Non-controlling interest at 49.9% (no tax)	$ 283	$ 1,607

During 2015, JDC paid dividends of $5,400 (2014 – $4,200), of which $2,695 related to non-controlling interest (2014 – $2,096).

(in thousands of U.S. dollars, except per share amounts and percentage amounts)

17. INCOME PER SHARE

BASIC

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

For the Years Ended December 31	2015	2014
Net income	$ 58,180	$ 99,250
Weighted average number of common shares outstanding	96,312,491	90,523,330
Adjustments for vested units	176,168	297,787
Weighted average number of common shares outstanding for basic earnings per share	96,488,659	90,821,117
Basic net income per share	**$ 0.60**	**$ 1.09**

DILUTED

Diluted income per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The Company has three categories of potential dilutive shares related to stock compensation: stock options, deferred share unit plan (see Note 18) and the convertible debentures (see Note 8). For the stock compensation, a calculation is 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, 2015) 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 vesting of the stock compensation arrangement and conversion of debentures.

Stock compensation

For the year ended December 31, 2015, the Company's stock compensation plans resulted in 1,527,161 dilutive share units (December 31, 2014 – 1,547,638) as the exercise price of the potential share units is below the average market share price of $8.27 (C$10.58) for the year.

Convertible debentures

For the year ended December 31, 2015, the Company's convertible debentures are dilutive (December 31, 2014 – dilutive), as debenture interest expense and the change in fair value of the derivative financial instruments, net of tax, would not result in an increased net income per share upon conversion.

For the Years Ended December 31	2015	2014
Net income	$ 58,180	$ 99,250
Adjustment for convertible debenture interest expense	8,145	9,150
Changes in fair value for financial instruments through profit or loss	935	(3,651)
Adjusted net income	$ 67,260	$ 104,749
Weighted average number of common shares outstanding	96,488,659	90,821,117
Adjustments for stock compensation	1,527,161	1,547,638
Adjustments for convertible debentures	16,459,031	17,388,010
Weighted average number of common shares outstanding for diluted earnings per share	114,474,851	109,756,765
Diluted income per share	**$ 0.59**	**$ 0.95**

18. INCENTIVE COMPENSATION ARRANGEMENTS

The breakdown of the annual incentive plan ("AIP") and long-term incentive plan ("LTIP") related to various compensation arrangements is as follows:

For the Years Ended December 31	2015		2014	
(in thousands of U.S. dollars)	AIP	LTIP	AIP	LTIP
Cash accrual	$ 3,956	$ 591	$ 2,765	$ 7,132
Phantom units	–	–	98	398
Deferred share units	2,637	1,478	1,844	2,430
Stock options	–	1,851	–	910
DRIP and revaluation loss (gain)	96	1,115	–	50
Total compensation expense	**$ 6,689**	**$ 5,035**	**$ 4,707**	**$ 10,920**

The changes to transactions of the various cash-settled and equity-settled arrangements during the year are detailed in the sections below.

CASH SETTLED

AIP – For the year, the Company accrued $6,593 in relation to the AIP, of which 60%, being $3,956 (2014 – $4,609), will be settled in cash. During the year, an amount of $3,036 was paid in relation to the current year accrual (2014 – $0); the remainder was paid in February 2016. The balance of the AIP accrual will be paid in DSUs, which will vest one year from the grant date.

On February 13, 2015, the Company paid $1,218 in relation to the 2014 AIP.

LTIP – A liability for cash-settled LTIP awards is accrued based on expected performance fees that would be generated from the fair value of the assets within each fund or separate account but disbursed only when such performance fees are earned and recognized as revenue. Changes in LTIP are primarily caused by changes to fair values of fund assets, which result from timing and cash flow changes at the project level of each fund and changing business conditions.

For the year, the Company accrued $591 in relation to cash settled LTIP (2014 – $7,132), which relates to expected performance fees from commingled funds (excluding THP1 US) and separate accounts/side-car investments that will be paid over pre-established vesting periods specific to each commingled fund or separate account/side-car commencing on the anniversary date of the award.

PHANTOM UNIT PLAN ("PUP")

On August 13, 2013, as a result of the crystallization of performance fees from the acquisition of the Company's 68.4% interest in the THP1 US limited partnership, 584,252 phantom units were granted on a fully vested basis and held in escrow to be released over three years on the anniversary date of the transaction. The Company estimated that 30% of the benefit value will be settled in cash to satisfy tax withholding requirements and accordingly, this cash-settled component is fair valued at each reporting period and resulted in $78 of expense for the year and is included in the revaluation loss.

DEFERRED SHARE UNITS ("DSUs")

AIP – For the year ended December 31, 2015, the Company accrued $2,637 in AIP expense (2014 – $1,844), representing approximately 40% of the 2015 AIP entitlement which will be granted in DSUs in February 2016, and will vest one year later. On February 13, 2015, 179,772 DSUs were granted at $7.99 (C$9.95) per unit in settlement of the 2014 AIP entitlement. The fair value of the DSUs on the grant date was $1,436 (C$1,789) and they vested on February 14, 2016.

LTIP – For the year ended December 31, 2015, the Company accrued $1,478 in LTIP expense relating to investment income from THP1 US that will be paid in DSUs vesting equally over a five-year period commencing on the anniversary date of each grant. Compensation expense related to the grants is recognized on a graded vesting basis and for the year is comprised of $845 relating to the current year entitlement and $633 relating to the prior-year entitlement. On February 13, 2015, 404,904 DSUs were granted at $7.99 (C$9.95) per unit under the 2014 DSU plan and will vest equally from 2016 to 2020.

STOCK OPTION PLAN

During 2015, the Company granted 1,741,500 options (2014 – 0). The weighted average fair value of options granted during the year was estimated to be $1.36 per option (2014 – $0.55) using the Black-Scholes option pricing model. The assumptions used in these valuation models include:

For the Years Ended December 31	2015	2014
Risk-free interest rate (%)	0.6	1.05
Expected option life (years)	3.6	0.7
Expected volatility (%)	21.17	21.72
Expected annual dividend ($)	0.24	0.24

Stock options were exercised regularly throughout 2015 and the average share price in 2015 was C$10.58.

For the year, the Company recorded $1,851 (2014 – $910) in relation to stock options compensation expense.

For the Years Ended December 31	2015		2014	
	Number of options	Weighted average exercise price (C$)	Number of options	Weighted average exercise price (C$)
Opening balance – outstanding	2,101,500	$ 6.48	2,541,500	$ 6.45
Granted	1,741,500	10.24	–	–
Exercised	(407,498)	6.27	(352,500)	6.20
Forfeited	(36,667)	7.19	(87,500)	6.71
Ending balance – outstanding	3,398,835	$ 8.42	2,101,500	$ 6.48

	2015		
Expiration date	Options outstanding	Options exercisable	Exercise price on outstanding options (C$)
March 16, 2020	721,500	1,500	$ 10.57
May 17, 2020	833,668	552,996	6.81
May 19, 2020	592,000	592,000	6.00
May 19, 2020	177,667	117,328	7.74
August 3, 2020	54,000	54,000	5.26
November 17, 2020	1,000,000	–	10.03
November 22, 2020	20,000	20,000	4.16
Total	**3,398,835**	**1,337,824**	**$ 8.42**

AIP liability is disclosed under the following balance sheet headings:

Balance sheets

(in thousands of U.S. dollars)	December 31, 2015	December 31, 2014
Amounts payable and accrued liabilities	$ 1,998	$ 2,197
Equity – contributed surplus	3,104	2,085
Closing balance – end of period	**$ 5,102**	**$ 4,282**

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

Balance sheets

(in thousands of U.S. dollars)	December 31, 2015	December 31, 2014
LTIP	$ 15,717	$ 17,854
Equity – contributed surplus	6,457	5,674
Closing balance – end of period	**$ 22,174**	**$ 23,528**

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 Years Ended December 31	2015	2014
Total salary and benefits	$ 5,655	$ 3,719
Total AIP	891	1,142
Total LTIP	7,084	6,703
Total key management compensation	**$ 13,630**	**$ 11,564**

19. SEGMENTED INFORMATION

Management has determined the operating segments based on the investment verticals that are managed by the Company. The main segments of the Company are: Private Funds and Advisory; and Principal Investing in Tricon Housing Partners ("THP"), Tricon American Homes ("TAH"), Tricon Lifestyle Communities ("TLC"), and Tricon Luxury Residences ("TLR"). The Company evaluates segment performance based on net income less interest expense, amortization, and income taxes and adjustments for certain unrealized and non-recurring items. For directly attributable revenues and expenses, the Company allocates amounts based on the segment wherein they are incurred. For non-directly attributable costs, the Company allocates amounts based on a percentage of revenue. Balance sheet items are specifically identified and allocated to the segment from which they originate.

The segmented income statement information is as follows:

(in thousands of U.S. dollars) For the Year Ended December 31, 2015	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 25,296	$ –	$ –	$ –	$ –	$ 414	$ 25,710
Investment income	–	18,753	57,746	97	(185)	–	76,411
	25,296	18,753	57,746	97	(185)	414	102,121
Expenses	18,518	11,267	6,695	19	301	7,141	43,941
Net Income (loss)	**$ 6,778**	**$ 7,486**	**$ 51,051**	**$ 78**	**$ (486)**	**$ (6,727)**	**$ 58,180**

(in thousands of U.S. dollars) For the Year Ended December 31, 2014	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 26,170	$ –	$ –	$ –	$ –	$ 39	$ 26,209
Investment income	–	65,452	76,863	307	–	–	142,622
	26,170	65,452	76,863	307	–	39	168,831
Expenses	15,071	17,694	21,676	50	–	15,090	69,581
Net Income (loss)	**$ 11,099**	**$ 47,758**	**$ 55,187**	**$ 257**	**$ –**	**$ (15,051)**	**$ 99,250**

The balance sheet segmented information is as follows:

(in thousands of U.S. dollars)

December 31, 2015	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
United States	$ 32,747	$ 298,024	$ 426,030	$ 19,153	$ 19,582	$ –	$ 795,536
Canada	2,448	9,893	–	–	–	18,649	30,990
Total assets	**$ 35,195**	**$ 307,917**	**$ 426,030**	**$ 19,153**	**$ 19,582**	**$ 18,649**	**$ 826,526**
United States	$ 11,028	$ (2,344)	$ 20,000	$ –	$ –	$ –	$ 28,684
Canada	7,922	–	59,729	–	–	32,189	99,840
Total liabilities	**$ 18,950**	**$ (2,344)**	**$ 79,729**	**$ –**	**$ –**	**$ 32,189**	**$ 128,524**

(in thousands of U.S. dollars)

December 31, 2014	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
United States	$ 36,996	$ 304,478	$ 344,170	$ 4,246	$ –	$ –	$ 689,890
Canada	11,525	14,928	–	–	–	3,381	29,834
Total assets	**$ 48,521**	**$ 319,406**	**$ 344,170**	**$ 4,246**	**$ –**	**$ 3,381**	**$ 719,724**
United States	$ 15,489	$ 17,264	$ 6,500	$ –	$ –	$ –	$ 39,253
Canada	26,608	7,083	138,950	–	–	17,852	190,493
Total liabilities	**$ 42,097**	**$ 24,347**	**$ 145,450**	**$ –**	**$ –**	**$ 17,852**	**$ 229,746**

20. 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. For the year ended December 31, 2015, the Company paid $87 in rental payments to Mandukwe, including realty taxes, maintenance and utility costs (2014 – $95).

TRANSACTIONS WITH RELATED PARTIES

The following table summarizes revenue earned from related parties including consolidated subsidiaries. These are contractual arrangements from investment funds managed by the Company, of which the Company is the general partner of the investment. In addition, the table includes investment income from related entities fair valued by the Company.

(in thousands of U.S. dollars)

For the Years Ended December 31	2015	2014
Contractual fees	$ 23,947	$ 24,341
General partner distributions	1,290	1,718
Performance fees	414	39
Interest income	59	111
Total revenue	**$ 25,710**	**$ 26,209**
Investment income – Tricon Housing Partners	$ 18,753	$ 65,452
Investment income – Tricon American Homes	57,746	76,863
Investment income – Tricon Lifestyle Communities	97	307
Investment income – Tricon Luxury Residences	(185)	–
Total investment income	**$ 76,411**	**$ 142,622**

BALANCES ARISING FROM TRANSACTIONS WITH RELATED PARTIES

The items set out below are included on various line items comprising the Company's financial statements.

(in thousands of U.S. dollars)	December 31, 2015	December 31, 2014
Receivables from related parties included in accounts receivable		
Contractual fees receivable from investment funds managed	$ 96	$ 578
Other receivables	2,082	733
Employee relocation housing loans[1]	963	806
Loans receivable from investment in associates and joint ventures	18,000	13,862
Long-term incentive plan	22,174	23,528
Annual incentive plan	6,666	4,282
Dividends payable to employees and associated corporations	290	306
Other payables to related parties included in amounts payable and accruals	333	215

(1) The employee relocation housing loans are non-interest bearing for a term of five years, maturing in 2019.

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 December 31, 2015 (December 31, 2014 – $nil).

21. 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. The risk management function within the Company is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk, concentration and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk and investing excess liquidity. Key financial risk management reports are produced frequently and provided to the key management personnel of the Company.

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 investment 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. At December 31, 2015, if interest rates at that date had been 10 basis points higher or lower with all other variables held constant, interest expense for the year would have been:

For the Years Ended December 31	2015		2014	
	10 bps increase	10 bps decrease	10 bps increase	10 bps decrease
Interest expense	$ 50	$ (50)	$ 155	$ (155)

Interest rate risk arises from the Company's financing arrangements (Note 8). Borrowings issued at variable rates expose the Company to cash flow interest rate risk. The Company does not have borrowings at fixed rates and therefore has no significant exposure to fair value interest rate risk.

(in thousands of U.S. dollars, except per share amounts and percentage amounts)

Foreign currency risk

The Company has exposure to monetary and non-monetary foreign currency risk due to the effects of changes in foreign exchange rates related to consolidated Canadian subsidiaries, investments in Tricon Housing Partners, Tricon Luxury Residences, and cash and debt in Canadian dollars held at the corporate level. A 1% increase or decrease in the Canadian dollar exchange rate would result in the following impacts to assets and liabilities:

Potential impact of foreign currency fluctuation

December 31, 2015	1% increase	1% decrease
Assets		
Investments – Tricon Housing Partners		
Canadian funds	84	(84)
Investments – Tricon Luxury Residences	38	(38)
	122	(122)
Liabilities		
Convertible debentures	513	(514)
Derivative financial instruments	84	(83)
	597	(597)

December 31, 2014	1% increase	1% decrease
Assets		
Investments – Tricon Housing Partners		
Canadian funds	112	(112)
Liabilities		
Convertible debentures	934	(935)
Derivative financial instruments	360	(360)
	1,294	(1,295)

The Company manages foreign currency risk by raising equity in Canadian dollars and by matching its principal cash outflows to the currency in which the principal cash inflows are denominated.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause 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. The Company manages this risk by:

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

The Company assesses all counterparties, including its partners, for credit risk before contracting with them. The Company's maximum exposure to credit risk is detailed in the table below. The Company does not include any collateral or other credit risk enhancers, which may reduce the Company's exposure.

At December 31, 2015, the Company's maximum exposure to credit risk was $18,000 (December 31, 2014 – $13,862). Through the equity portion of its investments, the Company is also indirectly exposed to credit risk arising on loans advanced by investees to individual real estate development projects.

The Company provides loans to land developers, which are represented as debt investments. The credit quality of these investments is based on the financial performance of the underlying real estate assets. For those assets that are not past due, it is believed that the risk of default is low, and the capital repayments and interest payments will be made in accordance with the agreed terms and conditions. No terms or conditions have been renegotiated.

As at December 31, 2015, the assets held by the Company are not past due or impaired (2014 – $nil).

For the year ended December 31, 2015, unrealized gains (losses) of $nil (2014 – $nil) are attributable to changes in credit risk of these debt instruments.

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 – Tricon Housing Partners, Tricon American Homes, Tricon Luxury Residences, and Tricon Lifestyle Communities balances:

Province/State	December 31, 2015	December 31, 2014
Canada		
British Columbia	$ 2,298	$ 4,008
Alberta	2,783	2,586
Ontario	7,101	4,571
USA		
California	275,310	266,651
Arizona	93,788	86,685
Florida	68,368	87,497
North Carolina	58,860	50,172
South Carolina	12,781	
Georgia	60,154	71,989
Nevada	46,863	48,189
Indiana	8,521	
Texas	131,719	43,191
	$ 768,547	**$ 665,539**

LIQUIDITY RISK

Liquidity risk is the risk that an entity will have difficulty in paying its financial liabilities as they fall due or can only do so on terms that are materially disadvantageous. Prudent liquidity risk management includes 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 Tricon American Homes. 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 by the Company's option, under the terms of the debentures, to settle the obligation with shares.

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

(in thousands of U.S. dollars) As at December 31, 2015	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	$ 7,621	$ –	$ –	$ –	$ 7,621
Dividends payable	4,857	–	–	–	4,857
Bank debt	20,000	–	–	–	20,000
Debentures payable	–	–	61,940	–	61,940
Total	**$ 32,478**	**$ –**	**$ 61,940**	**$ –**	**$ 94,418**

During 2015, the change in the Company's liquidity resulted in a working capital deficit of $17,355 (December 31, 2014 – deficit of $58,149). As of December 31, 2015, the outstanding debt was $20,000 (December 31, 2014 – $46,800).

The details of the net current assets (liabilities) are shown below:

(in thousands of U.S. dollars)	December 31, 2015	December 31, 2014
Cash	$ 4,493	$ 4,940
Amounts receivable	8,088	5,515
Prepaid expenses and deposits	2,542	1,183
Current assets	15,123	11,638
Accounts payable and accruals	7,621	18,322
Dividends payable	4,857	4,665
Net current assets (liabilities) before undernoted	2,645	(11,349)
Revolving credit facility	20,000	46,800
Net current liabilities	**$ 17,355**	**$ 58,149**

During the year ended December 31, 2015, the Company received distributions of $161,757 (2014 – $68,407) from its investments.

22. 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, 2015, the Company is in compliance with all bank covenants.

23. LEASE COMMITMENTS

The Company has three lease commitments on office premises. The lease on office premises located at 1067 Yonge Street is with Mandukwe Inc., a related party (see Note 20). The Company also leases office equipment. The future minimum payments are as follows:

(in thousands of U.S. dollars)

Lease	2016	2017	2018	2019	Total
Office equipment	$ 26	$ 24	$ 18	$ 14	$ 82
Office leases	238	238	171	28	675
	$ 264	**$ 262**	**$ 189**	**$ 42**	**$ 757**

24. WORKING CAPITAL CHANGES

(in thousands of U.S. dollars)

For the Years Ended December 31	2015	2014
Amounts receivable	$ (2,573)	$ (1,504)
Prepaid expenses and deposits	(1,359)	(701)
Amounts payable and accruals	451	1,428
Interest payable	(667)	273
Income taxes payable	(10,740)	6,930
	$ (14,888)	**$ 6,426**

25. 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, 2015 (December 31, 2014 – $nil).

26. VARIABILITY OF RESULTS

The nature of our business does not allow for consistent year-to-year 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 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 FVTPL may not be consistent from period to period.

27. COMMITMENTS

During 2015, the Company entered into a contract to purchase an office space in a commercial building under development, for $8.7 million. The new office will be used as the Company's head office upon completion. To date the Company has paid deposits of $1.6 million with remaining future deposits to be paid as follows:

(in thousands of U.S. dollars)	Amount
March 25, 2016	$ 146
Commencement of finishing period	437
At close	6,552
	$ 7,134

28. SUBSEQUENT EVENTS

On January 11, 2016, TLC purchased a portfolio of five age-restricted manufactured housing communities located in Phoenix, Arizona for a total purchase price of $34.3 million. The portfolio is comprised of 1,355 residential pads located in established residential submarkets. As part of the transaction, TLC assumed existing and obtained new non-recourse mortgage debt of $22.2 million with a nine-year remaining term and a 4.56% blended interest rate.

On January 19, 2016, Tricon closed on a $15.0 million land development investment in the southeast valley of Phoenix, Arizona. The investment is being made in partnership with a long-standing development partner of Tricon on an 85/15 ownership basis (Tricon/Partner).

On February 18, 2016, TLR Canada closed its second development opportunity in downtown Toronto, a 36-storey tower located immediately south of King Street West on Spadina Avenue. Tricon has partnered with a major Canadian pension plan to form a C$42.7 million separate account on an 80/20 basis (Investor/Tricon). The project is partly financed by a non-revolving loan of $17.4 million (C$23.8 million), which accrues interest at 2.95%.

On March 8, 2016, the Company declared a dividend of six and one half cents per share in Canadian dollars payable on April 15, 2016 to shareholders of record on March 31, 2016, following approval from the Board of Directors.

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