Tricon Capital Group
2012 Annual Report

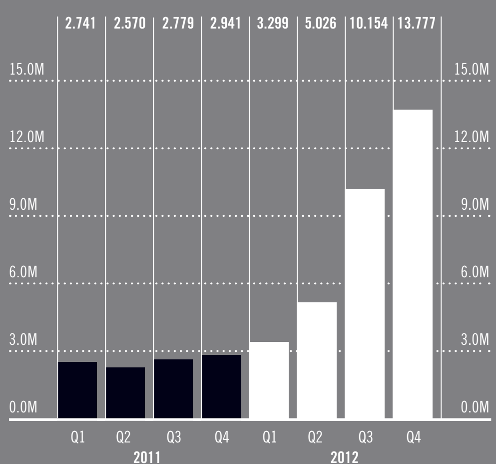
TRICON

Corporate Overview

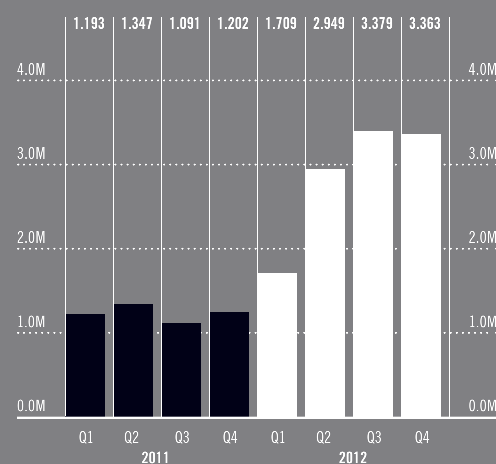
Founded in 1988, Tricon is one of North America's leading residential real estate investment companies with approximately $1.1 billion of third-party assets under management and a portfolio of nearly 2,000 U.S. single-family homes. Tricon provides financing to local operators or developers in select markets in the United States and Canada, with a primary focus on for-sale housing in growing markets. Since inception, Tricon has invested in approximately 150 transactions for development projects valued at more than $10 billion. More information about Tricon is available at www.triconcapital.com.

Key Metrics

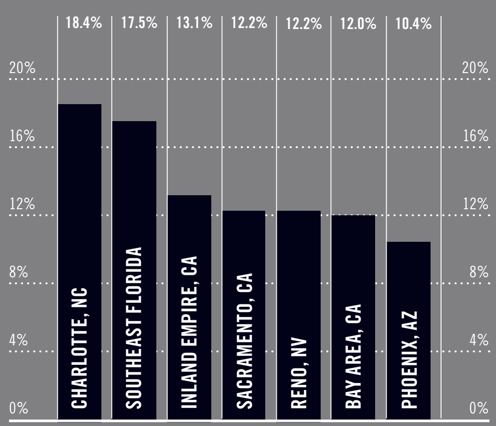
TOTAL REVENUES
($ MILLIONS)



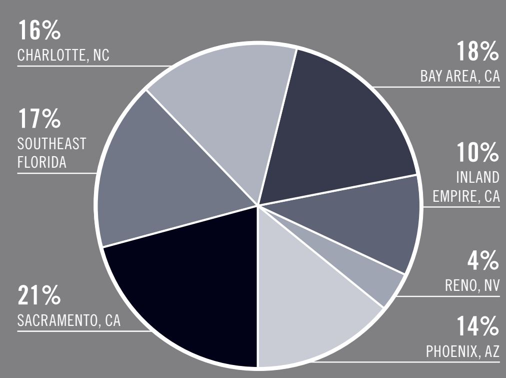
ADJUSTED EBITDA
($ MILLIONS)



U.S. Distressed
Single-Family Rental
AVERAGE GROSS YIELD BY MARKET



U.S. Distressed
Single-Family Rental
GEOGRAPHIC MIX BY MARKET
(BASED ON $ INVESTED)



Letter to Shareholders

Dear Fellow Shareholders:

2012 was an exciting year for Tricon, as reflected in our record earnings and the notable expansion of our operating platform. At the beginning of the year we were still in the fundraising process for Tricon XII, Tricon XI had not yet held a first close, we had yet to form our first separate account, and we were in the midst of exploring the US single-family rental strategy but had not yet acquired any homes.

However, as the year progressed, we surpassed a number of milestones: Tricon XII became our largest Canadian fund ever (more than doubling predecessor fund Tricon X), we raised approximately $250 million to acquire distressed U.S. land investments for Tricon XI and a separate account managed on behalf of a Canadian sovereign wealth fund and we built a portfolio of 1,500 U.S. single-family homes, which has since increased to nearly 2,000 — a number which should increase further as 2013 progresses. Furthermore, we continue to see significant opportunities for growth and I expect that 2013 will mark another milestone year for Tricon.

U.S. Asset Management Business

Over the past couple of years, we have consistently said that the US housing market would reach equilibrium in 2013 and an up cycle would then commence. More often than not our pronouncements were met with a degree of skepticism. However, during the second half of 2012, the media started reporting that the bottom had been reached and that the US housing industry was in recovery. As a result, we have seen strong demand from Wall Street for exposure to U.S. land and housing and are now beginning to see similar signs from pension funds and endowments.

During 2012 we announced a first close of US$125 million for our most recent distressed U.S. co-mingled land fund, Tricon XI, with a lead investor committing $100 million alongside Tricon's co-investment of US$25 million. In addition, we closed on a separate account investment, Cross Creek Ranch, which attracted a large institutional commitment of US$130 million alongside our US$14 million co-investment. We ended the year with several pension plans and endowments in the midst of due diligence for Tricon XI and we are also in pursuit of several marquee separate account opportunities. Accordingly I expect that over 2013 we will attract significant additional capital for our US land and housing strategy, demand which could manifest itself in the form of an enlarged Tricon XI, our current co-mingled fund, or dedicated separate accounts or both.

In terms of new investments made during 2012, Tricon XI committed approximately $100 million of capital to five projects, which are well positioned to take advantage of the recovering US housing market which, in turn, will

> “It is our hope that investors will come to view Tricon as a “one stop shop” for their needs, comforted by our disciplined, value added investment approach and continuous quest for superior, risk adjusted returns.”

ultimately translate into a significant increase in land and lot prices. Land is the residual element in the development process and, as such, when home prices increase the value of the underlying land increases at a much faster pace. The fund held five investments at year end, two in each of Phoenix and California and one in Dallas. In addition, Cross Creek Ranch has outperformed our initial expectations and is one of the strongest selling master-planned communities in the United States. Although this is a longer-term investment where true performance will be measured over many years, we are obviously pleased to be off to such a strong start.

Canadian Asset Management Business

In spite of a softening housing market, our Canadian asset management business continues to post strong returns, in part a result of what we believe to be cautious and careful underwriting of new investments and hands-on asset management of our existing portfolio. In March 2012, we announced the final close for our new Canadian co-mingled fund, bringing the total fund size to $196 million, nearly twice the size of its predecessor fund and our largest Canadian fund to date. We have made three investments in the fund, all of which are condominium developments, with two projects in suburban Vancouver (the “Metrotown Portfolio” in Burnaby and ”River Park Place” in Richmond) as well as one project in Toronto (“Massey Tower”, located in the downtown core near Yonge and Queen Streets). Sales for the three projects are generally in line with projections, which I believe is a result of our ability to choose differentiated projects which do not need to push the pricing envelope. Our historical Canadian portfolio also continues to perform well, in spite of the negative media surrounding the Canadian housing market and the Toronto condo market, in particular. In Toronto, for example, we are largely insulated from the negative news, as our projects are approximately 95% sold out at prices that, in aggregate, are meaningfully lower than today’s market prices and with significant purchaser deposits in place. As a result, we feel confident in our projected Canadian fund returns, the security of performance fees from these funds, particularly those from Tricon VIII and X, as well as the safety of the Company’s Canadian co-investments (which make up less than 10% of our total assets). Going forward, we remain cautious when deploying capital in Canada. However, we do believe that a market downturn could prove advantageous for the Company as undercapitalized developers may not be able to obtain the necessary construction financing for their projects, yielding opportunities for conservative, well-capitalized companies such as Tricon.

U.S. Single-Family Rental Platform

When we officially entered the US single-family rental market with a ~$50 million equity investment in April 2012, competition was extremely fragmented and there were essentially no dominant industry players. Subsequently, as we raised additional capital for the strategy (via offerings in July 2012, November 2012 and February 2013), this nascent business became a fully fledged institutional asset class with Tricon playing an active role in its emergence. At year-end, we owned 1,504 rental homes as well as 78 homes inventoried for sale, with the portfolio concentrated in markets which had suffered the largest price declines during the credit crisis of the late 2000’s, but which we believe are poised for above-average long-term growth as the US economy and housing market recover. Similar to our asset management business, we have built our platform in conjunction with local operating partners, each of whom is expected to acquire one-to-two homes per day, largely via foreclosure sales, short sales or through distressed MLS sales, so that they can carefully manage "throughput" and focus on operations. Notwithstanding our measured approach, we have been able to acquire a significant portfolio in a relatively short period of time and Tricon is now one of the top 10 owners in this "new" asset class. Our operating partners are seasoned veterans in this business and are focused not only on finding the best acquisition opportunities, but also in efficiently and effectively renovating and leasing the homes. This has resulted in Tricon having higher occupancy rates than our industry peers. We expect to see continued growth in our platform in 2013 and are working diligently to enhance our current returns with a low-rate credit facility. Over the longer term, I believe that this strategy will deliver strong annual returns to our investors, as well as meaningful appreciation of the underlying assets. With regard to the latter, most of our markets saw high single-digit or double-digit home price appreciation over the course of 2012 and John Burns, a leading real estate economist and consultant, projects that our target markets will generally see home price appreciation of between 22% and 43% from 2013 to 2017, which bodes well for our portfolio of homes.

Looking Ahead

As we look forward, our financial performance will continue to be driven by our asset management and principal investment businesses; however, our existing investment focus, namely the provision of equity capital for residential development and U.S. single-family rental, will expand to include other opportunistic and related residential investments. As an asset manager, we expect separate accounts, joint ventures and side car investments to play a more important role than our traditional co-mingled fund business in generating fee income over the longer term. Our principal investment business will continue to grow, but not to the detriment of our asset management business. In fact, we believe that a strengthened principal investment business with a number of residential platforms will actually enable us to accelerate AUM growth in the future as we broaden the range of our residential offerings to meet the needs of our institutional investors and use our balance sheet to warehouse investments until they are syndicated at the appropriate time.

Ultimately, when the public markets think of "Tricon", we want them to think of an "opportunistic residential real estate company"—a company that is both diversified and growth oriented. It is our hope that investors seeking exposure to residential real estate in general and the US housing recovery specifically, particularly in the short to medium term, will come to view Tricon as a "one stop shop" for their needs, comforted by our disciplined, value added investment approach and continuous quest for superior, risk adjusted returns. We are in the early innings of implementing this plan but are satisfied with the steps taken thus far. We believe that this is starting to be reflected in our recent stock performance and trading volume and are very appreciative of the support we have received from our board of directors, our shareholders and the analyst community. Our excellent results in 2012 could not have been achieved without the support and hard-work of both our management team and our staff—and, for this, I thank them. It is my belief that the vision, dedication and competence of our relatively young management team is without peer in our industry and I further believe that it is this team that will be instrumental in helping achieve our goal of adding significant value for both investors and shareholders in the years to come.

David Berman
Chairman and Chief Executive Officer

Toronto
30 April 2013

Corporate Governance

Sound corporate governance is essential to Tricon's effective operation and is fundamental for building and maintaining the confidence of investors, achieving strategic and operational plans, goals and objectives, as well as increasing shareholder value. Our Board of Directors is committed to ensuring that it has appropriate internal controls and corporate governance policies in place, as well as applying business ethics, compliance and a culture of integrity throughout the organization.

The Board's mandate is the stewardship of the Company. Its key responsibilities, generally through the Chief Executive Officer, include the following:

- Reviewing and approving the strategic plan and, in relation thereto, approval of an annual budget and capital plans;
- Reviewing and approving policies and processes generated by management relating to the authorization of major investments and significant allocations of capital;
- Supervising and evaluating senior management, including the appointment of the Chief Executive Officer, the Chair of the Board and the Lead Director of the Board, and ensuring that other executives are in place to ensure sound management of Tricon;
- Succession planning;
- Ensuring effective and adequate communication with shareholders, other stakeholders and the public, as well as maintaining records and providing reports to shareholders;
- Assessing its own effectiveness and that of its committees;
- Ensuring that Tricon has risk management systems, as well as appropriate internal controls and management information systems in place;
- Identifying and managing risk exposure;
- Ensuring strong business ethics, compliance and corporate governance, and creation of a culture of integrity throughout the organization; and
- Determining the amount and timing of dividends to shareholders.

Management Discussion and Analysis

of Financial Condition and Results of Operations

1. Introduction

This Management Discussion and Analysis ("MD&A") at December 31, 2012 is provided as of March 12, 2013. It should be read in conjunction with the audited consolidated financial statements, including the notes thereto, of Tricon Capital Group Inc. ("Tricon" or the "Company") for the year ended December 31, 2012 (additional information relating to the Company is available at www.sedar.com) and the audited consolidated financial statements for the year ended December 31, 2011. The audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), consistent with the year ended 2011 and are presented in Canadian dollars.

1.1 Forward-Looking Statements

This MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe", "anticipate", "estimate", "plan", "expect", "intend", "may", "project", "will", "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risk and uncertainties. Many factors could cause our actual results, performance or achievements to be materially different from any future forward-looking statements. Factors which may cause such differences include, but are not limited to, general economic and market conditions, investment performance, financial markets, legislative and regulatory changes, technological developments, catastrophic events and other business risks. The reader is cautioned against undue reliance on these forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, we cannot assure that actual results, performance or achievements will be consistent with such statements.

1.2 Overview

Tricon is an asset manager and principal investor focused primarily on the for-sale housing sector. As an asset manager, we manage private funds and separate investment accounts which participate in the development of real estate in North America by providing financing (generally in the form of participating loans which consist of a base rate of interest and/or a share of net future cash flow) to developers. The Company focuses specifically on residential land development, single-family homebuilding and multi-family construction as well as retail development done in conjunction with residential projects.

As a principal investor, we co-invest in our private fund and separate account business and have a U.S. single-family rental platform whereby we acquire, renovate, sell, lease and manage distressed single-family homes through a network of "best in class" local operating partners. The Company believes that U.S. single-family homes can be purchased at meaningful discounts to peak pricing and replacement cost and even to current retail pricing through foreclosure, short and bank REO ("real estate owned") sales and that the Company will generate attractive risk-adjusted yields from the rental, sale and future appreciation of these properties.

We measure the success of our business by employing several key performance indicators which are not recognized under IFRS. These indicators should not be considered an alternative to IFRS financial measures such as net income. Non-IFRS financial measures do not have standardized definitions prescribed by IFRS and are therefore unlikely to be comparable with other issuers or companies. The performance indicators used by the Company are defined in section 1.3 below.

1.3 Metrics of Our Business (Including Non-IFRS Financial Measures)

As an asset manager, our financial success is dependent upon our ability to attract investors to our private funds and separate account business and to select successful, high-return projects or investments for such funds or accounts. The management of these funds and separate investment accounts currently produces three main revenue streams: Contractual Fees, General Partner Distributions which are not contingent on the performance of the funds, and Performance Fees.

Contractual Fees are based on the capital committed to the funds and/or separate investment accounts during their respective Investment Periods. Thereafter, they are typically calculated on the lesser of: (i) the funds' capital commitment, and (ii) invested capital. Contractual Fees decline over time once the Investment Period expires and investments are realized.

General Partner Distributions are based on prescribed formulas within a fund's Limited Partnership Agreement and decline over time as investments are realized.

Performance Fees are also based on prescribed formulas within a fund's Limited Partnership Agreement and are earned after repayment to the limited partners of their capital and a predetermined preferred return. In the case of both funds and syndicated investments, Performance Fees are calculated and paid on each distribution subsequent to repayment of investor capital and the predetermined preferred return and are therefore largely earned towards the end of the fund's term. Performance Fees are largely dependent on investment performance and are only recognized when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company.

As a principal investor and co-investor into our private fund and separate account business, we generate Investment Income that is earned from (i) investing the Company's cash balances into "warehoused" investments that will be offered to new funds upon their formation, (ii) investing directly into new funds or co-investing alongside investments within those funds or into separate investment accounts and (iii) investing directly into projects or partnerships other than those described in (i) and (ii). In this regard, the Company has committed US$25 million to U.S. distressed fund Tricon XI, L.P ("Tricon XI"), $20 million to Canadian fund Tricon XII Limited Partnership ("Tricon XII"), and invested approximately US$14.4 million into the Cross Creek Ranch separate account. The Company will earn its pro-rata share of income from these investments, including fair value adjustments, although it does not expect Investment Income from these investments to be a significant contributor to Total Revenues until the cash balances are substantially invested into the new funds/partnerships and the new funds/partnerships commence investing into underlying projects.

Interest Income is earned on direct investments made via loans to projects and on short-term and long-term investments of funds waiting to be deployed.

Additionally, starting in Q2 2012, the Company earns Rental Revenue and Revenue from Inventory Homes Sold from its investment in its U.S. distressed single-family rental strategy whereby the Company acquires, renovates, sells or leases and manages a geographically scattered single-family rental portfolio through a network of partnerships with local operating partners. Rental Income will be generated from residential properties purchased and held long-term for rent. Revenue from Inventory Homes Sold will be generated by select properties purchased on an opportunistic basis specifically for the purpose of a quick turnaround. Inventory Homes tend to be higher end properties located in middle class or higher income areas that will be renovated and sold within six months. Rental Revenue from our U.S. single-family rental platform is expected to become a significant component of the principal investment business and the Company's earnings as our investment in the strategy grows and the rental properties are stabilized. Net income from the single-family rental portfolio is expected to increase materially in 2013.

Assets Under Management (**"AUM"**) is a key measure for evaluating Contractual Fees and General Partner Distributions. From time to time, new as well as existing investors, primarily institutional and a small proportion of high net worth investors, provide capital commitments to new Tricon-managed funds thereby increasing our AUM. In addition, investments in projects that are too large or investments that might lead to a heavy geographic or developer concentration in a fund are syndicated to existing institutional and/or high net worth investors and/or third parties, and such syndicated commitments also increase AUM. It should be noted that these syndicated commitments are above, or in addition to, commitments already made to the funds. Any investments too large to fit into a fund and/or which do not meet an active fund's investment criteria will be managed outside of funds as a "side-car" investment and/or a separate investment account and will increase AUM. After the expiry of the Investment Period, AUM decreases as fund capital and/or syndicated commitments and/or separate investment accounts are paid down through investment realization. Additionally, any investments in single-family homes will increase AUM and any sale of U.S. rental property will decrease AUM.

For reporting purposes, **AUM** is defined as (i) capital commitments by investors in funds (including syndicated/sidecar investments and separate accounts) managed by Tricon that are paying Contractual Management Fees and/or General Partner Distributions; and (ii) direct investments made by the company using its own debt or equity. The calculation of AUM varies by investment vehicle, namely:

a) Funds: During a fund's investment period, AUM is equal to a fund's capital commitment. After the expiry of a fund's investment period, AUM is calculated as the lesser of (i) a fund's capital commitment; and (ii) a fund's invested capital plus unfunded commitments.
b) Syndicated/sidecar investments and separate accounts: AUM is equal to invested plus unfunded capital commitments less realized value.
c) Balance sheet investments: AUM is equal to fair market value.

Other key Company performance measures are "EBITDA", "Adjusted Base EBITDA" and "Adjusted EBITDA", and "Adjusted Net Income" with the second and third being the most relevant when evaluating overall performance. The Company has also recently added Funds From Operations ("FFO") and Adjusted Funds From Operation ("AFFO") metrics, with the latter being more relevant, given the increasing prevalence on income producing real estate assets on the Company's balance sheet.

Base Revenues are defined as all income and fees earned other than Performance Fees, while **Adjusted Base Revenues** are Base Revenues less Non-Recurring and Non-Cash items.

EBITDA refers to Earnings before Interest Expense, Income Taxes, Depreciation and Amortization. EBITDA is a standard measure used in our industry by management, investors and investment analysts in understanding and comparing results. We believe this to be an important measure in assessing our ongoing business performance since it will provide a consistent business performance metric over time.

Adjusted Base EBITDA refers to EBITDA adjusted for Performance Fees, the Performance Fee-Related Bonus Pool and Non-Recurring items of the business. This is intended to provide a consistent business performance metric over time.

Adjusted EBITDA refers to Adjusted Base EBITDA plus Performance Fees earned less the Performance Fee-Related Bonus Pool.

Adjusted Net Income refers to Adjusted EBITDA after Amortization Expenses, Interest Expense and Provision for Income Taxes.

Funds From Operations ("FFO") refers to Comprehensive Income (Loss) before Deferred Tax Expense, Net Change in Fair Value of Derivatives, Non-Controlling Interests, Fair Value Adjustments on Investment Properties, Impairment on Inventory Homes and Amortization Expense.

Adjusted Funds From Operations ("AFFO") refers to FFO adjusted for Non-Recurring and Non-Cash Adjustments after Taxes, and "capex" or capital renovation reserves, if any.

In management's opinion, the Adjusted Base EBITDA, Adjusted EBITDA, Adjusted Net Income and AFFO figures are the most useful measures of our performance as they exclude Non-Recurring and Non-Cash Items, including a significant Long Term Incentive Plan ("LTIP") expense and Net Change in Fair Value of Derivative amount. Please see section "3.2 Adjusted Financial Information" below for adjusted results and section "3.3 Comprehensive Income (Loss)" for unadjusted or IFRS results and for reconciliation and explanation of adjustments made to IFRS measures.

In terms of its U.S distressed single-family rental platform, the Company believes that Single-Family Rental Gross Operating Income, Gross Yield and Capitalization Rate are important for evaluating its buy and hold rental portfolio and the Return on Investment metric is relevant for evaluating its inventory for sale or Inventory Homes. These metrics are determined as follows:

Single-Family Gross Operating Income ("SFGOI") refers to gross rent less operating expenses such as property management, property taxes, insurance, utilities and all other direct property expenses plus gross revenue from homes sold less cost of homes sold and selling costs. For clarity, SFGOI does not include asset management fees or performance fees paid to the Company's single-family rental operating partners, Fair Value Adjustment on Investment Properties, and Impairment on Inventory Homes.

Single-Family Net Operating Income ("SFNOI") refers to SFGOI less asset management fees or performance fees paid to the Company's single-family rental operating partners, plus fair value adjustments on the investment properties and impairment on inventory homes.

Capital Invested is the aggregate of a home's purchase price, closing costs associated with its purchase and the cost of upfront improvements (including those incurred during the renovating/upgrading process).

Gross Yield for a property refers to its gross rent divided by its Capital Invested.

Capitalization Rate for a rental property is defined as its SFGOI divided by its Capital Invested.

Return on Investment on Inventory Homes sold refers to the net realized proceeds on disposition divided by the Capital Invested.

2. Highlights

2.1 Operations

- Total Adjusted Base Revenues for the quarter ended December 31, 2012 ("Q4 2012") increased by 344% from $3,023,000 to $13,433,000 when compared to quarter ended December 31, 2011 ("Q4 2011) primarily as a result of the contributions from Tricon's new single-family home strategy, investment income and Contractual Fees from the Cross Creek Ranch investment. Total Adjusted Base Revenues for the year ended December 31, 2012 ("2012") increased by 178% to $31,829,000 when compared to the year ended December 31, 2011 ("2011") for the same reasons.
- As a result, Adjusted Base EBITDA for Q4 2012 increased by 179% from $1,202,000 to $3,357,000 and Adjusted Base EBITDA for the year ended 2012 increased by 143% from $4,678,000 to $11,353,000 in comparison to 2011. Adjusted EBITDA for Q4 2012 increased similarly by 180% from $1,202,000 to $3,363,000 and for the year ended 2012 increased by 136% from $4,833,000 to $11,400,000 from the corresponding 2011 period.
- Similarly, Adjusted Net Income for Q4 2012 was $846,000, approximately 39% or $238,000 higher than the $608,000 earned in Q4 2011. Adjusted Net Income for the year ended 2012 was $5,641,000, approximately 122% or $3,102,000 higher than the $2,539,000 earned in 2011. As a result, Adjusted Basic and Diluted Earnings per Share for the year ended 2012 increased to $0.20 compared to $0.14 earned for the corresponding period in 2011.
- The Company's U.S. single-family platform, launched in Q2 2012, has generated Single-Family Net Operating Income of $747,000 and $1,315,000 for Q4 2012 and for the year ended December 31, 2012, respectively, from both the sale of Inventory Homes and income from rental properties. Average Gross Yield for the portfolio is approximately 14%, above the Company's target levels as a result of the recent Charlotte portfolio acquisition. Single-Family Gross Operating Income margin for the year was 53% and is expected to improve through 2013 as the portfolio stabilizes.
- During the quarter ended December 31, 2012, 981 homes were purchased increasing the housing portfolio to 1,582 homes, of which 1,504 homes were rental stock and 78 homes were inventoried for sale. The occupancy rate of the rental portfolio at the end of the year was approximately 69% (higher than expected as a result of the acquisition in the last week of 2012 of the substantially leased Charlotte portfolio). The occupancy rate for homes owned 6 months or longer was in excess of 95%.
- During the course of 2012, the Company acquired 128 homes for renovation and sale. 28 of these Inventory Homes were sold in Q4 2012 bringing the total sold for the year to 50. The gross profit margin was approximately 8%, which equates to a 32% annualized non-compounded return.

- AUM for the year ended December 31, 2012 was $1.1 billion – approximately $62.1 million higher than September 30, 2012 and approximately $151.3 million higher than December 31, 2011. This increase resulted from the higher capital deployed to the U.S. single-family rental strategy, the initial close of Tricon XI, the final close of Tricon XII and the new Cross Creek separate account, offset by run-off from the older funds.

2.2 Subsequent Events

- On January 1, 2013, the Company combined its rental subsidiary interests into a single entity which was renamed Tricon American Homes LLC. On January 18, 2013, this entity qualified as a U.S. real estate investment trust ("REIT).
- On February 25, 2013, the Company completed a 5.60% convertible debenture offering, for gross proceeds of $75,000,000 and on March 5, 2013, the Company completed the related over-allotment option for gross proceeds of $11,000,000. The Company plans to use the net proceeds from the offering of approximately $81,910,000 primarily for its U.S. single-family home rental strategy.
- On March 12, 2013, the Board of Directors declared a dividend of 6 cents per share to shareholders of record on March 31, 2013 payable on April 15, 2013.

3. Financial Review

Set out below is a comparative review of financial results for the year ended December 31, 2012 with those for the three months and year ended December 31, 2011 and should be read in conjunction with the audited consolidated financial statements.

3.1 Balance Sheet Items

During the quarter, the Company's assets increased as a result of the $59.6 million common share offering completed in December 2012. Proceeds from the offering have been allocated to the single-family rental strategy. The liabilities are discussed in greater detail below following the discussion on assets/investments.

(ROUNDED TO NEAREST THOUSANDS OF DOLLARS)	DECEMBER 31, 2012	DECEMBER 31,2011
Total Assets	$ 239,689,000	$ 57,030,000
Total Liabilities	98,394,000	11,017,000
Equity	$ 141,295,000	$ 46,013,000

3.1.1 Total Assets

Assets	DECEMBER 31, 2012	DECEMBER 31,2011
Cash, Cash Equivalents, Short-term and Long-term Investments Available for Investment	$ 42,415,000	$ 41,998,000
Investment Properties and Inventory Homes (1)	154,147,000	–
Investments Warehoused for Tricon XI	–	7,797,000
Investment in Tricon Funds	17,283,000	168,000
Investment in Cross Creek Ranch	14,043,000	–
Other Current and Non-Current Assets, Intangibles and Deferred Tax Assets	11,801,000	7,067,000
Total Assets	$ 239,689,000	$ 57,030,000

(1) Includes Non-Controlling Interests.

Cash Available for Investment

During the quarter, after deducting offering expenses, the Company received net proceeds of approximately $57.3 million from its common share offering in December 2012. Cash held in operating cash accounts, short-term and long-term investments are being held to satisfy the Company's commitments to funds Tricon XI and XII and to finance the growth of our U.S. distressed single-family rental housing platform. The warehoused assets previously held by the Company were sold in Q3 2012 to Tricon XI on the initial close of the fund as per the terms of the limited partnership agreement. The Company committed US$25 million to U.S. distressed fund Tricon XI, of which US$7.9 million was advanced to the fund during the quarter and US$11.1 million during the 2012 year. In addition, $20 million has been committed to Canadian fund Tricon XII, of which approximately $6.0 million had been advanced by the end of 2012. During the quarter, US$53.5 million was advanced to the U.S. single-family rental partnerships, increasing direct rental AUM to US$141.1 million at year end 2012.

Properties Held for Rent and Sale

As originally described in the Company's short form prospectus dated April 24, 2012 filed in connection with the April Share Offering, the Company has entered the U.S. distressed single-family home rental market through a network of local operating partners it views as "best in class" which have started to acquire, renovate, lease and manage homes in their respective markets.

When taking into account available proceeds from its April and December 2012 Share Offerings and the July 2012 and February 2013 Convertible Debenture Offerings as well as capacity for property level debt, the Company expects to invest approximately $300 to $400 million into the U.S. distressed single-family rental sector by the end of 2013.

During the quarter, as described in the press release dated January 3, 2013, the Company entered the Charlotte single-family rental market through its partnership with Lake Success Living ("Lake Success") which already operates in Southeast Florida (Miami-Dade, Broward and Palm Beach Counties) and has been operating in the distressed single-family and multi-family rental businesses since 2009 and specifically in Charlotte since mid 2012. Additionally, as described in the press release dated January 3, 2013, the Company closed on a new partnership in Los Angeles County with Turnstone, LLC, a company that has been active in the single-family rental and for-sale sectors since 1997 and is known for its well defined geographic focus, acquisition expertise and renovation acumen. The new partnership began acquiring homes in early 2013.

At the end of Q4 2012 the Company had advanced US$141,087,000 to its four operating partnerships, with operating partner co-investment of US$11,922,000, for a total capital investment of US$153,009,000. This amount, when combined with borrowings at the partnership level of $8,161,000 and working capital of US$6,154,000 held by the various partners to enable the closing of pending and new transactions, resulted in approximately US$155,016,000 ($154,147,000 Canadian equivalent) being invested into 1,632 homes, with 1,504 held for rental purposes and 128 acquired for sale (Inventory Homes); of the 128 Inventory Homes purchased, 50 have been sold, leaving the Company with a portfolio of 1,582 homes at year end. Please see "Section 6. Rental Information" below for further detailed information on the single-family rental strategy.

(IN US DOLLARS ROUNDED TO THOUSANDS)

				INVESTMENTS[2]					
OPERATING PARTNER	GEOGRAPHY	TOTAL CAPITAL INVESTED[1]	BORROWINGS	RENTAL	UNDER RENOVATION	INVENTORY HOMES[3]	TOTAL	TOTAL UNITS ACQUIRED	UNITS SOLD
29th Street Capital	Sacramento	$ 31,667,000	$ 6,662,000	$ 21,876,000	$ 8,097,000	$ 6,110,000	$ 36,083,000	321	35
McKinley Partners	San Francisco Bay, Inland California, Reno	42,912,000	1,499,000	20,984,000	22,075,000	767,000	43,826,000	293	–
Casa Vista	Phoenix	25,855,000	–	16,208,000	3,342,000	4,993,000	24,543,000	213	14
Lake Success	Southeast Florida, Charlotte	52,575,000	–	38,548,000	8,932,000	3,084,000	50,564,000	805	1
Total		**$153,009,000**	**$ 8,161,000**	**$ 97,616,000**	**$ 42,446,000**	**$ 14,954,000**	**$ 155,016,000**	**1,632**	**50**

Notes:

1. Cash advanced by limited partner and general partner to the single-family rental partnerships.
2. Investment balances are presented at cost as of year-end.
3. Inventory Homes are homes purchased on an opportunistic basis specifically for resale.

Investments Warehoused for Tricon XI

The Company's investment in assets warehoused for Tricon XI was sold to the fund on its initial close in September 2012. These investments, which in aggregate amounted to US$13.7 million along with formation costs and operating expenses, were transferred to the fund for net proceeds of US$14.8 million.

Investments in Tricon Funds

The Company has committed US$25,000,000 to US fund Tricon XI and $20,000,000 to Canadian fund Tricon XII. At Q4 2012, the Company had funded US$11,137,000 and $6,028,000 to Tricon XI and Tricon XII, respectively, resulting in unfunded commitments of US$13,863,000 and $13,972,000, respectively. The balance of the commitment should be funded over the next 2-3 years as Tricon XI and Tricon XII make additional investments. At the end of Q4 2012, the fair value of the investment in Tricon XI was $11,397,000 (US$11,455,000) and in Tricon XII was $5,827,000 – a not unexpected result as the Company's funds typically incur (start-up) losses or nominal income in their formative years.

Investment in Cross Creek Ranch

During the quarter, the Company continued to manage the Cross Creek Ranch separate investment account for a large Canadian institutional investor. Tricon has committed approximately 10% (or US$14.4 million) of the required capital to the Project, with the balance being committed by Tricon's institutional partner and the developer of the Project. The Company's commitment consists of an equity component of US$5.4 million and a loan commitment of US$9.0 million. At December 31, 2012, the Company had advanced US$12.5 million in aggregate for this transaction. In December 2012 a cash income distribution of approximately US$1.0 million was received from the project. At year ended 2012, the Company's investment in the Cross Creek project consisted of a loan of $7,429,000 (US$7,468,000) and an equity component fair value of $6,614,000 (US$6,600,000), including a fair value adjustment of $1,957,000 (US$1,967,000), for a total of $14,043,000.

Cross Creek Ranch ("Cross Creek") is an active 3,200-acre master-planned community in Houston, Texas with 4,775 residential lots which will be sold to homebuilders as well as 238.4 acres of commercial land which will also be marketed for sale to commercial developers. Although still in the very early stages, the project appears to be meeting or exceeding our expectations. The project is expected to produce a net IRR to the Company of 22.5% plus fees.

3.1.2 Total Liabilities

Liabilities	DECEMBER 31, 2012	DECEMBER 31,2011
Bank Debt [1]	$ 6,298,000	$ –
Derivative Financial Instruments	23,921,000	–
Debentures Payable	33,756,000	–
Borrowings	**63,975,000**	**–**
Current Liabilities	11,203,000	2,041,000
Non-Controlling Interest	11,496,000	–
Long-Term Incentive Plan and Deferred Income Tax Liabilities	11,720,000	8,976,000
Total Liabilities	$ 98,394,000	$ 11,017,000

(1) Includes non-current portion of bank debt only.

Borrowings

The Company secured a US$10 million credit facility from Opus Bank during 2012 through its Sacramento single-family rental partnership, 29th Street Capital, of which US$6.3 million was advanced by year end 2012. The 29th Street Capital credit facility has a fixed annual interest rate of 5% with interest only payable monthly to March 1, 2018.

The Company completed a convertible debenture offering in July 2012 for $51.75 million at an annual interest rate of 6.375%, payable semi-annually at the end of February and August. Net proceeds from the convertible debenture amounted to approximately $49 million. Due to the conversion and redemption options available within the bond, the bond fair value has been bifurcated between a "bond payable" amount of $32.75 million (net of offering costs of $2.75 million) and an "embedded derivative payable" of $16.25 million. The embedded derivative is fair valued on a quarterly basis through an adjustment to the income statement. At December 31, 2012, the fair value of the Derivative Financial Instrument was $23,921,000 and the amortized Debenture Payable was $33,756,000 for a total of $57,677,000 (compared to the $51,750,000 plus accrued interest of $1,379,000 owing under the facility).

During the quarter, the Company entered into a 3 year term facility and a demand facility with the Royal Bank of Canada for a combined operating line of $15 million. The interest rate ranges between prime plus 2% to prime plus 2.5% depending on certain quarterly financial covenants. No funds were drawn under this facility at December 31, 2012.

Current Liabilities

Current liabilities for the year ended 2012 increased over 2011 as a result of the following: (i) single-family rental payables outstanding for renovation expenditures which did not exist at the end of 2011, (ii) the Company issued an additional 12,937,500 common shares in April 2012 and 10,447,500 common shares in December 2012 more than doubling dividends payable, (iii) higher income taxes payable as a result of increased income earned, and (iv) interest expense payable on convertible debentures.

The Company secured a US$5 million demand facility through its San Francisco Bay Area rental partnership, McKinley, of which US$1.5 million was drawn at the end of the year. The demand credit facility has fixed annual interest rate of 4.25% with interest only payable for the first year and thereafter fixed blended payments of US$26,000 per month (assuming demand facility has been fully drawn) with interest based on the Wall Street Journal Prime Rate plus 1.5%.

Non-Controlling Interest

The single-family rental operations have been consolidated by the Company and the Non-Controlling Interest ("NCI") represents the interest owned by the single-family rental operators of $11,496,000 (US$11,555,000). The NCI value is calculated on a liquidation basis by running the total value of single-family rental assets through the waterfall calculations outlined in the limited partnership agreements.

3.2 Adjusted Financial Information

The following pro-forma information reflects how the Company evaluates its on-going performance. Accordingly, management has prepared the Pro-Forma Adjusted Financial Information set out below to generate the key business performance metrics of Adjusted Base EBITDA, Adjusted EBITDA, Adjusted Net Income and AFFO. In preparing these, management has eliminated Non-Recurring and Non-Cash Items (in particular, accrued LTIP expenses, Net Change in Fair Value of Derivative, Stock Compensation Expense as well as other Non-Recurring Expenses as shown in section "3.3 Comprehensive Income (Loss)" below).

	AS AT			INCREASE (DECREASE)	
	DECEMBER 31, 2012	SEPTEMBER 30, 2012	DECEMBER 31, 2011	QUARTER	YEAR TO DATE
Assets Under Management	$ 1,115,433,000	$ 1,053,312,000	$ 964,108,000	$ 62,121,000	$ 151,325,000

AUM increased in Q4 2012 and for the year ended 2012 in comparison to year-end 2011 primarily as a result of: (i) increased direct investment in U.S. single-family rental properties of $141.1 million throughout 2012, (ii) the Cross Creek separate account assets of $143.3 million acquired in Q2 2012, (iii) an increase from the initial close of Tricon XI with commitments of US$125 million which took place in Q3 2012 and the final close of Tricon XII which took place in Q1 2012 with total commitments of approximately $196 million; which were offset by (iv) the removal of funds VI and VII due to the completion of their respective fee generating terms on September 15, 2012 thereby reducing AUM by $300.9 million, and (v) foreign exchange fluctuations. The U.S. dollar was equal to CA$0.9949 at December 31, 2012 compared to CA$0.9832 at September 30, 2012 and CA$1.017 at the end of December 31, 2011. Note that AUM for December 31, 2011 was revised from the amount previously shown for comparative purposes to include unfunded project commitments of $20,301,000.

Selected Income Statement Information

(ROUNDED TO THE NEAREST THOUSAND)	FOR THE THREE MONTHS ENDED DECEMBER 31 2012	2011	VARIANCE	FOR THE YEAR ENDED DECEMBER 31 2012	2011	VARIANCE
Contractual Fees	$ 2,197,000	$ 2,315,000	$ (118,000)	$ 9,985,000	$ 9,132,000	$ 853,000
General Partner Distribution Tricon XII	743,000	527,000	216,000	3,630,000	1,631,000	1,999,000
Investment Income (Loss)	2,318,000	–	2,318,000	2,594,000	–	2,594,000
Rental Revenue	1,504,000	–	1,504,000	2,291,000	–	2,291,000
Fair Value Adjustment on Investment Properties	254,000	–	254,000	254,000	–	254,000
Impairment on Inventory Homes	(332,000)	–	(332,000)	(332,000)	–	(332,000)
Revenue from Inventory Homes Sold	6,366,000	–	6,366,000	11,091,000	–	11,091,000
Gain on Sale of Investment in Associates	–	–	–	958,000	–	958,000
Interest Income	383,000	181,000	202,000	1,358,000	672,000	686,000
Adjusted Base Revenues	**13,433,000**	**3,023,000**	**10,410,000**	**31,829,000**	**11,435,000**	**20,394,000**
Salaries and Benefits	1,069,000	928,000	(141,000)	3,919,000	3,549,000	(370,000)
Rental Expenses	740,000	–	(740,000)	1,069,000	–	(1,069,000)
Rental Operator Management Fees	356,000	–	(356,000)	619,000	–	(619,000)
Cost of Inventory Homes Sold	5,949,000	–	(5,949,000)	10,301,000	–	(10,301,000)
Professional and Directors' Fees	832,000	295,000	(537,000)	2,035,000	1,067,000	(968,000)
General and Administration Expenses	334,000	397,000	63,000	1,028,000	976,000	(52,000)
Interest Expense	899,000	–	(899,000)	1,455,000	–	(1,455,000)
Non-Controlling Interest	62,000	–	(62,000)	62,000	–	(62,000)
Adjusted Base Operating Expenses	**10,241,000**	**1,620,000**	**(8,621,000)**	**20,488,000**	**5,592,000**	**(14,896,000)**
Adjusted Base Operating Income	**3,192,000**	**1,403,000**	**1,789,000**	**11,341,000**	**5,843,000**	**5,498,000**
Management Fee-Related Bonus Pool (1)	(734,000)	(119,000)	(615,000)	(1,443,000)	(774,000)	(669,000)
Interest Expense	899,000	–	899,000	1,455,000	–	1,455,000
Investment Income (Loss)	–	(82,000)	82,000	–	(391,000)	391,000
Adjusted Base EBITDA	**3,357,000**	**1,202,000**	**2,155,000**	**11,353,000**	**4,678,000**	**6,675,000**
Performance Fees	12,000	–	12,000	95,000	311,000	(216,000)
Performance Fee-Related Bonus Pool	(6,000)	–	(6,000)	(48,000)	(156,000)	108,000
Adjusted EBITDA	**3,363,000**	**1,202,000**	**2,161,000**	**11,400,000**	**4,833,000**	**6,567,000**
Interest Expense	(899,000)	–	(899,000)	(1,455,000)	–	(1,455,000)
Amortization	(305,000)	(350,000)	45,000	(1,160,000)	(1,313,000)	153,000
Income Tax (Expense) Recovery	(1,313,000)	(244,000)	(1,069,000)	(3,144,000)	(981,000)	(2,163,000)
Adjusted Net Income	**$ 846,000**	**$ 608,000**	**$ 238,000**	**$ 5,641,000**	**$ 2,539,000**	**$ 3,102,000**
Adjusted Basic and Diluted Earnings Per Share	**$ 0.02**	**$ 0.03**		**$ 0.20**	**$ 0.14**	
Weighted Average Shares Outstanding	**34,696,264**	**18,237,404**		**27,731,820**	**18,240,004**	

(1) At the end of Q3 2012, management determined that it had no control over unrealized foreign exchange gain/loss and removed it from the Management Fee-Related Bonus Pool calculation.

As a result of the abovementioned changes in AUM, Contractual Fees for Q4 2012 changed nominally and increased for the year ended 2012 by $853,000 when compared to the year ended 2011 as noted above.

General Partner Distributions from Tricon XII increased for Q4 2012 and for the year ended 2012 by $216,000 and $1,999,000, respectively, as a result of the increased commitments mentioned above. Included in the General Partner Distributions were one-time "catch-up" amounts retroactive to March 23, 2011 (the initial closing date for Tricon XII) in the amount of $532,000 for year ended 2012.

Investment Income increased for Q4 2012 and year ended 2012 by $2,318,000 and $2,594,000, respectively, in comparison to the same periods in the prior year primarily as a result of a $1.9 million fair value adjustment to the Company's investment in Cross Creek Ranch, which was appraised at year end. The remaining increase was from our co-investments in U.S. distressed fund Tricon XI and Canadian fund Tricon XII.

Rental Revenue for Q4 2012 and the year ended 2012 of $1,504,000 and $2,291,000, respectively, was earned on 543 of the 1,504 residential homes purchased for the U.S. distressed single-family rental "buy and hold" strategy (a total of 1,031 were leased as of the year ended 2012; however, 488 of the homes were part of the Charlotte portfolio which did not generate rental revenue for

2012), although not all of these homes were leased for the entire periods. It should be noted that it typically takes approximately 90 days for a newly acquired rental property to generate "cash flow" given the lag time required for rehab and marketing. Rental Revenue will continue to increase as the remaining homes are renovated and put into service irrespective of whether or not new properties are purchased. Rental Expenses for Q4 2012 and the year ended 2012 amounted to $740,000 and $1,069,000, respectively, resulting in Gross Rental Operating Income ("GROI") for Q4 2012 and the year ended 2012 of $764,000 and $1,222,000, respectively. The GROI Margin for Q4 2012 and the year ended 2012 was 51% and 53%, respectively, and is expected to increase as homes are processed through the rehab and marketing phases and rented.

During Q4 2012 and for the year ended 2012, the Company sold 28 and 50 Inventory Homes, respectively, and generated Revenue from Homes Sold of $6,366,000 and $11,091,000, respectively. This was offset by the Cost of Homes Sold, including selling expenses, of $5,949,000 for Q4 2012 and $10,301,000 for year ended 2012 resulting in a Gross Profit Margin on Inventory Homes for Q4 2012 and year ended 2012 of $417,000 and $790,000, respectively. The Company earned a gross profit margin of 8%, equivalent to a 32% annualized non-compounded return, on Inventory Homes sold for the year ended 2012.

Rental Operator Asset Management Fees for Q4 2012 and year ended 2012 were $356,000 and $619,000 reflect the cost associated with the asset management of rental and Inventory Homes by the four operators.

The Investment Properties were fair valued at year end mainly using an Automated Valuation Model ("AVM"). AVM's are utilized widely in the industry to value large quantities of single family homes by comparing homes against recent sales and available homes for sale within close proximity to the subject property. An alternative valuation method of Broker Priced Opinion ("BPO") was utilized when AVM values were unavailable. The resulting Fair Value Adjustment on Investment Properties (excluding the Charlotte portfolio) was $254,000. Given that the Charlotte portfolio was acquired in the last week of the fiscal year, its fair value was deemed to be its acquisition cost. In computing the Fair Value Adjustment for the balance of the Investment Properties, the adjustment was the difference between the fair values determined by the AVM and the book value of those properties (being the aggregate of the purchase price and capital expenditures). Unlike Investment Properties (rental homes) that must be fair valued, Inventory Homes must be carried at the lower of cost and net realizable value which resulted in Impairment on Inventory Homes of $332,000 arising mainly from the further requirement to provide for selling expense on the ultimate sale of the homes. Therefore, the Single-Family Net Operating Income ("SFNOI") for the U.S. single-family platform for Q4 2012 and for the year ended 2012 amounted to $747,000 and $1,315,000, respectively. See section 6 "Single-Family Rental Portfolio" below.

As noted previously, the investments warehoused for Tricon XI were sold during the quarter at cost plus a preferred return of 6.75% compounded monthly resulting in a Gain on Sale of Investment in Associates of $958,000.

Interest Income consists of interest earned on cash, short-term and long term investments as well as on the Cross Creek loan. The increase for Q4 2012 and year ended 2012 of $202,000 and $686,000, respectively, in comparison to the same periods in the prior year primarily relates to interest income earned from the Cross Creek loan and on the share and convertible debenture offering proceeds temporarily on hand.

Salaries and Benefits for Q4 2012 and YTD 2012 increased by $141,000 and $370,000, respectively, when compared to the corresponding periods in the prior year as a result of the hiring of a senior dedicated professional to help oversee operational and financial aspects of the U.S. distressed single-family rental operations, an administrative staff member and an analyst, as well as normal increases in base salaries.

Management Fee-Related Bonus Pool ("STIP") was calculated as 12.5% of Adjusted Base Operating Income after eliminating the Fair Value Adjustment on Investment Properties and the Impairment on Inventory Homes, as approved by the Company's Board of Directors.

Professional and Directors' Fees increased in Q4 2012 and for the year ended 2012 when compared to the corresponding periods in the prior year by $537,000 and $968,000, respectively. During the quarter, legal fees were incurred for the rental strategy mainly a result of the addition of a fifth rental operator, the Charlotte acquisition and tax restructuring; audit fees also increased to cover the change in scope associated with the single family rental strategy. In addition for the year ended 2012, the Company incurred increased legal fees relating to a SEC requirement to register as an Investment Advisor for our U.S. funds. The aforementioned legal expenditures are one-time costs and are not expected to recur.

General and Administration Expense decreased in Q4 2012 by $63,000 and increased year ended 2012 by $52,000 when compared to the corresponding periods in the prior year. The increase was a result of increased investor relations costs and travel expenses incurred on the single-family rental strategy.

Interest Expense for Q4 2012 and year ended 2012 was $1,510,000 and $2,477,000, respectively, and relates to interest incurred in respect of the July 2012 convertible debentures as well as the borrowings for the single-family rental portfolio. After adjustments for amortization of debenture costs and bond discount, the actual interest payable was $899,000 for Q4 2012 and $1,455,000 for year ended 2012.

Unrealized Foreign Exchange (Gain) Loss for Q4 2012 and year ended 2012 of ($625,000) and $1,847,000, respectively, a decrease of $1,092,000 and an increase of $2,196,000 over the corresponding periods in 2011. Foreign Exchange gains or losses are unrealized and occur from the translation of U.S. cash balances held by the Company and non-self sustaining US subsidiaries. It should be noted that foreign exchange movements do not expose the Company to near term economic gains or losses since the Company does not convert U.S. dollars into Canadian dollars, which would crystallize the gains or losses. Instead, it retains the U.S. dollars earned for investment in future U.S. funds and direct investments. Therefore, due to the nature of this item, its impact has been removed when calculating the Adjusted Base EBITDA, Adjusted EBITDA and Adjusted Net Income amounts set out above. Notwithstanding the foregoing, since the Company has raised convertible debentures repayable in Canadian dollars and has invested the proceeds into U.S. assets, hedging alternatives are currently being investigated.

Therefore, for the reasons noted above, Adjusted Base EBITDA more than doubled in both Q4 2012 and year ended 2012 to $3,357,000 and $11,353,000 respectively, an increase of $2,155,000 and $6,675,000, respectively, when compared to the corresponding periods in 2011.

Similarly, Adjusted EBITDA in Q4 2012 and year ended 2012 was higher by $2,161,000 and $6,567,000 when compared to the corresponding periods. As mentioned in previous reports, minimal Performance Fees were expected in 2012 and 2013 as a result of the anticipated lag time before the realization of investments in the current active funds.

Finally, Adjusted Net Income in Q4 2012 and year ended 2012 was higher by $238,000 and $3,102,000, respectively, than the corresponding periods in 2011 as a result of the factors mentioned above as well as the tax effect of certain adjustments, as described in section "3.3 Comprehensive Income (Loss)".

Adjusted Funds from Operations increased in Q4 2012 and year ended 2012 by $747,000 and $2,596,000, respectively, due to the factors mentioned above.

	FOR THE THREE MONTHS ENDED DECEMBER 31			FOR THE YEAR ENDED DECEMBER 31		
	2012	2011	VARIANCE	2012	2011	VARIANCE
Comprehensive Income (Loss) for the Period	$ (2,514,000)	$ 255,000	$ (2,769,000)	$ (4,198,000)	$ 544,000	$ (4,742,000)
Deferred Income Tax Expense (Recovery)	696,000	(7,000)	703,000	(535,000)	(439,000)	(96,000)
Net Change in Fair Value of Derivative	5,328,000	–	5,328,000	7,671,000	–	7,671,000
Unrealized Foreign Exchange (Gain) Loss	(625,000)	467,000	(1,092,000)	1,847,000	(349,000)	2,196,000
Cumulative Translation Reserve	(1,014,000)	–	(1,014,000)	(1,014,000)	–	(1,014,000)
Consolidation Item – Non-Controlling Interest	(355,000)	–	(355,000)	(332,000)	(523,000)	191,000
Fair Value Adjustment on Investment Properties	(254,000)	–	(254,000)	(254,000)	–	(254,000)
Impairment on Inventory Homes	332,000	–	332,000	332,000	–	332,000
Amortization	291,000	367,000	(76,000)	1,093,000	1,385,000	(292,000)
Funds from Operations (FFO)	**$ 1,885,000**	**$ 1,082,000**	**$ 803,000**	**$ 4,610,000**	**$ 618,000**	**$ 3,992,000**
Long-Term Incentive Plan	93,000	(257,000)	350,000	1,733,000	2,418,000	(685,000)
Long-Term Incentive Plan Actual	(6,000)	–	(6,000)	(48,000)	(156,000)	108,000
Stock Compensation Expense	210,000	184,000	26,000	986,000	635,000	351,000
Formation Costs - New Funds	–	25,000	(25,000)	(192,000)	589,000	(781,000)
Formation Costs Related to Co-Investments	–	–	–	–	(84,000)	84,000
Interest Expense (including bond discount amortization)	1,510,000	–	1,510,000	2,477,000	–	2,477,000
Interest Expense Payable	(899,000)	–	(899,000)	(1,455,000)	–	(1,455,000)
Tax Effect of Above Adjustments (Expense) Recovery	(820,000)	(66,000)	(754,000)	(1,772,000)	(535,000)	(1,237,000)
Capital Expenditure Reserve (1)	(258,000)	–	(258,000)	(258,000)	–	(258,000)
Adjusted Funds from Operations (AFFO)	**$ 1,715,000**	**$ 968,000**	**$ 747,000**	**$ 6,081,000**	**$ 3,485,000**	**$ 2,596,000**
FFO Basic and Diluted Earnings (Loss) per Share	**$ 0.05**	**$ 0.06**		**$ 0.17**	**$ 0.03**	
AFFO Basic and Diluted Earnings (Loss) per Share	**$ 0.05**	**$ 0.05**		**$ 0.22**	**$ 0.19**	

(1) Capital Expenditure Reserve calculated based on assumption of $1,000 reserved per rented home as of period end with 25% of rented homes subject to turnover per annum.

3.3 Comprehensive Income (Loss)

	FOR THE THREE MONTHS ENDED DECEMBER 31			FOR THE YEAR ENDED DECEMBER 31		
	2012	2011	VARIANCE	2012	2011	VARIANCE
Total Revenues	$ 13,523,000	$ 2,941,000	$ 10,582,000	$ 32,002,000	$ 11,031,000	$ 20,971,000
Total Expenses	(16,913,000)	(2,508,000)	(14,405,000)	(36,174,000)	(10,972,000)	(25,202,000)
Non-Controlling Interest Fair Value Change	355,000	–	355,000	332,000	931,000	(599,000)
Income Tax (Expense) Recovery	(493,000)	(178,000)	(315,000)	(1,372,000)	(446,000)	(926,000)
Cumulative Translation Reserve	1,014,000	–	1,014,000	1,014,000	–	1,014,000
Comprehensive Income (Loss) for the Period	**$ (2,514,000)**	**$ 255,000**	**$ (2,769,000)**	**$ (4,198,000)**	**$ 544,000**	**$ (4,742,000)**
Basic and Diluted Earnings (Loss) per Share	**$ (0.10)**	**$ 0.01**		**$ (0.19)**	**$ 0.03**	

The following is a reconciliation of Comprehensive Income (Loss) to Adjusted Net Income showing all Non-Recurring and Non-Cash adjustments.

	FOR THE THREE MONTHS ENDED DECEMBER 31			FOR THE YEAR ENDED DECEMBER 31		
	2012	2011	VARIANCE	2012	2011	VARIANCE
Comprehensive Income (Loss) for the Period	$ (2,514,000)	$ 255,000	$ (2,769,000)	$ (4,198,000)	$ 544,000	$ (4,742,000)
Adjustments:						
Long-Term Incentive Plan	93,000	(257,000)	350,000	1,733,000	2,418,000	(685,000)
Long-Term Incentive Plan Actual	(6,000)	–	(6,000)	(48,000)	(156,000)	108,000
Stock Compensation Expense	210,000	184,000	26,000	986,000	635,000	351,000
Formation Costs – New Funds	–	25,000	(25,000)	(192,000)	589,000	(781,000)
Formation Costs related to Co-investments	–	–	–	–	(84,000)	84,000
Interest Expense (including bond discount amortization)	1,510,000	–	1,510,000	2,477,000	–	2,477,000
Interest Expense Payable	(899,000)	–	(899,000)	(1,455,000)	–	(1,455,000)
Net Change in Fair Value of Derivative	5,328,000	–	5,328,000	7,671,000	–	7,671,000
Unrealized Foreign Exchange (Gain) Loss	(625,000)	467,000	(1,092,000)	1,847,000	(349,000)	2,196,000
Cumulative Translation Reserve	(1,014,000)	–	(1,014,000)	(1,014,000)	–	(1,014,000)
Non-Controlling Interest	(62,000)	–	(62,000)	(62,000)	–	(62,000)
Non-Controlling Interest Fair Value Change	(355,000)	–	(355,000)	(332,000)	(523,000)	191,000
Total Non-Recurring and Non-Cash Adjustments	4,180,000	419,000	3,761,000	11,611,000	2,530,000	9,081,000
Tax Effect of Above Adjustments (Expense) Recovery	(820,000)	(66,000)	(754,000)	(1,772,000)	(535,000)	(1,237,000)
Non-Recurring and Non-Cash Adjustments after Taxes	3,360,000	353,000	3,007,000	9,839,000	1,995,000	7,844,000
Adjusted Net Income (Loss)	**$ 846,000**	**$ 608,000**	**$ 238,000**	**$ 5,641,000**	**$ 2,539,000**	**$ 3,102,000**

The Company is required to fair value the derivative component of the Company's convertible debenture quarterly, resulting in a large non-cash charge to the income statement. The Company is also required under IFRS to estimate potential amounts payable pursuant to the Company's LTIP based on the estimated fair value of assets within funds managed by the Company at each reporting period, resulting in a LTIP expense for Q4 2012 and year ended 2012 of $93,000 and $1,733,000 respectively in respect of potential future LTIP. It should be noted that LTIP is only paid when and if the corresponding Performance Fees are earned in the future. Accordingly, potential LTIP payments have been removed in calculating Adjusted Net Income above. However, LTIP payments made in respect of Performance Fees actually earned during the corresponding reporting periods are included in the determination of Adjusted Net Income. LTIP payments made for both Q4 2012 and year ended 2012 were $6,000 and $48,000, respectively, (versus Q4 2011 of $NIL and year ended 2011 of $156,000). It should be noted that the LTIP payments will only be made if and when the corresponding Performance Fees are earned in the future. For the reasons set out above, management is of the opinion that Comprehensive Income (Loss) is not a good indicator of the Company's current performance nor of its future prospects. Adjusting Comprehensive Income (Loss) for these items and other Non-Recurring and Non-Cash items generates the Adjusted Net Income amounts shown above – which are more indicative of the Company's performance.

The Net Change in Fair Value of Derivative for Q4 2012 and year ended 2012 of $5,328,000 and $7,671,000, respectively, is related to the July 2012 convertible debenture and results from the fair valuation of the embedded derivative as mentioned above.

Stock Compensation Expenses were incurred for stock options issued to employees in 2010 and 2011 and phantom units issued to employees at the end of 2011. No additional stock options or phantom units were issued in the year ended 2012. This item has been removed from the Company's performance metrics due to its non-cash nature.

Formation Costs relating to Tricon XI which were expensed in prior years were recovered on the initial close resulting in a recovery for Q4 2012 and year ended 2012 of $NIL and $192,000, respectively. Since Formation Costs and the related recoveries are a flow through to funds and represent a timing difference to be recovered on fund formation from the limited partners of the new funds, they have been removed when calculating Adjusted Net Income.

Interest Expense relating to the July 2012 convertible debenture consists of actual interest payable to debenture holders plus the amortization of the convertible debenture costs and the amortization of the bond discount. Interest Expense has been adjusted to eliminate items that are non-recurring and non-cash. Additionally, the Net Change in Fair of Value Derivative is a non-cash item relating to the derivative and has therefore been removed when calculating Adjusted Net Income.

Unrealized Foreign Exchange (Gain) Loss has been removed from Comprehensive Income (Loss) to provide a clearer picture when evaluating Company performance metrics. Since U.S. dollars are maintained and reinvested in U.S. investments, currency gains or losses are not expected to be crystallized. Therefore this item has been removed when analyzing performance. Effective Q4 2012, as commercial operations commenced and the entities were no longer considered as an extension of the parent, the related Unrealized Foreign Exchange (Gain) Loss of ($1,014,000) was recorded in Cumulative Translation Reserves through Other Comprehensive Income.

The NCI for Q4 2012 and year ended 2012 was $62,000 and relates to the combined net income of the four rental operators who have an equity interest of 3% to 20% in the rental partnerships. The NCI of $355,000 and $332,000 calculated for the quarter and year ended 2012 was calculated assuming a liquidation of all rental assets and therefore removed as not reflective of the income owing to the rental operators. In the prior year, Non-Controlling Interest resulted from the Company consolidation of Tricon XII of $931,000.

Please see "3.2 Adjusted Financial Information" above and "5. Fund Information" below for more detailed explanations.

3.4 Summary of Quarterly Results

In aggregate, Contractual Fees and General Partner Distributions were stable through 2011, increased in Q1 2012 due to the final close of Tricon XII, increased again by US$1.3 million in Q2 2012 to $4,360,000 due to one-time acquisition fees on the Cross Creek Ranch investment and normalized in the latter half of 2012 at approximately $3,000,000 per quarter with the initial close of our U.S. distressed fund Tricon XI. This trend also correlates with the Company's Assets Under Management.

Performance Fees are less predictable on a quarterly basis but as previously mentioned were anticipated to be negligible for 2012 (and the same is expected for 2013).

For Q4 2012 and year ended 2012, SFNOI was $747,000 and $1,315,000 respectively, with occupancy rates showing a steady upward trend. The single-family rental income is expected to ramp up materially in 2013 as existing homes are rented and additional homes are purchased, renovated then leased. Please see section 6 "Single-Family Rental Portfolio" below for a detailed analysis.

Total expense trends have been adjusted for the various Non-Recurring and Non-Cash items included such as Net Change in Fair Value of Derivative, LTIP, Stock Compensation Expense, Formation Costs, Interest Expense which includes a bond discount amortization, Unrealized Foreign Exchange (Gain) Loss, and the Non-Controlling Interest. Once the financial results are adjusted for these items, quarterly performance trends are more indicative of operating performance. Adjusted Base EBITDA, Adjusted EBITDA and Adjusted Net Income for Q3 2012 were higher as a result of a one-time Gain on Sale of Investment in Associates incurred as a result of the warehoused assets transferred to Tricon XI. For Q4 2012, Adjusted Base EBITDA and Adjusted EBITDA continued to increase over prior quarters as the Company's growth plans start to produce results. These quarterly metrics are presented on the next page.

The following quarterly information was taken from the Company's unaudited quarterly financial statements.

Key Non-IFRS Performance Measures

FOR THE THREE MONTHS ENDED	31-DEC-2012	30-SEP-2012	30-JUN-2012	31-MAR-2012	31-DEC-2011	30-SEP-2011	30-JUN-2011	31-MAR-2011
Assets Under Management	**$ 1,115,433,000**	**$ 1,053,312,000**	**$ 1,193,152,000**	**$ 992,371,000**	**$ 964,108,000**	**$ 961,548,000**	**$ 927,434,000**	**$ 907,162,000**
Adjusted Base EBITDA	$ 3,357,000	$ 3,375,000	$ 2,912,000	$ 1,709,000	$ 1,202,000	$ 1,089,000	$ 1,288,000	$ 1,099,000
Adjusted EBITDA	$ 3,363,000	$ 3,379,000	$ 2,949,000	$ 1,709,000	$ 1,202,000	$ 1,091,000	$ 1,347,000	$ 1,193,000
Adjusted Net Income	$ 846,000	$ 1,692,000	$ 1,994,000	$ 1,109,000	$ 608,000	$ 592,000	$ 681,000	$ 658,000
Adjusted Basic and Diluted Earnings per Share	**$ 0.02**	**$ 0.05**	**$ 0.07**	**$ 0.06**	**$ 0.03**	**$ 0.03**	**$ 0.04**	**$ 0.04**
AFFO Basic and Diluted Earnings per Share	**$ 0.06**	**$ 0.03**	**$ 0.11**	**$ 0.09**	**$ 0.05**	**$ 0.05**	**$ 0.03**	**$ 0.04**

Income Statement Information

FOR THE THREE MONTHS ENDED	31-DEC-2012	30-SEP-2012	30-JUN-2012	31-MAR-2012	31-DEC-2011	30-SEP-2011	30-JUN-2011	31-MAR-2011
Contractual Management Fees	$ 2,197,000	$ 2,472,000	$ 3,445,000	$ 1,871,000	$ 2,315,000	$ 2,257,000	$ 2,212,000	$ 2,348,000
General Partner Distribution	743,000	744,000	915,000	1,228,000	527,000	541,000	73,000	–
Performance Fees	12,000	8,000	75,000	–	–	5,000	119,000	187,000
Investment Income	2,318,000	143,000	98,000	35,000	(82,000)	(143,000)	(4,000)	4,000
Rental Revenue	1,504,000	696,000	91,000	–	–	–	–	–
Revenue from Inventory Homes Sold	6,366,000	4,725,000	–	–	–	–	–	–
Fair value adjustment on investment propeties	254,000	–	–	–	–	–	–	–
Gain on Sale of Investment in Associates	–	958,000	–	–	–	–	–	–
Interest Income	383,000	408,000	402,000	165,000	181,000	119,000	170,000	202,000
Total Revenues	**13,777,000**	**10,154,000**	**5,026,000**	**3,299,000**	**2,941,000**	**2,779,000**	**2,570,000**	**2,741,000**
Salaries and Benefits	1,069,000	977,000	937,000	936,000	928,000	854,000	867,000	900,000
Short-Term Incentive Plan	734,000	(35,000)	545,000	199,000	119,000	356,000	199,000	100,000
Stock Compensation Expense	210,000	231,000	252,000	293,000	184,000	100,000	140,000	211,000
Long Term Incentive Plan	93,000	877,000	330,000	433,000	(257,000)	543,000	1,507,000	625,000
Professional and Directors Fees	832,000	653,000	304,000	246,000	295,000	170,000	308,000	294,000
Rental Expense	740,000	296,000	33,000	–	–	–	–	–
Rental Operator Management Fees	356,000	263,000	–	–	–	–	–	–
Impairment on Inventory Homes	332,000	–	–	–	–	–	–	–
Cost of Inventory Homes Sold	5,949,000	4,352,000	–	–	–	–	–	–
Formation Cost	–	(265,000)	49,000	24,000	25,000	62,000	218,000	284,000
General and Administration Expense	334,000	265,000	220,000	209,000	397,000	221,000	180,000	178,000
Interest Expense	1,510,000	967,000	–	–	–	–	–	–
Net Change in Fair Value of Financial Instruments Through (Profit) Loss	5,328,000	2,343,000	–	–	–	–	–	–
Amortization	305,000	290,000	275,000	290,000	350,000	351,000	307,000	305,000
Realized and Unrealized Foreign Exchange (Gain) Loss	(625,000)	3,058,000	(906,000)	320,000	467,000	(1,216,000)	23,000	377,000
Total Expenses	**17,167,000**	**14,272,000**	**2,039,000**	**2,950,000**	**2,508,000**	**1,441,000**	**3,749,000**	**3,274,000**
Income (Loss) Before Non-Controlling Interest and Income Taxes	(3,390,000)	(4,118,000)	2,987,000	349,000	433,000	1,338,000	(1,179,000)	(533,000)
Non-Controlling Interest	355,000	(24,000)	1,000	–	–	–	616,000	315,000
Income (Loss) Before Income Taxes	(3,035,000)	(4,142,000)	2,988,000	349,000	433,000	1,338,000	(563,000)	(218,000)
Income Tax (Expense) Recovery	(493,000)	56,000	(829,000)	(106,000)	(178,000)	(345,000)	54,000	23,000
Net income (loss)	**(3,528,000)**	**(4,086,000)**	**2,159,000**	**243,000**	**255,000**	**993,000**	**(509,000)**	**(195,000)**
Cumulative Translation Reserve	1,014,000	–	–	–	–	–	–	–
Total comprehensive income (loss) for the period	**$ (2,514,000)**	**$ (4,086,000)**	**$ 2,159,000**	**$ 243,000**	**$ 255,000**	**$ 993,000**	**$ (509,000)**	**$ (195,000)**
Basic and Diluted Earnings per Share	**$ (0.10)**	**$ (0.13)**	**$ 0.08**	**$ 0.01**	**$ 0.01**	**$ 0.05**	**$ (0.03)**	**$ (0.01)**
Weighted Average Shares Outstanding	34,696,264	31,167,971	26,855,471	18,230,471	18,237,404	18,240,871	18,240,871	18,240,871

3.5 Segmented Information

Segmented information is provided below for a greater understanding of Adjusted EBITDA generated from the different business segments before corporate overhead and after corporate overhead. The main business segments of the Company are Private Funds, which consist of comingled funds and separate accounts, and Principal Investing, which in turn is comprised of co-investment into Private Funds and our U.S. single-family rental platform. Overhead expenses related to specific business lines were allocated to the business line and non-specific expenses were allocated based on average AUM at year end. For the purpose of allocating company-wide overhead, Funds and Separate Accounts have been subtotaled under Private Funds since the same personnel and company resources are used to manage both. The relatively low margin related to the single-family rental platform reflects the "gestation period" required to stabilize the portfolio and other start-up costs but is expected to improve materially in the coming quarters.

FOR THE YEAR ENDED DECEMBER 31, 2012	FUNDS	SEPARATE ACCOUNTS	PRIVATE FUNDS SUBTOTAL	CO-INVESTMENT	SINGLE-FAMILY HOMES	PRINCIPAL INVESTING SUBTOTAL	TOTAL
Adjusted Base Revenues	$ 12,334,000	$ 2,282,000	$ 14,616,000	$ 3,909,000	$ 13,304,000	$ 17,213,000	$ 31,829,000
Direct Expenses	–	–	–	–	(11,989,000)	(11,989,000)	(11,989,000)
Gross Margin	12,334,000	2,282,000	14,616,000	3,909,000	1,315,000	5,224,000	19,840,000
Overhead Allocation	6,437,000	563,000	7,000,000	236,000	1,251,000	1,487,000	8,487,000
Adjusted Base EBITDA	5,897,000	1,719,000	7,616,000	3,673,000	64,000	3,737,000	11,353,000
Performance Fees	95,000	–	95,000	–	–	–	95,000
Performance Fee-Related Bonus Pool	(48,000)	–	(48,000)	–	–	–	(48,000)
Adjusted EBITDA	**$ 5,944,000**	**$ 1,719,000**	**$ 7,663,000**	**$ 3,673,000**	**$ 64,000**	**$ 3,737,000**	**$ 11,400,000**

FOR THE YEAR ENDED DECEMBER 31, 2011	FUNDS	SEPARATE ACCOUNTS	PRIVATE FUNDS SUBTOTAL	CO-INVESTMENT	SINGLE-FAMILY HOMES	PRINCIPAL INVESTING SUBTOTAL	TOTAL
Adjusted Base Revenues	$ 10,838,000	$ –	$ 10,838,000	$ 597,000	$ –	$ 597,000	$ 11,435,000
Direct Expenses	–	–	–	–	–	–	–
Gross Margin	10,838,000	–	10,838,000	597,000	–	597,000	11,435,000
Overhead Allocation	6,572,000	–	6,572,000	185,000	–	185,000	6,757,000
Adjusted Base EBITDA	4,266,000	–	4,266,000	412,000	–	412,000	4,678,000
Performance Fees	311,000	–	311,000	–	–	–	311,000
Performance Fee-Related Bonus Pool	(156,000)	–	(156,000)	–	–	–	(156,000)
Adjusted EBITDA	**$ 4,421,000**	**$ –**	**$ 4,421,000**	**$ 412,000**	**$ -**	**$ 412,000**	**$ 4,833,000**

4. Business Outlook

Fundraising efforts are progressing for U.S. distressed fund Tricon XI as an initial close on the fund occurred in Q3 2012 for US$125 million, including Tricon's US$25 million co-investment. It should be noted that the Limited Partnership Agreement for this fund allows for subsequent closings for up to fifteen months after the initial close. In addition, Limited Partners admitted after the initial closing are required, inter alia, to pay Management Fees calculated as though they were admitted to the fund at the date of initial closing.

As we reach out to a broader group of prospective investors in this extremely difficult fundraising environment, it is very evident that the use of the net proceeds from our 2010 IPO to significantly increase our co-investment in Tricon XI and XII has enhanced our fundraising capabilities. Specifically, Canadian fund XII at approximately $196 million is the largest Canadian fund ever raised by the Company. It is also evident in the extremely difficult fundraising environment in the U.S. that access to additional co-investment capital could enable us to succeed where other general partners could fail.

In terms of the investment environment, we continue to see extremely attractive investment opportunities, particularly for urban in-fill and well located suburban land development projects in the United States. It is our intent to use U.S. fund Tricon XI to purchase well located residential land from distressed sellers and to improve and build out this land with our local development partners and/or to sell improved lots to public and major private homebuilders. The vast majority of U.S. housing analysts believe that the U.S. housing market is in the early stages at a full recovery after a severe six year housing recession. In many of our housing projects in Tricon IX, we have noticed a marked increase in home sales and a resultant increase in underlying land values which bodes well for that fund.

Investment in the Canadian new housing market, particularly in Toronto, has become increasingly difficult as a result of a multitude of factors including a tighter lending environment (for both acquisition and construction loans and for end loans for consumers), increased investor skepticism caused by negative headlines and debt warnings by the Bank of Canada, construction cost inflation, and increased development levies and taxes. Accordingly, the Company continues to take an extremely cautious approach to new investment activity although it believes that a pending correction or shake out could lead to increased opportunities in the future, particularly for a well capitalized and experienced asset manager such as Tricon. The Company has been proactive in its management of its existing Toronto condo portfolio in funds Tricon VIII, Tricon X and new fund Tricon XII and is pleased to report that roughly 93% of inventory is sold with 20% plus deposits.

While the Canadian housing market remains relatively stable, notwithstanding a more difficult investment environment in Toronto, the Company believes that there are better risk adjusted investment opportunities in the United States and is well positioned to capitalize on the U.S. housing recovery through its exposure to residential land / new housing in existing U.S. fund Tricon IX and new fund Tricon XI and its recently established single-family rental platform.

In the U.S. distressed single family rental sector, the Company is one of approximately ten major players which are "institutionalizing" what up until now has been a cottage industry run by small local investors and operators, notwithstanding the fact that the single-family rental industry is much larger than the institutional U.S. multi-family sector. With our five "best in class" local operators, the Company expects to acquire approximately 3,000 to 4,000 single-family homes by the end of 2013 and to be amongst the leaders in the industry. While the combination of reduced distressed inventory (caused partially by the U.S. attorney general/servicer settlement which has reduced foreclosure activity) and increased competition from private equity has led to slightly lower gross yields and capitalization rates in recent months, the Company's business plan remains on target with operating partners continuing to purchase the targeted one to two distressed properties per day and achieving targeted gross yields of 10-13%.

The Company expects that distressed supply of single-family homes will ebb and flow over the coming months (as the GSEs and banks release product intermittently) and that it will take the better part of two years to absorb the excess national distressed inventory. However, in certain submarkets where foreclosures are sold at trustee sales (rather than through a judicial or court appointed process), the excess inventory will likely clear much sooner paving the way for home price increases (and a corresponding reduction in rental yields on new property acquired); this process is well underway in Phoenix, Arizona where the supply of distressed mortgages is less than six months and home prices have appreciated roughly 20% year over year.

5. Fund Information

The Company manages six active funds (Tricon VIII to XII and separate account Cross Creek Ranch). The funds provide financing to local development partners or operators to acquire, develop and/or construct primarily residential projects including multi-family construction, single-family land development and homebuilding. The funds also provide financing for retail development but this is typically done in conjunction with residential projects such as master planned communities or retail anchored, urban condos. Given the severity of the housing downturn in the U.S. that occurred from 2006 through 2009, active U.S. funds Tricon IX and XI provide financing to local operators to enable them to acquire distressed residential assets mainly through the purchase of (i) discounted bank notes, (ii) REO property (i.e. property foreclosed on by banks), (iii) property in bankruptcy, and (iv) property from other distressed or motivated sellers. While we remain focused on residential real estate development, the Company is opportunistic in nature and, as such, our strategy related to geographic and product type allocation may shift from fund to fund.

5.1 Assets Under Management

Our funds typically have a life of eight years with two one-year extensions available under certain circumstances and an Investment Period of three to four years. The manager of each of these funds, a wholly-owned subsidiary of the Company, earns Management Fees, General Partner Distributions (both of which are not contingent on fund performance) and Performance Fees if certain predetermined return thresholds are met. In addition, as a limited partner in Tricon XI and Tricon XII as well as future funds, the Company will earn it's pro rata share of income from co-investing in these funds. Contractual Fees are charged to limited partners based on the size of their commitment and typically range from 1% to 2% per annum. During the Investment Period, fees are charged on a limited partner's commitment. After the Investment Period, Contractual Fees are charged on the lesser of the limited partner's commitment and the outstanding invested capital. Contractual Fees decline over time once the Investment Period expires and investments are realized. General Partner Distributions are based on prescribed formulas within a Fund's Limited Partnership Agreement and also decline over time as investments are realized. Performance Fees are typically calculated as 20% of net cash flow and are paid after limited partners' capital together with a preferred return of 9% to 10%. The Performance Fee formula may also contain a "catch-up" provision which enables the manager (a wholly owned subsidiary of the Company) to earn a higher percentage of net cash flow as a Performance Fee until the ratio of the limited partner return (preferred return plus its share of net cash flow) to Performance Fees paid to the manager is 80/20, with Performance Fees reverting back to 20% of net cash flow thereafter.

A major factor determining the Contractual Fees to be ultimately earned by the Company is AUM. A summary of AUM by fund is presented below.

(IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED)

				CAPITALIZATION		ASSETS UNDER MANAGEMENT [3] (CANADIAN EQUIVALENT) [2]		
FUND	FUND CURRENCY	INITIAL CLOSE	INVESTMENT PERIOD END	ORIGINATING CURRENCY [1]	CANADIAN EQUIVALENT [2]	DECEMBER 31, 2012	SEPTEMBER 30, 2012	DECEMBER 31, 2011 [4]
TCC VI	CA	June-2004	March-2007	95,703,000	95,703,000	–	–	68,353,000
TCC VII	US	September-2004	March-2007	247,200,000	245,939,000	–	–	232,511,000
Tricon VIII	CA	October-2005	June-2008	101,124,000	101,124,000	76,848,000	76,848,000	80,208,000
Tricon IX	US	May-2007	January-2012	331,775,000	330,083,000	328,277,000	323,544,000	337,415,000
Tricon X	CA	April-2008	April-2011	85,362,000	85,362,000	79,993,000	79,994,000	79,128,000
Tricon XI	US	August-2012	November-2016	100,000,000	99,490,000	99,489,000	98,320,000	–
Tricon XII	CA	March-2011	March-2014	175,750,000	175,750,000	175,750,000	175,750,000	120,000,000
Separate Accounts	US	June-2012	–	129,600,000	128,939,000	128,939,000	127,422,000	–
Syndicated Investments	US		–	14,900,000	14,824,000	1,094,000	1,082,000	1,017,000
Syndicated Investments	CA		–	65,606,000	65,606,000	25,476,000	25,476,000	25,476,000
Private Funds						**$ 915,866,000**	**$ 908,436,000**	**$ 944,108,000**
Co-Investment (Cross Creek Ranch)	US	June-2012	–	14,400,000	14,327,000	14,327,000	14,158,000	
Co-Investment (Tricon XI)	US	August-2012	November-2016	25,000,000	24,873,000	24,873,000	24,580,000	–
Co-Investment (Tricon XII)	CA	March-2011	March-2014	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Single-Family Portfolio [5]	US	May-2012	–	234,150,000	232,956,000	140,367,000	86,138,000	–
Principal Investing						**199,567,000**	**144,876,000**	**20,000,000**
Total Assets Under Management						**$ 1,115,433,000**	**$ 1,053,312,000**	**$ 964,108,000**

Notes:

1. Fund capitalization does not include syndicated investments, which are shown seperately.
2. Foreign exchange rates used at each balance sheet date are; at December 31, 2012 CA$0.9949 per US$1.00, at September 30, 2012 CA$0.9832 per US$1.00, at December 31, 2011 CA$1.017 per US$1.00.
3. During the investment period, Assets Under Management equals the Fund Capitalization. After the investment period, Assets Under Management represents the lesser of: (a) fund capital commitment, and (b) invested capital plus unfunded project commitments.
4. The December 31, 2011 AUM for Tricon VIII and X have been restated to include unfunded project commitments.
5. The capitalization for the single-family portfolio includes the net proceeds from the April and December 2012 common share offerings and the July 2012 and February 2013 convertible debenture offerings.

5.2 Projected Fund Performance

The net cash flow generated by each of the funds ultimately determines the Performance Fees to be earned by the Company. The estimates shown below are only for funds expected to generate Performance Fees and are based on information gathered from our developers, detailed in-house market research and management expectations. They are reviewed and revised on a quarterly basis.

All amounts are based on actual current project commitments for the life of the fund and do not include any assumptions for the balance of funds to be invested.

During Q4 2012, three new investments were approved for Tricon XI in the amount of US$50.1 million thereby reducing fund capital available for investment to approximately US$16 million after reserves for projects and operating expenses. No new investments were approved for Tricon XII therefore fund capital available for investment remains unchanged at $66 million. We continue to seek suitable investments for the uncommitted capital in Canadian fund Tricon XII and new U.S fund Tricon XI, as well as manage existing investments in predecessor funds.

In Canada, we have seen a strong deal flow in Toronto over the past year but have decided to remain on the sidelines (unless an incredibly compelling opportunity presents itself) as the new condo market is under pressure as evidenced by weak launches and aggressive developer incentive programs. Instead we have increasingly opted to focus our investment activity in Western Canada which is still recovering from a pronounced 2007-2009 correction and is generally less influenced by investor activity than the Toronto condo market.

In the United States, the housing outlook has brightened considerably since 2011 as existing and new Inventory Homes are at or below historical levels, sales and starts have increased meaningfully year over year, and home prices have risen for the first time in approximately six years. While the pick up in momentum and related positive press coverage are encouraging, the U.S. housing industry has a long way to go before it reaches normalized levels of activity and opportunities to invest in "discounted" land or housing projects abound. Accordingly, we continue to see very attractive risk adjusted return opportunities in the U.S. and expect to deploy Tricon XI quickly to take advantage of what we believe is a "historic" window in time to acquire undervalued residential assets.

Fund IRR's and ROI's shown below are based on cash flows projected over the life of each of the funds. Since Tricon IX is essentially unlevered at the project level (unlike the other funds) its returns on a risk-adjusted basis are as good as or better than the other funds.

	PROJECTED – DECEMBER 31, 2012 [1]				PROJECTED – DECEMBER 31, 2011 [1]			
FUND	GROSS ROI	GROSS IRR	NET ROI [5]	NET IRR [5]	GROSS ROI	GROSS IRR	NET ROI [5]	NET IRR [5]
Tricon VIII	2.1x	17%	1.7x	13%	2.2x	18%	1.7x	14%
Tricon IX	1.7x	14%	1.5x	11%	1.8x	14%	1.5x	10%
Tricon X	2.0x	18%	1.6x	13%	1.9x	19%	1.6x	14%
Tricon XI [2]	1.9x	24%	n/a	n/a	n/a	n/a	n/a	n/a
Tricon XII [2]	1.9x	18%	n/a	n/a	2.0x	22%	n/a	n/a
Separate Accounts [4]	2.7x	23%	2.7x	23%	n/a	n/a	n/a	n/a
Syndicated Investments [3]	1.9x	15%	1.8x	12%	2.2x	18%	2.0x	15%

Notes:

1. All amounts are based on actual current project commitments and do not include any assumptions for the balance of the funds' capital, if any, to be invested.
2. Expected Net Returns to Limited Partners are not meaningful until the fund is fully committed.
3. Syndicated investment returns are for Canadian syndicated investments only.
4. Return shown are based on the full Cross Creek commitment of US$144 million.
5. Net ROI and IRR is after all fund expenses (including Contractual and Performance Fees).

Financial data for funds expected to pay Performance Fees are as follows:

DECEMBER 31, 2012 (IN FUND CURRENCY)					ACTUAL AND PROJECTED GROSS CASHFLOW[3]			
FUND	FUND CURRENCY	FUND CAPITALIZATION	PROJECT COMMITMENTS[1]	FUND CAPITAL AVAILABLE[2]	TOTAL	REALIZED	UNREALIZED	PROJECTED NET CASHFLOW[4]
Tricon VIII	CA	$ 101,124,000	$ 102,981,000	$ –	$ 180,742,000	$ 75,125,000	$ 105,617,000	$ 95,221,000
Tricon IX	US	331,775,000	304,520,000	8,000,000	520,951,000	29,417,000	491,534,000	222,378,000
Tricon X	CA	85,362,000	88,733,000	5,000,000	147,980,000	22,739,000	125,241,000	73,202,000
Tricon XI[5]	US	125,000,000	82,200,000	16,000,000	134,268,000	1,083,000	133,185,000	62,916,000
Tricon XII[5]	CA	175,750,000	95,700,000	66,000,000	135,794,000	2,165,000	133,629,000	65,544,000
Syndicated Investments[6]	CA	65,606,000	65,606,000	–	56,891,000	6,940,000	49,951,000	32,331,000
Separate Accounts	US	14,400,000	14,400,000	–	45,259,000	3,444,000	41,815,000	31,387,000
Total – December 31, 2012[7]					**$ 1,221,885,000**	**$ 140,913,000**	**$1,080,972,000**	**$ 582,979,000**
Total – Previous Quarter					**$ 1,099,400,000**	**$ 126,209,000**	**$ 973,191,000**	**$ 522,944,856**

1. Fund commitments to projects including guarantees made under loan agreements. Project commitments can exceed Fund Capitalization as a result of re-investment rights.
2. Capital available, after operating reserves and project contingencies, for new or supplemental investments. Project Commitments plus Fund Capital Available do not necessarily add up to Fund Capitalization.
3. Actual and projected gross cashflows over the life of the fund.
4. Projected net cashflows are before fund expenses, management fees, general partner distributions and performance fees over the life of the fund. Excluding Performance Fees, total fund expenses incurred over the life of a fund have historically been 10% (or less) of fund capitalization. Projected Net Cashflow is derived by subtracting the actual investment amount from Actual and Projected Gross Cashflow. Investment does not necessarily equal Project Commitments.
5. No projections have been made in respect of fund capital not committed to projects.
6. Syndicated investments shown are for projects which have future cashflows.
7. Totals assume that US$1.00 equals CA$1.00.

The product breakdown of investments made by fund and by region is as follows:

By Fund

	PRODUCT AVAILABLE				
FUND	LAND (ACRES)	SINGLE-FAMILY LOTS[1,2]	HOMES (UNITS)	MULTI-FAMILY (UNITS)[2]	RETAIL (SF)
Tricon VIII	46	2,543	–	2,615	58,899
Tricon IX	–	4,646	573	501	8,998
Tricon X (4)	70	437	–	1,671	68,603
Tricon XI	173	4,235	415	–	–
Tricon XII	–	–	–	1,687	–
Separate Accounts	238	4,775	–	–	–
Total	**527**	**16,636**	**988**	**6,474**	**136,500**
Double Counted (3)	–	–	–	(936)	(36,481)
Net	**527**	**16,636**	**988**	**5,538**	**100,019**

	PRODUCT SOLD				
FUND	LAND (ACRES)	SINGLE-FAMILY LOTS[1,2]	HOMES (UNITS)	MULTI-FAMILY (UNITS)[2]	RETAIL (SF)
Tricon VIII	–	422	–	2,571	36,714
Tricon IX	–	472	554	37	7,898
Tricon X	62	207	–	1,494	18,360
Tricon XI	–	–	–	–	–
Tricon XII	–	–	–	775	–
Separate Accounts	–	148	–	–	–
Total	**62**	**1,249**	**554**	**4,877**	**62,972**
Double Counted (3)	–	–	–	(897)	(18,360)
Net	**62**	**1,249**	**554**	**3,980**	**44,612**

Notes:

1. Lots include finished, partially finished and undeveloped lots.
2. Includes lots/units which have not been released to the market yet.
3. Certain investments which are shared between Tricon VIII and X and included in both funds have been removed.
4. Excludes optioned land which has not yet been closed.

The product breakdown of investments made by region is as follows:

By Region

			PRODUCT AVAILABLE		
REGION	LAND (ACRES)	SINGLE-FAMILY LOTS [1,2]	HOMES (UNITS)	MULTI-FAMILY (UNITS) [2]	RETAIL (SF)
Canada					
Toronto	–	–	–	3,567	84,181
Vancouver	–	–	–	1,274	-
Calgary [(4)]	–	–	–	196	6,840
Edmonton	116	2,980	–	–	–
United States					
Southern California	–	749	315	–	–
Northern California	–	1,543	130	438	–
Phoenix	112	5,733	195	–	–
Atlanta	–	412	139	63	8,998
Florida	–	444	209	–	–
Dallas	61	–	–	–	–
Houston	238	4,775	–	–	–
Total	**527**	**16,636**	**988**	**5,538**	**100,019**

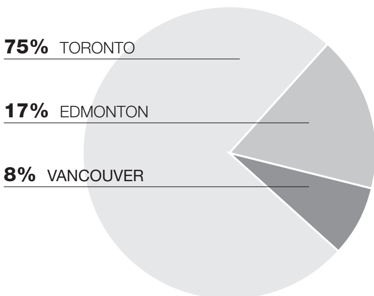
			PRODUCT SOLD		
REGION	LAND (ACRES)	SINGLE-FAMILY LOTS [1,2]	HOMES (UNITS)	MULTI-FAMILY (UNITS) [2]	RETAIL (SF)
Canada					
Toronto	–	–	–	3,322	36,714
Vancouver	–	–	–	503	–
Calgary [(4)]	–	–	–	118	–
Edmonton	62	629	–	–	–
United States					
Southern California	–	–	–	–	–
Northern California	–	211	126	–	–
Phoenix	–	261	93	–	–
Atlanta	–	–	126	37	7,898
Florida	–	–	209	–	–
Dallas	–	–	–	–	–
Houston	–	148	–	–	–
Total	**62**	**1,249**	**554**	**3,980**	**44,612**

Notes:

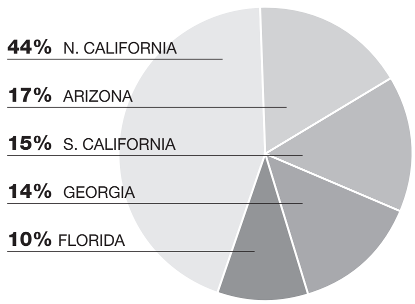
1. Lots include finished, partially finished and undeveloped lots.
2. Includes lots/units which have not been released to the market yet.
3. Certain investments which are shared between Tricon VIII and X and included in both funds have been removed.
4. Excludes optioned land which has not yet been closed.

The geographic breakdown (by dollars committed) by individual funds is as follows:

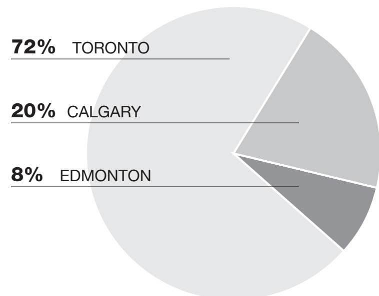
Tricon VIII



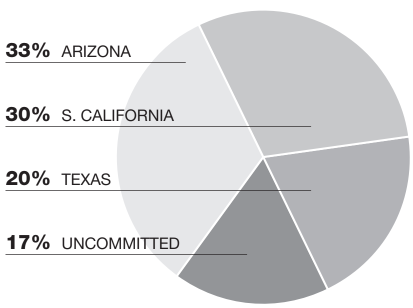
Tricon IX



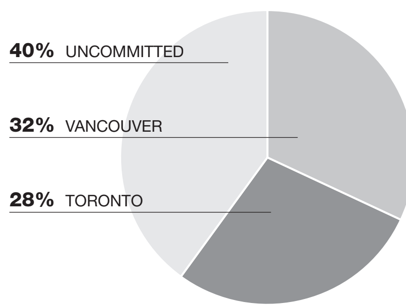
Tricon X



Tricon XI



Tricon XII



6. Single-Family Portfolio

The following detailed information is provided for the single-family rental home strategy which was commenced by the Company in Q2 2012. This information is broken down between rental homes and Inventory Homes. Inventory Homes are specifically purchased with the objective of a short-term hold, renovation and sale. A total of 981 homes were purchased in Q4 2012 increasing the total number of homes purchased during 2012 to 1,632 homes, of which 1,504 were rental stock and 128 were purchased for renovation and sale. Of the 1,504 rental homes, 1,031 or 69% were rented at the end of 2012. (If the Charlotte portfolio, which was acquired at year end and therefore has minimal impact on the Company's 2012 financial performance, is excluded, the portfolio occupancy rate was 54%). 50 of the 128 Inventory Homes purchased during the year were sold, resulting in 78 homes held at year end. For the year ended 2012, summary rental portfolio information is as follows:

Single-Family Portfolio Financial Information

FOR THE YEAR ENDED DECEMBER 31, 2012	FOR THE THREE MONTHS ENDED DECEMBER 31, 2012		FOR THE YEAR ENDED DECEMBER 31, 2012	
	USD	CAD	USD	CAD
Rental Revenue (A)	$ 1,517,000	$ 1,504,000	$ 2,310,000	$ 2,291,000
Property Taxes	115,000	114,000	216,000	214,000
Renovation Expense (Minor)	96,000	96,000	110,000	109,000
HOA/Utilities	98,000	98,000	145,000	144,000
Other Direct Expenses	38,000	38,000	125,000	125,000
Property Management Fees	123,000	122,000	175,000	173,000
Leasing Commissions	90,000	90,000	126,000	124,000
Insurance	113,000	112,000	154,000	152,000
Bad Debt Expense	14,000	14,000	14,000	14,000
Other	56,000	56,000	14,000	14,000
Total Expenses (B)	743,000	740,000	1,079,000	1,069,000
Gross Rental Operating Income ("GROI")	**$ 774,000**	**$ 764,000**	**$ 1,231,000**	**$ 1,222,000**
GROI Margin (GROI/A) [1]	51%	51%	53%	53%
Inventory Homes Revenue	$ 6,422,000	$ 6,366,000	$ 11,174,000	$ 11,091,000
Cost of Homes Sold	5,723,000	5,674,000	9,864,000	9,792,000
Selling Expenses	277,000	275,000	514,000	509,000
Gross Profit Margin Inventory Homes ("GPMIH")	**$ 422,000**	**$ 417,000**	**$ 796,000**	**$ 790,000**
Gross Margin (excludes Selling Expenses)	7%	7%	8%	8%
Single-Family Gross Operating Income ("SFGOI") (SFGOI = GROI + GPMIH)	**$ 1,196,000**	**$ 1,181,000**	**$ 2,027,000**	**$ 2,012,000**
Rental Operator Management Fees	(362,000)	(356,000)	(625,000)	(619,000)
Fair Value Adjustment on Investment Properties	257,000	254,000	257,000	254,000
Impairment on Inventory Homes	(335,000)	(332,000)	(335,000)	(332,000)
Single-Family Net Operating Income ("SFNOI")	**$ 756,000**	**$ 747,000**	**$ 1,324,000**	**$ 1,315,000**

Notes:

1. Due to recent commencement of rental operations, GROI is not indicative/reflective of expected results.

Rental Homes

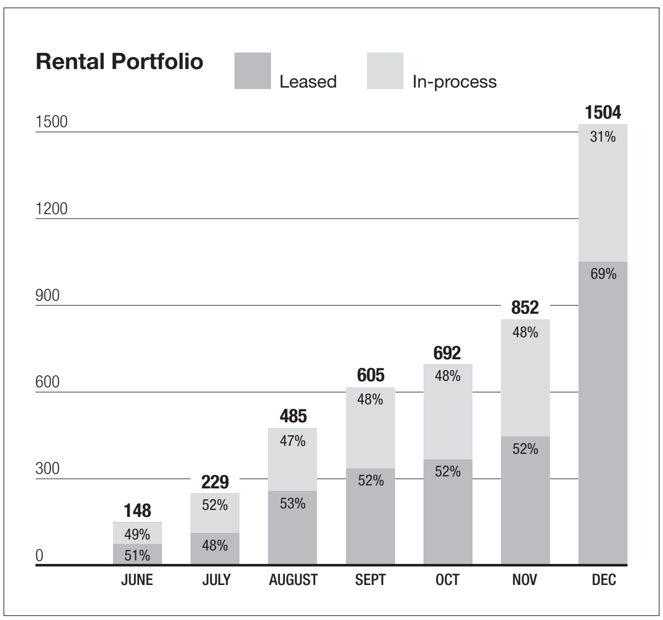
	SACRAMENTO	RENO	BAY AREA	INLAND EMPIRE	PHOENIX	SOUTHEAST FLORIDA	CHARLOTTE	TOTAL
Units Rented	156	19	85	20	110	153	488	1,031
Units In-Process	108	20	67	79	66	91	42	473
Total Rental Units	**264**	**39**	**152**	**99**	**176**	**244**	**530**	**1,504**
Key Metrics for Rental Portfolio:								
(Information provided by rental operating partners, in US Dollars)								
Average Monthly Rent	$ 1,100	$ 1,200	$ 1,400	$ 1,400	$ 900	$ 1,400	$ 700	$ 1,000
Average Gross Yield	12%	12%	12%	13%	10%	18%	18%	14%
Average Acquisition Price/Unit [1]	$ 106,000	$ 118,000	$ 148,000	$ 129,000	$ 102,000	$ 85,000	$ 42,000	$ 86,000
Average Estimated Rehab Cost/Unit	$ 12,000	$ 8,000	$ 14,000	$ 15,000	$ 10,000	$ 21,000	$ 17,000	$ 15,000
Average Square Footage	1,256	1,575	1,341	1,456	1,885	1,401	1,194	1,361
Acquisition Price per Square Foot [1]	$ 84	$ 75	$ 110	$ 89	$ 54	$ 61	$ 35	$ 63
Rehab Cost per Square Foot	$ 10	$ 5	$ 10	$ 10	$ 5	$ 15	$ 14	$ 11
Average Vintage	1976	1973	1962	1976	2003	1969	1958	1970
Inventory Homes								
Inventory Homes Sold	35	–	–	–	14	1	–	50
Inventory Homes Unsold	22	–	2	1	23	–	30	78
Total Inventory Home Units	**57**	**–**	**2**	**1**	**37**	**1**	**30**	**128**
Key Metrics for Inventory Homes Sold:								
(Pro-forma information provided by rental operating partners, in US Dollars)								
Average Total Cost Basis/Unit Sold	$ 183,000	N/A	N/A	N/A	$ 215,000	$ 82,000	N/A	$ 197,000
Average Sale Price/Unit Sold	$ 216,000	N/A	N/A	N/A	$ 250,000	$ 122,000	N/A	$ 223,000
Average Square Footage/Unit Sold	1,609	N/A	N/A	N/A	2,027	1,566	N/A	1,725
Average Total Cost Basis per Square Foot Sold	$ 114	N/A	N/A	N/A	$ 106	$ 52	N/A	$ 114
Average Sale Price per Square Foot Sold	$ 134	N/A	N/A	N/A	$ 123	$ 78	N/A	$ 129
Average Hold Period for Inventory Homes Sold	95	N/A	N/A	N/A	89	124	N/A	92
Return on Investment	30%	N/A	N/A	N/A	31%	140%	N/A	32%
Average Vintage of Units Sold	1985	N/A	N/A	N/A	2006	1948	N/A	1990

Notes:

1. Average acquistion price of $109,000 ($75 per square foot) when excluding Charlotte.

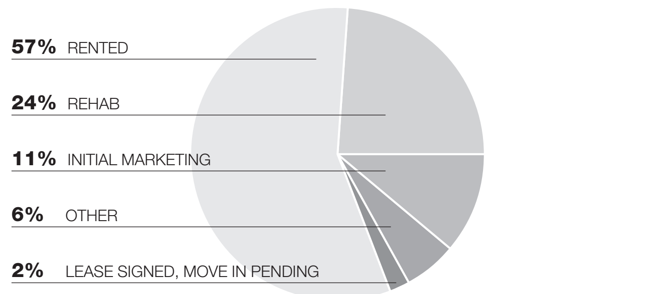
6.1 Rental Homes

Rental homes purchased are in a variety of stages with 262 or approximately 17% of homes in rehab/renovation, 135 or 9% of homes being marketed for lease and 1,031 or 69% of homes leased and occupied at year ended 2012. On average, it takes approximately 90 days to rehab and market/lease a home after acquisition. As such, capital invested in month one will typically only generate rental income in month four; when extrapolated over the Company's eight month operating history, this means that rental income has only been earned for approximately four months or less on average. As mentioned in section 3.2 "Adjusted Financial Information" above, the Fair Value Adjustment on Investment Properties (excluding the Charlotte portfolio) based on the AVM was $254,000. It should be noted that the fair value of the portfolio as shown on the Consolidated Balance Sheet is approximately 11% over the initial acquisition price. It should be further noted that the fair value of the rental homes does not include any portfolio premium that may be associated with economies of scale from owning a large portfolio or the consolidation value of having compiled a large portfolio of properties, many through individual property acquisitions.

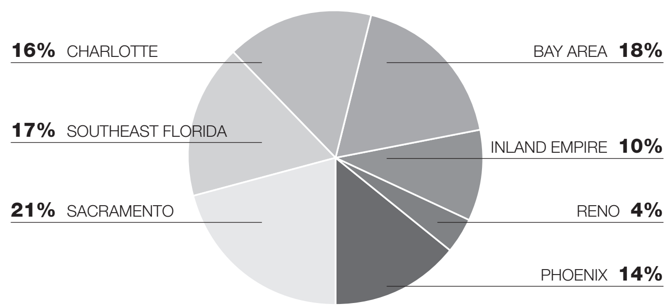


The following pie charts present status and geographic mix of rental properties based on invested capital in USD as provided by rental operators. Note that the bar chart containing leased information is based on units and the pie charts below are based on invested capital.

Rental Portfolio



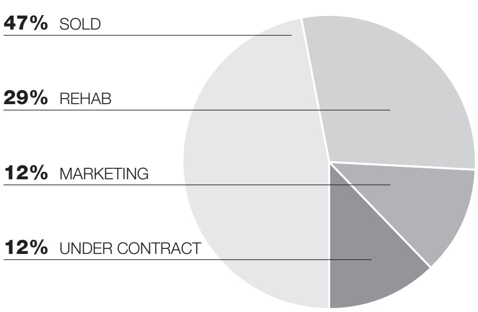
Geographic Mix by Market



6.2 Inventory Homes

Inventory Homes continue to be a successful part of the single-family rental strategy increasing overall returns for the portfolio. An additional 60 homes were acquired in Q4 2012 bringing total Inventory Homes acquired to 128 at the end 2012. Of the 128 Inventory Homes purchased, 57 homes are in rehab/renovation, 10 homes are being marketed for sale, 11 homes are under contract for sale and 50 have been sold, leaving a total of 78 Inventory Homes owned. These homes take approximately three months to renovate and market to prospective sellers and are expected to generate a profit margin of approximately 7% to 9% – equivalent to a 20% to 30% annualized Return on Investment.

Inventory Homes Portfolio



7. Other Pertinent Facts

7.1 Controls and Procedures

Pursuant to National Instrument 52-109 released by the Canadian Securities Administrators, the Company's CEO and CFO have evaluated the design and operating effectiveness of the Company's disclosure controls and procedures and the Company's internal controls over financial reporting for the year ended December 31, 2012. The CEO and CFO did not identify any material weaknesses in the Company's system of internal controls over financial reporting.

During the quarter ended December 31, 2012, there were no changes to policies, procedures, and processes that comprise the system of internal controls over financial reporting that may have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Such controls and procedures are subject to continuous review and changes to such controls and procedures, may require management resources and systems in the future.

7.2 Liquidity and Capital Resources

Revenues are expected to increase to meet ongoing working capital needs and satisfy operating expenses in the short term, including any expenditure required to add personnel or update corporate infrastructure and information systems.

There are no off-Balance Sheet financial arrangements. Long-term lease commitments for premises over the next 10 years are discussed below – See "Transactions with Related Parties" below.

On January 1, 2011 the Company successfully closed a US$10 million commitment in The New Home Company ("TNHC"), an Orange County, California-based homebuilding and land development company, of which US$9.6 million has been funded. TNHC will use the capital to expand homebuilding and land acquisition efforts throughout California. Tricon warehoused the TNHC investment until the formation of U.S. distressed fund Tricon XI. On September 5, 2012 the investment was sold to Tricon XI at cost plus a 6.75% per annum, monthly compounded, return on capital invested for proceeds of US$10.5 million.

On March 26, 2012 the Company successfully closed a US$11.2 million commitment to Cadiz Riverfront Holdings LP in Dallas, Texas. Approximately US$4.1 million of this commitment had been advanced as at June 30, 2012 to this large scale mixed use land development project. Tricon warehoused this investment until the formation of its successor U.S. distressed fund Tricon XI. On September 5, 2012 the investment was sold to Tricon XI at cost plus a 6.75% per annum, monthly compounded, return on capital invested for proceeds of US$4.3 million.

In April 2012, the Company set up a US$7.7 million margin account with BMO Nesbitt Burns with the Company's investments in GICs and Government of Canada T-Bills (Bank of Canada) pledged as collateral to cover U.S. dollar borrowings required for the Cross Creek Ranch investment in Houston, Texas. This was repaid on May 2, 2012 and no borrowings are outstanding at December 31, 2012. This facility was closed in January 2013.

On April 13, 2012, the Company closed a separate investment account for approximately US$150 million (the "Transaction") with a large Canadian institutional investor to support the acquisition and development of the award-winning, 3,200 acre Cross Creek Ranch master-planned community in Houston, Texas ("Cross Creek" or the "Project"). The Company has committed approximately 10% (or US$14.4 million) of the required capital to the Transaction, with the balance being committed by Tricon's institutional partner and the developer of the Project. At December 31, 2012, the Company had advanced US$12.5 million for this transaction under the commitment.

On April 27, 2012, the Company issued 12,937,500 common shares under a bought deal arrangement at $4.00 per share for gross proceeds of $51,750,000. The Company has used the net proceeds from the offering of approximately $49,421,000 primarily for its U.S. single-family home rental strategy.

On July 30, 2012, the Company completed a 6.375% convertible debenture offering for gross proceeds of $51,750,000 (including the over-allotment option exercised by the underwriters) under a bought deal arrangement. The Company is using the net proceeds from the offering of approximately $49,000,000 primarily for its U.S. single-family home rental strategy.

On November 7, 2012, the Company entered into a 3-year term facility and demand facility with the Royal bank of Canada for an operating line of $15 million. The interest rate ranges between prime plus 2% and prime plus 2.5% depending on certain quarterly financial covenants. No funds were drawn by the Company as of December 31, 2012.

On December 4, 2012, the Company issued 10,447,500 common shares under a bought deal agreement at $5.70 per share for gross proceeds of approximately $59,551,000. The Company is using the net proceeds from the offering of approximately $57,259,000 primarily for its US single-family home rental strategy.

Subsequent to year end, due to the successful implementation of the single-family rental strategy and the Board's decision to increase capital commitments to this strategy, the Company completed a second convertible debenture in February 2013 for gross proceeds (including the over-allotment) of $86 million.

7.3 Transactions with Related Parties

During 2012, the Company acquired 203 properties from its operating partners, for a consideration of $23,872,000, which homes now form part of the single-family rental partnerships.

Tricon has a 10 year sub-lease commitment on our head office premises with Mandukwe Inc. a company owned and controlled by a co-founder and current director of the Company. The annual rental amount is $43,000 plus common area maintenance costs and realty taxes. The lease expires on November 30, 2019.

During Q1 2011, the Company undertook an internal reorganization with respect to future funds to be raised. This resulted in the transfer of assets and liabilities related to management activities from Tricon Capital Group Inc. to a 100% subsidiary entity at book value with no impact on historical results and no gain/loss on transfer. Tricon Capital GP Inc. (the new subsidiary) acts as a trustee, manager, transfer agent and principal distributor for the various Tricon funds. This reorganization did not have any impact on the Company's consolidated financial position or performance.

During Q3 2012, the Company transferred two warehoused investments, The New Home Company ("TNHC") and the Cadiz Riverfront Holdings LP ("Dallas Project"), to Tricon XI on September 5, 2012 for the total proceeds of US$10.5 million ($10.4 million Canadian equivalent) and US$4.3 million ($4.2 million Canadian equivalent), respectively. A gain of US$979,000 ($ 958,000 Canadian equivalent) was recognized in the consolidated statement of comprehensive income (loss).

Certain employees of the Company also own units, directly or indirectly, in the various Tricon funds as well as common shares and debentures of the Company.

Please refer to the Related Party Transactions and Balances note in the financial statements for further detail.

7.4 Dividends

On November 9, 2012 the Board of Directors declared a dividend of $2,505,000 (6 cents per share) to shareholders of record on December 31, 2012, payable on January 15, 2013. The Company pays dividends on a quarterly basis and total dividends declared during 2012 amount to $7,339,000.

7.5 Share Capital

On January 1, 2011, the authorized share capital of the Company was 18,240,871 common shares. On November 18, 2011, the Company announced its intention to buy back a portion of outstanding common shares under a Normal Course Issuer Bid ("NCIB") which resulted in the repurchase of 10,400 common shares during 2011. On April 27, 2012, the Company did a bought deal common stock offering which resulted in the issuance of 12,937,500 common shares. On December 4, 2012, the Company did a bought deal common stock offering which resulted in the issuance of 10,447,500 common shares. On December 17, 2012, 137,378 common shares were issued out of treasury for phantom shares vested and exercised. After giving effect to the transactions noted above, 41,752,849 common shares were outstanding as at December 31, 2012.

Stock options outstanding at December 31, 2012 increased by 15,000 to 1,011,500. The additional 15,000 units were granted to a public relations firm for services rendered. In May 2011, 289,993 stock options vested, in August 2011 23,833 stock options vested, in May 2012 301,243 stock options vested, in August 2012 27,583 stock options vested and in November 2012 23,750 stock options vested. In total 666,402 stock options have vested. No options have been exercised as at December 31, 2012.

The Company adopted a Phantom Unit Plan on May 18, 2011 after shareholder approval and in accordance with Toronto Stock Exchange (the "TSX") guidelines. The Plan consists of a share based awards mechanism to attract, retain and motivate officers and employees of the Company and promote an alignment of interest between such persons and the shareholders of the Company. At December 31, 2011, there were 192,300 units outstanding and no new units were granted to employees in 2012. Subsequent to year end, 161,450 phantom units were granted to employees, officers and directors of the Company.

Please see the audited consolidated financial statements at December 31, 2012 for further information.

7.6 Critical Accounting Estimates and Judgments

Accounting policies are a critical part of the preparation of financial statements in accordance with IFRS and require us to make estimates and assumptions that affect all components of the Consolidated Balance Sheet and Consolidated Statement of Comprehensive Income (Loss). Estimates and assumptions involve judgments based on available information; therefore, actual results or amounts could differ from estimates and the difference could have a material impact on the consolidated financial statements.

The determination of which entities to consolidate in accordance with IFRS 10, Consolidated Financial Statements, which the Company elected to adopt early, requires analysis and judgment in respect of the individual facts and circumstances. Tricon XII which was launched in Q1 2011 was consolidated by the Company to June 14, 2011 since the Company's interest in the Fund was 29.1% to this date. On June 15, 2011 the Company's interest was reduced to 14.3% as a result of a second close on that date which changed the accounting treatment from consolidated subsidiary to investment in associate. The limited partnership interest was reduced to 10.8% on March 22, 2012 and further reduced to 10.2% on May 11, 2012.

On March 26, 2012, the Company committed US$11.2 million to a Dallas, Texas investment for an 80% limited partnership interest in Cadiz Riverfront Holdings, LP. It was determined that consolidation of this entity was not required since an analysis of the control criteria indicated the Company had joint control under the IAS 28 exemption and elected to fair value the asset.

A consolidation analysis was done in Q2 2012 on the three new rental partnerships in which the Company is a major limited partner and the Cross Creek Ranch investment. This resulted in the consolidation of the three rental partnership entities since the Company controls these entities through funding and termination rights. The analysis of the Cross Creek Ranch equity investment however indicated significant influence and therefore will be treated as an investment in associate and accounted for using the fair value exemption election.

The fourth rental partnership in which the Company is a major limited partner was analyzed in Q3 2012 and also resulted in consolidation since the Company controls this entity.

The Company analyzed the acquisition of the "vended-in" homes from the rental operators and determined that these assets should be accounted for as asset acquisitions rather than a business combination. These transactions involved the purchase of a number of individual assets rather than the existing business of the rental operators.

The Company determined that Investment Properties acquired and maintained for rental income purposes will be reported at fair value as required under IAS 40 "Investment Properties". Additionally, properties purchased for short-term holds and then sold at a profit were determined to be Inventory Homes and would be reported at the lower of cost and net realizable value as required under IAS 2.

The single-family rental operations have been consolidated by the Company and the Non-Controlling Interest ("NCI") represents the interest owned by the single-family rental operators. The NCI value is calculated on a liquidation basis by running the total fair value of single-family rental assets through the waterfall calculations outlined in the limited partnership agreements. In determination of fair value of the non-controlling interests requires management to make estimates in respect of the inputs and assumptions used in the cash flow model, such as the margin earned on the sale of the Inventory Homes and the fair value of the Investment Properties.

During Q3 2012, the Company committed US$25 million on the initial close of U.S. distressed fund Tricon XI and has an interest of 20% in the fund. The Company completed an analysis on whether to consolidate this fund and determined that consolidation was not required since control did not exist.

During Q3 2012, the Company analyzed the convertible debenture and determined that the debenture contained both a conversion option and a redemption option which would need to be bifurcated between the host loan and the fair value of the embedded options. Because the redemption option may be exercised by the Company when the common share price hits a specific level, the redemption option is considered to act as a forced conversion feature and was combined with the value of the conversion option. Therefore, the loan will be carried at amortized cost and the embedded options at fair value as per IAS 39.

The LTIP liability calculation requires the Company to estimate the fair value of Performance Fees that would be paid into the Performance Fee-Related Bonus Pool based on the estimated fair market value of assets within the funds managed by the Company at the reporting date. This requires significant estimates and assumptions regarding future cash flows and discount rates by project within the funds, as described in the "Fund Information" section above. Please refer to the Notes to Consolidated Financial Statements, note 14, for further details and sensitivity analysis on the LTIP liability.

The Company analyzed the functional currency of the single-family rental subsidiaries and determined that circumstances had changed during Q4 2012 and the functional currency of these entities was U.S. dollars. This resulted in a functional currency different from the Company's presentation currency requiring all exchange difference on those entities to be recognized as a Cumulative Translation Reserve through Other Comprehensive Income.

7.7 Future Accounting Standards

On May 12, 2011 the IASB issued IFRS 13, *Fair Value Measurement.* IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company did not adopt this standard as of December 31, 2012. Management is in the process of determining the impact of this standard to the Company.

On June 16, 2011 the IASB issued an amended version of IAS 19, *Employee Benefits,* effective for annual periods beginning on or after January 1, 2013. The Company did not adopt this standard as of December 31, 2012. Management is in the process of determining the impact of this standard to the Company.

On June 16, 2011 the IASB published amendments to IAS 1 Presentation of Financial Statements. The amendments to IAS 1 retain the 'one or two statement' approach at the option of the entity and only revise the way other comprehensive income is presented: requiring separate subtotals for those elements which may be 'recycled' (e.g. cash-flow hedging, foreign currency translation), and those elements that will not (e.g. fair value through OCI items under IFRS 9). Management is in the process of determining the impact of this standard to the Company.

On November 9, 2009 the IASB issued the first part of IFRS 9 *Financial Instruments* which covers the classification and measurement of financial assets that will replace IAS 39, *Financial Instruments: Recognition and Measurement.* IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company did not adopt this standard as of December 31, 2012. Management is in the process of determining the impact of this standard to the Company.

On October 31, 2012 the IASB published an Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), providing an exception to the consolidation requirements in IFRS 10 for investment entities. The amendments are effective from 1 January 2014 with early adoption permitted. The Company did not adopt this standard as of December 31, 2012. Management is in the process of determining the impact of this standard to the Company.

Risk Definition and Management

The Company has identified a number of risks and uncertainties that are related to our business.

Credit Risk is defined as the risk the Company will not be able to collect all the Contractual Fees or General Partner Distributions that it is entitled to, under the terms of the Limited Partnership Agreements entered into with the various funds we manage, because limited partners were unable to meet their commitments. Credit risk attaches to the Company's ability to collect the Cross Creek Loan Receivable if the project fails to perform as expected and is unable to meet its repayment obligation. In addition, rental payments on Investment Properties leased pose a credit risk since tenants might be unable to meet their rental obligations under the leases.

Liquidity Risk is defined as the risk the Company will not meet its financial obligations as they come due.

Market Risk is defined as the risk that the fair value or future cash flows associated with the funds that we manage will fluctuate because of changes in real estate market prices, construction costs and sales volatility.

Currency Risk is defined as the risk that the fair value or future cash flows associated with our investment in U.S. funds and investment properties will fluctuate because of changes in foreign exchange rates.

Risk factors related to the Company include, but are not limited to: (i) difficult market conditions or changing real estate markets, (ii) inability to raise additional funds in a timely manner or at all, (iii) loss of key employees, (iv) limited flexibility or control over the properties that the funds invest in, (v) rapid growth in our AUM could adversely affect our investment performance, (vi) failure to execute our succession plan, (vii) competitive pressures, (viii) failure to manage risks (developer, environmental, market, financial) within each investment, (ix) employee error or misconduct, (x) failure to implement effective information security policies, procedures and capabilities, (xi) failure to maintain adequate insurance coverage, and (xii) failure to comply with government regulations.

Additional risks now exist with respect to the new U.S. single-family rental strategy. The residential real estate industry is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for homebuyers, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends and housing demand. In addition, an oversupply of new homes or alternatives to new homes, such as resale homes, including homes held for sale by investors and speculators, foreclosed homes and rental properties may reduce the Company's ability to rent or sell homes, depressed prices and reduced margins from the rental and sale of homes. Conversely, if housing prices in the target markets increase at a rate faster than rents, this could result in downward pressure on the Company's gross rental yields. The United States residential real estate industry continues to face a number of challenges, with home foreclosures and tight credit standards continuing to have an effect on inventory and home sale rates and prices. Additional risks are disclosed in the prospectuses filed on April 24, 2012, July 23, 2012, and December 4, 2012 and they are available on SEDAR (www.sedar.com).

Managing all these risks that the Company is exposed to, described in greater detail in documents filed with SEDAR (www.sedar.com), is a significant senior management responsibility.

The above risk factors are mitigated to a large extent by senior management's direct involvement in the day-to-day operations of the business. Members of senior management meet regularly to address, among other things, business issues, to consider new risks to the business and to chart the direction of the Company in terms of new investments being considered, AUM, geographical focus and strategic direction. Information deemed critical to the ongoing monitoring of the Company's performance and key business metrics are accessible by management when considering operational plans or strategic directions. The Company's investment performance is monitored on an ongoing basis, including a review of trends and activity in real estate markets. The Company has a defined and controlled investment approach, which is the foundation of its investment philosophy and methodology for investing in real estate projects.

Credit risk on the debenture is mitigated by the Company's ability to choose repayment by cash, common shares or a combination thereof.

The Company also maintains a system of internal controls and procedures to safeguard assets, control expenses and to ensure that financial reporting is accurate and reliable. The Company believes that trust, integrity and professionalism are essential to the success of the business. Confidential account information is kept under strict control in compliance with all applicable laws and safeguarded from unauthorized parties. The Company has processes in place for succession planning and market based compensation policies to ensure the hiring and retention of highly qualified staff. Insurance policies are reviewed and maintained with adequate coverage on an annual basis.

Please refer to the Notes to Consolidated Financial Statements for further details and analysis on the aforementioned risks.

7.8 Staffing

In early 2011, an investment analyst was hired and at the end of 2012 an administrative employee and an analyst was hired. As a result of the significant growth in business experienced this year, the Company will need to hire additional investment and administrative staff in 2013. As a listed issuer, additional expenditures may be required as a result of increased regulatory and accounting requirements and technological equipment and back-office systems may need to be upgraded. As the Company grows its separate accounts business and moves forward on its U.S single family rental strategy, staffing levels will continue to be analyzed by management which in turn will increase future Salaries and Benefits, and General and Administration expenditures. Managing the costs of a growing Company will be integral to meeting our financial projections and achieving success as a public company.

Consolidated Financial Statements

March 12, 2013

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. (the Company) and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and December 31, 2011 and the consolidated statements of net and comprehensive income (loss), cash flows, and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as at December 31, 2012 and December 31, 2011 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T:+ 1 416 687 8803, F:+ 1 416 814 3220, www.pwc.com/ca

Consolidated Balance Sheets

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

	NOTES	DECEMBER 31, 2012	DECEMBER 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 38,321,000	$ 22,008,000
Short-term investments	4	4,094,000	9,188,000
Accounts receivable	5	2,226,000	779,000
Prepaid expenses and other assets		1,242,000	154,000
Inventory homes	6	14,544,000	–
Income taxes recoverable		–	185,000
		60,427,000	32,314,000
Non-current assets			
Loan receivable	5,7	7,429,000	–
Investments in associates	8	23,897,000	8,009,000
Long-term investments	7	–	10,802,000
Investment properties	9	139,603,000	–
Intangible assets	10	2,441,000	2,777,000
Office equipment and leasehold improvements	11	166,000	153,000
Deferred income tax assets	12	5,726,000	2,975,000
		179,262,000	24,716,000
Total assets		**$ 239,689,000**	**$ 57,030,000**
LIABILITIES			
Current liabilities			
Bank debt	7	$ 1,459,000	$ –
Accounts payable and accruals	5,13	5,059,000	889,000
Long-term incentive plan-current portion	5,14	15,000	40,000
Dividends payable	5,15	2,505,000	1,094,000
Income taxes payable		786,000	18,000
Debentures interest payable	7,25	1,379,000	–
		11,203,000	2,041,000
Non-current liabilities			
Bank debt	7	6,298,000	–
Deferred income tax liabilities	12	1,740,000	706,000
Non-controlling interest	16	11,496,000	–
Long-term incentive plan – non-current portion	5,14	9,980,000	8,270,000
Derivative financial instruments	7	23,921,000	–
Debentures payable	7	33,756,000	–
Total liabilities		**98,394,000**	**11,017,000**
EQUITY			
Share capital	17	164,614,000	57,901,000
Contributed surplus		1,377,000	1,190,000
Accumulated other comprehensive income		1,014,000	–
Deficit		(25,710,000)	(13,078,000)
Total equity		**141,295,000**	**46,013,000**
Total liabilities and equity		**$ 239,689,000**	**$ 57,030,000**

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

Approved by the Board of Directors

David Berman Michael Knowlton Duff Scott

Consolidated Statements of Comprehensive Income (Loss)

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

FOR THE YEAR ENDED	NOTES	DECEMBER 31, 2012	DECEMBER 31, 2011
Revenue			
Contractual fees	5	$ 9,985,000	$ 9,132,000
General partner distributions	5	3,630,000	1,141,000
Performance fees	5	95,000	311,000
Investment income	5,8	2,594,000	(225,000)
Rental revenue	6	2,291,000	–
Revenue from homes sold		11,091,000	–
Gain on sale of investments in associates		958,000	–
Interest income	18	1,358,000	672,000
		32,002,000	11,031,000
Expenses			
Salaries and benefits expense	5	3,919,000	3,549,000
Short-term incentive plan	5,19	1,443,000	774,000
Long-term incentive plan	5,14	1,733,000	2,418,000
Stock compensation	5,19	986,000	635,000
Rental expense		1,069,000	–
Rental operator management fees		619,000	–
Impairment on inventory homes	6	332,000	–
Cost of homes sold	6	10,301,000	–
Professional and directors fees expense	5,19	2,035,000	1,067,000
Formation costs	20	(192,000)	589,000
Fair value adjustment on investment properties		(254,000)	–
General and administration expense	20	1,028,000	976,000
Interest expense		2,477,000	–
Net change in fair value of derivative	7	7,671,000	–
Amortization expense	10,11	1,160,000	1,313,000
Realized and unrealized foreign exchange (gain) loss		1,847,000	(349,000)
		36,174,000	10,972,000
Income (loss) before non-controlling interest and income taxes		**(4,172,000)**	**59,000**
Non-controlling interest fair value change	16	332,000	931,000
Income (loss) before income taxes		**(3,840,000)**	**990,000**
Income tax expense	12	(1,372,000)	(446,000)
Net income (loss)		**$ (5,212,000)**	**$ 544,000**
Other comprehensive income			
Cumulative translation reserve		1,014,000	–
Comprehensive income (loss) for the year		**$ (4,198,000)**	**$ 544,000**
Basic and diluted income (loss) per share	21	**$ (0.19)**	**$ 0.03**

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

Consolidated Statements of Changes in Equity

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

	NOTES	SHARE CAPITAL	CONTRIBUTED SURPLUS	OTHER COMPREHENSIVE INCOME	RETAINED EARNINGS (DEFICIT)	TOTAL EQUITY
Balance at January 1, 2011		**$ 57,934,000**	**$ 555,000**	**$ –**	**$ (9,228,000)**	**$ 49,261,000**
Net income for the year		–	–	–	544,000	544,000
Dividends	15	–	–	–	(4,377,000)	(4,377,000)
Repurchase of common shares	17	(33,000)	–	–	(17,000)	(50,000)
Stock option expense	19	–	557,000	–	–	557,000
Phantom units	19	–	78,000	–	–	78,000
Balance at December 31, 2011		**57,901,000**	**1,190,000**	**–**	**(13,078,000)**	**46,013,000**
Net (loss)		–	–	–	(5,212,000)	(5,212,000)
Cumulative translation reserve		–	–	1,014,000	–	1,014,000
Dividends	15	–	–	–	(7,339,000)	(7,339,000)
Issuance of common shares, net of equity issuance costs of $5,159,000	17	106,142,000	–	–	–	106,142,000
Stock option expense	19	–	265,000	–	–	265,000
Phantom units	19	571,000	(78,000)	–	(81,000)	412,000
Balance at December 31, 2012		**$ 164,614,000**	**$ 1,377,000**	**$ 1,014,000**	**$ (25,710,000)**	**$ 141,295,000**

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

Consolidated Statements of Cash Flows

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

FOR THE YEAR ENDED	NOTES	DECEMBER 31, 2012	DECEMBER 31, 2011
CASH PROVIDED BY (USED IN)			
Operating activities			
Net income (loss)		$ (5,212,000)	$ 544,000
Adjustments for			
Non-controlling interest	16	(332,000)	(931,000)
Amortization	10, 11	1,160,000	1,313,000
DSUP expense	19	87,000	46,000
Deferred income taxes	12	(1,717,000)	(439,000)
Long-term incentive plan	14	1,685,000	2,262,000
Stock compensation expense, net of tax		1,016,000	635,000
Gain on disposal of long-term investment		(258,000)	–
Bond premium amortization/write-off		341,000	–
Accrued interest income		(122,000)	(101,000)
Accrued interest expense		1,022,000	–
Fair value adjustment on investment properties		(254,000)	–
Impairment on inventory homes		332,000	–
Net change in fair value of derivative		7,671,000	–
Investment (income) loss	5, 8	(2,594,000)	225,000
Gain on sale of investment in associates		(958,000)	–
Unrealized foreign echange (gain) loss		410,000	(190,000)
		2,277,000	3,364,000
Changes in non-cash working capital items			
Accounts receivable		(1,447,000)	141,000
Non-controlling interest	16	–	931,000
Income tax recoverable		185,000	(185,000)
Prepaid expenses and other assets		(1,088,000)	(71,000)
Accounts payable and accruals	5, 13	4,083,000	(12,000)
Debenture interest payable		1,379,000	–
Inventory homes		(14,544,000)	–
Income taxes payable		768,000	(562,000)
		(8,281,000)	3,606,000
Investing activities			
Purchase of office equipment, furnitures and leasehold improvement	11	(80,000)	(23,000)
Purchase of short term investments		(10,500,000)	(9,000,000)
Purchase of long term investments		–	(10,889,000)
Placement fees	10	(757,000)	(89,000)
Investment in associates	8	(27,011,000)	(8,199,000)
Proceeds on disposal of investments in associates		14,582,000	–
Proceeds on disposal of short-term investments inclusive of interest received		19,688,000	31,156,000
Proceeds on disposal of long-term investments		6,709,000	–
Investment properties		(138,622,000)	–
Loans receivable		(7,464,000)	–
		(143,455,000)	2,956,000
Financing activities			
Issuance/ (repurchase) of common shares (net of issuance costs of $5,159,000)	17	106,142,000	(50,000)
Issuance/ (repurchase) of debentures (net of issuance costs of $2,766,000)		48,984,000	–
Vested phantom units		(339,000)	
Proceeds from borrowing (net of financing costs)		7,689,000	–
Dividends paid	15	(5,928,000)	(4,377,000)
Non-controlling interest	16	11,745,000	–
		168,293,000	(4,427,000)
Foreign exchange gain (loss) on cash		(244,000)	190,000
Change in cash and cash equivalents during the year		16,313,000	2,325,000
Cash and cash equivalents – Beginning of year		22,008,000	19,683,000
Cash and cash equivalents – End of year		$ 38,321,000	$ 22,008,000
Supplementary information			
Income taxes paid		**$ 1,106,000**	**$ 1,632,000**

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

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

1. Nature of Business

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

COMPANY NAME	EFFECTIVE DATE
Tricon USA Inc.	December 20, 2002
2237176 Ontario Limited	May 11, 2010
Altman VII General Partnership	May 13, 2010
Altman IX General Partnership	May 13, 2010
Tri Continental Capital (1997) Ltd.	May 13, 2010
Tri Continental Capital III Ltd.	May 13, 2010
Tri Continental Capital IV Ltd.	May 13, 2010
Tri Continental Capital VI Ltd.	May 13, 2010
Tricon VIII Ltd.	May 13, 2010
Tricon X Ltd.	May 13, 2010
Tricon XI A Incentive LP	July 6, 2012
Tricon Capital GP Inc.	March 23, 2011
Tricon Capital Fund XII Co-Investment Inc.	March 23, 2011
Tricon XII Feeder GP Ltd.	May 24, 2011
Tricon Holdings USA LLC	March 20, 2012
CCR Texas Agent Inc.	April 5, 2012
CCR Texas Lender Inc.	April 5, 2012
Tricon SF Home Rental Inc.	April 30, 2012
Greater Sacramento SF Home Rental JV LLC	May 1, 2012
California SF Home Rental JV LLC	May 9, 2012
Phoenix SF Home Rental JV LLC	May 9, 2012
Tricon Holdings Canada Inc.	June 7, 2012
Florida Home Rental JV LLC	June 15, 2012
LA SF Home Rental JV LLC	November 2, 2012

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

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 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements. These consolidated financial statements have been prepared using the historical cost convention with the exception of the Company's investment properties, investments in associates and joint venture, financial liabilities classified at fair value through profit or loss, and derivative financial instruments which are recorded at fair value. The consolidated financial statements were authorized for issue on March 12, 2013 by the Board of Directors of Tricon. Subsequent to this date, the consolidated financial statements can only be amended with the Board of Directors' approval.

Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity that have a significant risk of material adjustment to the carrying amounts of assets or liabilities within the next fiscal year include impairment of assets, income taxes, the estimated useful lives of long-lived assets, the estimated fair value of investment properties, non-controlling interests, investments in associates and investments in which the Company has joint control, derivative financial instruments, the determination of the long-term incentive plan accrual, the estimates used in the fair valuing of stock option grants, the determination of consolidation requirements for the funds managed by the Company, and the determination of whether the purchase of homes meet the definition of an asset acquisition or business combination.

Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the group 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. Subsidiaries are fully consolidated from the date on which control is obtained and no longer consolidated from the date on which control ceases. Inter-company transactions, balances and unrealized gains or losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of Tricon's subsidiaries have been conformed where necessary to ensure consistency to the policies adopted by the Company.

Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries not attributable to the Company. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a liability, as the subsidiaries are limited life entities where the non-controlling interests are considered to be "puttable instruments" because of the redemption feature in accordance with IAS 32. The non-controlling interest is measured at fair value at the end of each reporting period with such changes recognized in net income (loss).

Revenue recognition

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

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

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

Rental revenue from operating leases is recognized on a straight-line basis over the lease term.

Revenue from the sale of inventory homes is recognized when title passes to the purchaser upon closing, wherein all proceeds are received.

Investments in associates and joint venture

Associates are those entities in which the Company has significant influence, but not control, over financial and operating policies. Investments in associates consist of general partnership interests in investment funds and investments held on behalf of future investment funds (warehoused investments) managed by the Company.

a) General Partnership interests

The Company holds an ownership interest in certain investment funds managed by the Company. Significant influence is exercised through the Company's general partnership interest in these investment funds. Accordingly, these interests are accounted for as investments in associates.

These ownership interests are held as part of the Company's investment portfolio and are carried on the consolidated balance sheet at fair value in accordance with the IAS 28 *Investment in Associates* exemption, which permits investments held by venture capital organizations in which they have significant influence to be excluded from the scope of IAS 28 where those investments are designated, upon initial recognition, such that they are carried at fair value with gains and losses recognized in net income (loss). The Company has elected to designate its general partnership interests at fair value.

b) Warehoused investments/Joint Ventures

Joint ventures are established through contractual arrangements that require the unanimous consent of each of the venturers regarding the ability to direct activities that significantly affect the returns of the joint arrangement.

Investments in joint ventures are held as part of the Company's investment portfolio and are carried on the consolidated balance sheet at fair value in accordance with IAS 28 *Investment in Associates* exemption, which permits investments held by venture capital organizations in which they have joint control to be excluded from the scope of IFRS 11 Joint arrangements where those investments are designated, upon initial recognition, such that they are carried at fair value with gains and losses recognized in net income (loss). The Company has elected to designate its ownership interests in its joint venture at fair value.

The Company has designated warehoused investments, over which the Company has significant influence that are held as part of the Company's investment portfolio which are recorded at fair value, consistent with the IAS 28 exemption referred to above.

The fair value of warehoused investments is determined using a discounted cash flow (DCF) model. The determination of the fair value of warehoused investments under the discounted cash flow model requires management to make significant estimates in respect of the inputs and assumptions used in the DCF, such as the discount rate and the timing and amounts of cash flows. These inputs and assumptions are regularly reviewed by management and are adjusted as required. It is possible that changes in future conditions could significantly change these inputs and assumptions and result in a material change in fair value.

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

c) Investments in limited partnerships managed by the Company

The Company has investments in the limited partnerships managed by the Company. These investments are held through the Company's wholly-owned subsidiaries that invest in the limited partnerships as a limited partner and are recorded at fair value, consistent with the IAS 28 exemption referred to above. The investments are measured at fair value determined by the Company's proportionate ownership of the partnerships' net assets which are also recorded at fair value at the partnership level. The effect on net and comprehensive income (loss) of a 1% absolute change in the discount rates of the investments in associates is as follows:

	DISCOUNT RATE INCREASE 1%	DISCOUNT RATE DECREASE 1%
Effect on net income (loss)	($764,000)	$794,000

Changes in fair value of investments in associates are included in Investment income (loss) in the consolidated statements of net and comprehensive income (loss).

Disclosures of investments in associates and joint venture are made in accordance with IFRS 12, *Disclosure of Interests in Other Entities,* which governs disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013; however, the Company early adopted this standard along with IFRS 10, IFRS 11, and IAS 28 (revised 2011) during 2011.

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.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment of the subsidiary (the functional currency). The consolidated financial statements are presented in Canadian dollars, which is Tricon's functional currency and the functional currency of some of its foreign operations, with the exception of the subsidiaries related to the rental strategy which is US dollars (effective Q4 2012 as commercial operations commenced and the entities were no longer considered an extension of the parent).

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

b) Subsidiaries

The results and financial position of all the subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

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

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 that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial instruments

Financial assets

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

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

The Company's financial assets consist of cash and cash equivalents, short-term and long-term investments, accounts receivable and loan receivable.

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

The Company assesses at each financial position date whether there is objective evidence that loans and receivables are impaired. If there is objective evidence (such as significant financial difficult 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 use of an allowance account. The amount of the loss is recognized in net income (loss).

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

Financial liabilities

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

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

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

Bank debts 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 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.

Cash and cash equivalents

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

Short-term investments

Short-term investments include investments in Guaranteed Investment Certificates that mature within twelve months.

Long-term investments

Long-term investments include investment in Guaranteed Investment Certificates that mature later than twelve months and corporate bonds of major Canadian financial institutions with high credit rating and maturity no longer than three years.

Inventory Homes

The Company's inventory homes are purchased for sale. They are initially recorded at cost and are subsequently carried at the lower of cost and net realizable value ("NRV").

Cost includes purchase price, acquisition costs, renovation and carrying costs, property taxes, legal costs and other direct costs in bringing inventories to their saleable condition. Non-refundable commission paid to sales or marketing agents on the sale of real estate property and interest expense related to loans used to purchase inventory homes are expensed when incurred.

Net realizable value is the estimated selling price based on suggested market price from an Automated Valuation Model ("AVM") or Broker Priced Opinion ("BPO") appraisal less estimated selling costs equal to 5% of the selling price of the inventory. Appraisal was performed by an independent and accredited appraiser and majority of the properties were valued using the AVM methodology. An AVM is a tool that estimates the value of a property using market data including sales of comparable properties and price trends specific to the metropolitan area in which the property is located. In the event that a sales contract price on a home was available (i.e. property under contract but unsold as of December 31, 2012), the Company utilized the contract price in the NRV calculation.

An NRV analysis was performed on a property-by-property basis. The total impairment write-down presented in the consolidated financial statements represents the aggregate impairment adjustment for those properties in which NRV was calculated to be less than cost. For inventory homes purchased within the last week of December 2012, selling price (i.e. fair value) was assumed to be purchase price. Write-down on these homes mainly represented the 5% estimated selling expense on the inventory.

Investment property

Property that is held for rental yields or for capital appreciation or both is classified as investment property. Investment property also includes property that is being renovated or developed for future use as investment property. Investment property is measured initially at its cost, including related transaction costs as well as capital expenditures.

After initial recognition, investment property is carried at fair value. Fair value is estimated based on an AVM or BPO appraisal. The appraisals were performed by independent and accredited appraisers and majority of the properties were valued using the AVM methodology In the event that an AVM value was not available, the Company utilized alternative valuation methods, such as applying an average price adjustment on cost based on homes with similar physical characteristics, the same zip code or located within the same region in the Company's portfolio. Changes in fair values are recognized in net income (loss). Investment properties are derecognized when they have been sold.

Expenditures subsequent to leasing are capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to Inventory Homes. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

Dividends

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

Current and deferred income taxes

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

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

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

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 the 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. Such settlement option requires the Company to record the conversion option as a financial liability at fair value at each reporting period with changes in fair value recorded in net income (loss).

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

The host liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The conversion and the redemption options are considered to be inter-related 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.

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 re-measured at fair value with the resulting gain or loss reflected in net income (loss). Derivatives are valued using model calibration. Inputs to the valuation model are determined from observable market data wherever possible, including prices available from exchanges and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources. Examples of inputs that may be unobservable include volatility and credit spreads.

Fair value estimation

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

The following describes the categories within the fair value hierarchy:

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

The Company's derivative financial instruments are classified within Level 2.

The carrying value of loans and receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate for similar financial instruments.

Leases

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

Properties leased to third parties under operating leases are included in investment property in the statement of financial position.

Share Capital

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

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

Earnings (loss) per share

a) Basic

The treasury stock method is used in the calculation of per share amounts. Basic earnings (loss) per share are determined by the weighted average number of shares outstanding during the reporting period, taking into account on a retrospective basis any increases or decreases caused by share splits or reverse share splits occurring after the reporting period, but prior to the financial statements being authorized for issue.

b) Diluted

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

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 of the options is recognized as compensation cost using the graded vesting method over the vesting period of the options.

Phantom unit plan

The Company accounts for its phantom unit plan by calculating the fair value of the units as of the grant date using the formula as defined in the Phantom Unit Plan. The Fair Market Value is defined as the volume-weighted average trading price of the Company's common shares on the TSX for the five trading days immediately preceding grant date. This fair value of the units is recognized as stock compensation cost over the vesting period of the units.

Long-term incentive plan

Payments under the Company's long-term incentive plan ("LTIP"), which are paid to participants of the plan only if and when performance fees are generated from funds under management, are based on 50% of performance fees earned by the Company. Amounts under the LTIP are allocated among the employees based on amounts defined in employment agreements. The Company accounts for its LTIP using a fair value based method under which compensation expense is recognized beginning at the time of grant for the estimated fair value, adjusted each period, of the participants' rights in accordance with IAS 19.

Operating Segments

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

Future accounting requirements

On May 12, 2011 the IASB issued IFRS 13, *Fair Value Measurement*. IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company did not adopt this standard as of December 31, 2012. Management is in the process of determining the impact of this standard to the Company.

On June 16, 2011 the IASB issued an amended version of IAS 19, *Employee Benefits*, effective for annual periods beginning on or after January 1, 2013. The Company did not adopt this standard as of December 31, 2012. Management is in the process of determining the impact of this standard to the Company.

On June 16, 2011 the IASB published amendments to IAS 1 Presentation of Financial Statements. The amendments to IAS 1 retain the 'one or two statement' approach at the option of the entity and only revise the way other comprehensive income is presented: requiring separate subtotals for those elements which may be 'recycled' (e.g. cash-flow hedging, foreign currency translation), and those elements that will not (e.g. fair value through OCI items under IFRS 9). Management is in the process of determining the impact of this standard to the Company.

On November 9, 2009 the IASB issued the first part of IFRS 9 *Financial Instruments* which covers the classification and measurement of financial assets that will replace IAS 39, *Financial Instruments: Recognition and Measurement.* IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company did not adopt this standard as of December 31, 2012. Management is in the process of determining the impact of this standard to the Company.

On October 31, 2012 the IASB published an Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), providing an exception to the consolidation requirements in IFRS 10 for investment entities. The amendments are effective from 1 January 2014 with early adoption permitted. The Company did not adopt this standard as of December 31, 2012. Management is in the process of determining the impact of this standard to the Company.

3. Financial Risk Management

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

Financial risk factors

a) 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. The Company's market risks arise from open positions in (a) foreign currencies and (b) interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

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 rate and changes in foreign currency rates.

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

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's exposure to interest rate risk is limited due to the short-term nature of the Company's financial instruments with the exception of the loans receivable, long-term investments, bank debt, derivative financial instruments and convertible debentures which are discussed in note 7. The effects on net and comprehensive income (loss) of possible changes in interest rates resulting from changes in the fair values of, or cash flows associated with, the Company's financial instruments other than the long-term investments, bank debt, derivative financial instruments and debentures would not be significant to the Company's operations. None of the Company's debt has variable interest rates as of December 31, 2012, and consequently Tricon is not exposed to cash flow interest rate risk. In addition, bank debt and convertible debentures are carried at amortized cost and therefore, the Company is not exposed to fair value interest rate risk. Demand facilities are subjected to variable interest rates. Consequently, outstanding balances from demand facilities are exposed to fair value interest rate risk. As of December 31, 2012, the Company did not incur interest expense on the outstanding demand facility balances and hence, was not exposed to fair value interest rate risk.

Foreign currency risk

The Company has exposure to foreign currency risk due to the effects of changes in foreign exchange rates related to investments and cash in US dollars as well as rental operations and inventories held in the US (United States of America). A one percent increase and decrease in the US dollar exchange rate would result in approximately $1,667,000 and ($1,674,000) movement, respectively, in unrealized foreign exchange income (loss) in the income statement. The Company manages foreign currency risk by matching its principal cash outflows to the currency in which the principal cash inflows (such as rental revenue) are denominated. The Company may use derivatives to hedge foreign currency risks.

The tables below summarize the Company's exposure to foreign currency risk arising from financial instruments held outside of USD functional currency entities at December 31, 2012 and 2011. The Company's financial assets and liabilities are included in the table categorized by currency at their carrying amount.

AS AT DECEMBER 31, 2012	CAD	USD	TOTAL
Financial assets			
Current assets			
Cash and cash equivalents	$ 27,316,000	$ 11,005,000	$ 38,321,000
Short-term investments	4,094,000	–	4,094,000
Accounts receivable	822,000	1,404,000	2,226,000
Non-current assets			
Loan receivable	–	7,429,000	7,429,000
Investment in associates	5,827,000	18,070,000	23,897,000
Total financial assets	**38,059,000**	**37,908,000**	**75,967,000**
Financial liabilities			
Current liabilities			
Accounts payable and accruals	2,549,000	2,510,000	5,059,000
Dividend payable	2,505,000	–	2,505,000
Debentures interest payable	1,379,000	–	1,379,000
Non-current liabilities			
Debentures payable	51,750,000	–	51,750,000
Total financial liabilities	**58,183,000**	**2,510,000**	**60,693,000**

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

AS AT DECEMBER 31, 2011	CAD	USD	TOTAL
Financial assets			
Current assets			
Cash and cash equivalents	$ 13,398,000	$ 8,610,000	$ 22,008,000
Short-term investments	9,188,000	–	9,188,000
Accounts receivable	779,000	–	779,000
Non-current assets			
Loan receivable	–	–	–
Investment in associates	168,000	7,841,000	8,009,000
Long-term investments	10,802,000	–	10,802,000
Total financial assets	**34,335,000**	**16,451,000**	**50,786,000**
Financial liabilities			
Current liabilities			
Accounts payable and accruals	$ 874,000	$ 15,000	$ 889,000
Dividend payable	1,094,000	–	1,094,000
Total financial liabilities	**1,968,000**	**15,000**	**1,983,000**

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents held at banks, accounts receivable, short-term and long-term investments and loans receivable.

The Company's cash and cash equivalents, short-term and long-term investments are held by financial institutions with a minimum credit rating of AA. The Company's receivables consist primarily of contractual fees and performance fees that are receivable from investment funds managed by the Company. Capital available at the investment funds' level mitigates the credit risk of the Company's receivables. The Company mitigates the credit risk on loans receivable by ensuring a comprehensive due diligence process is conducted on each loan prior to funding and actively monitoring the loan portfolio and initiating recovery procedures when required.

Credit risk related to the rental operations arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. The risk is mitigated by relatively short lease term (12 months), requirement for tenants to provide a security deposit upon lease commencement as well as the background check performed on each tenant to assess their creditworthiness. In addition, the Florida properties managed by Section 8 Housing Authority which has strict controls over eligibility of participants.

c) Liquidity risk

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

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

The maturity analysis of financial instruments is as follows:

AS AT DECEMBER 31, 2012	DEMAND AND LESS THAN 1 YEAR	FROM 1 TO 3 YEARS	FROM 3 TO 5 YEARS	LATER THAN 5 YEARS	TOTAL
Assets					
Cash and cash equivalents	$ 38,321,000	$ –	$ –	$ –	$ 38,321,000
Short-term investments	4,094,000	–	–	–	4,094,000
Accounts receivable	2,226,000	–	–	–	2,226,000
Loan receivable	–	2,781,000	4,648,000	–	7,429,000
Investment in associates	–	1,716,000	22,181,000	–	23,897,000
Liabilities					
Accounts payable and accruals	5,059,000	–	–	–	5,059,000
Long-term incentive plan	15,000	–	9,980,000	–	9,995,000
Dividend payable	2,505,000	–	–	–	2,505,000
Debentures interest payable	1,379,000	–	–	–	1,379,000
Bank debt	1,459,000	–	–	6,298,000	7,757,000
Non-controlling interest	–	–	–	11,496,000	11,496,000
Debentures payable	–	–	51,750,000	–	51,750,000

AS AT DECEMBER 31, 2011	DEMAND AND LESS THAN 1 YEAR	FROM 1 TO 3 YEARS	FROM 3 TO 5 YEARS	LATER THAN 5 YEARS	TOTAL
Assets					
Cash and cash equivalents	$ 22,008,000	$ –	$ –	$ –	$ 22,008,000
Short-term investments	9,188,000	–	–	–	9,188,000
Accounts receivable	779,000	–	–	–	779,000
Investment in associates	–	–	8,009,000	–	8,009,000
Long-term Investments	–	10,802,000	–	–	10,802,000
Liabilities					
Accounts payable and accruals	889,000	–	–	–	889,000
Long-term incentive plan	40,000	–	8,270,000	–	8,310,000
Dividend payable	1,094,000	–	–	–	1,094,000

d) Other price risk

The key assumptions in determining the fair value of the non-controlling interest are the fair value of the investment properties and the net realizable value of inventory homes. Assuming the fair value of the investment properties and the net realizable value of the inventory homes had increased by 1%, the fair value of the non-controlling interest would have increased by $112,000 with all other variables held constant. Assuming the fair value of the investment properties and the net realizable value of the inventory homes had decreased by 1%, the fair value of the non-controlling interest would have decreased by $113,000.

Capital risk 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, 2012, the Company had no externally imposed restrictions or covenants on capital.

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

4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

	DECEMBER 31, 2012	DECEMBER 31, 2011
Bank operating accounts	$ 8,657,000	$ 5,480,000
High Interest Savings Account	–	5,592,000
CAD Interest Savings Account	27,164,000	4,317,000
USD Interest Savings Account	2,500,000	6,619,000
	$38,321,000	$22,008,000

Short-Term Investments

	RATE	MATURITY	DECEMBER 31, 2012	DECEMBER 31, 2011
1-year GICs	1.55%	July 3, 2012	$ –	$ 5,000,000
1-year GICs	1.75%	November 21, 2012	–	4,000,000
1-year GICs	2.10%	November 18, 2013	4,000,000	–
Accrued interest			94,000	188,000
			$ 4,094,000	$ 9,188,000

5. Related Party Transactions and Balances

The Company leases office space from Mandukwe, a company that is owned by a director of Tricon. During the year ended December 31, 2012, the Company paid $96,000 in rental payments, including common costs to Mandukwe (2011 – $92,000).

Key management compensation

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

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Salaries, benefits and STIP (note 19)	$ 2,564,000	$ 2,421,000
Stock option expense (note 19)	139,000	324,000
Phantom units	–	41,000
LTIP paid	35,000	129,000
LTIP accrued (note 14)	658,000	1,660,000
	3,396,000	4,575,000
Director's compensation (note 19)	247,000	168,000
	$ 3,643,000	$ 4,743,000

Transactions with related parties

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

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Contractual fees	$ 9,985,000	$ 9,132,000
General Partner distributions (A)	3,630,000	1,141,000
Performance fees	95,000	311,000
Investment income	2,594,000	(225,000)
Gain on sale of investments in associates (note 8)	958,000	–
Interest income (note 18)	792,000	75,000
	$ 18,054,000	$ 10,434,000

(A) The Company received distributions from an investment fund of $1,631,000 in 2011 of which $490,000 was eliminated on consolidation as that investment fund was consolidated until June 15, 2011.

(B) All transactions were measured in accordance with the amount as per the contractual agreements.

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

Balances arising from transactions with related parties

	DECEMBER 31, 2012	DECEMBER 31,2011
Receivables from related parties included in accounts receivable		
Contractual fees receivable from investment funds managed by the Company	$ 612,000	$ 427,000
Performance fees receivable from investment funds managed by the Company	–	11,000
Other receivables	88,000	75,000
Loan receivable from CCR Texas Holdings LP (note 7)	7,429,000	–
Investment property seeded into partnerships by local operators	23,872,000	–
Long Term Incentive Plan (current and non-current portion)	9,995,000	8,310,000
Short Term Incentive Plan	1,392,000	774,000
Dividends payable to employees and associated corporations	397,000	407,000
Other payables to related parties included in accounts payable and accruals	108,000	391,000

Revenues and receivables from related parties relate to contractual and performance fees for services provided by the Company. The receivables are unsecured and are non-interest bearing. There are no provisions recorded against receivables from related parties at December 31, 2012 (December 31, 2011 – $nil).

The Company and its founding shareholders have indemnified the limited partners of certain funds the Company manages. Refer to note 26 for further details.

6. Inventory Homes

	DECEMBER 31, 2012	DECEMBER 31, 2011
Opening balance – beginning of year	$ –	$ –
Acquisitions of inventory homes	23,165,000	–
Rehabilitation costs	1,425,000	–
Disposition of inventory homes	(9,792,000)	
Unrealized foreign exchange gain (A)	78,000	
Write-down of inventories (B)	(332,000)	–
Closing balance – end of year	$ 14,544,000	$ –

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

(B) Inventory homes must be carried at the lower of cost and net realizable value which resulted in impairment on inventory homes arising mainly from the further requirement to provide for selling expense on the ultimate sale of the homes

As of December 31, 2012, none of the inventories were pledged as collateral.

Inventories sales

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Home sales revenue	$ 11,091,000	$ –
Cost of home sales	(9,792,000)	–
Selling expenses	(509,000)	–
Income from home sales	$ 790,000	$ –

7. Financial Instruments

Loans receivable

On April 9, 2012, the Company made a loan commitment of US$9 million through CCR Texas Lender, Inc., a wholly owned subsidiary of Tricon Capital Group Inc. to CCR Texas Holdings LP, a single purpose entity formed by the Company, a large Canadian institutional investor and The Johnson Development Corporation, for the purposes of acquiring and developing the Cross Creek Ranch Master Planned Community in Houston Texas (“Cross Creek”).

As of December 31, 2012, the Company had a loan receivable from CCR Texas Holdings LP of US$7,468,000 ($7,429,000 Canadian equivalent) net of a US$167,000 commitment fee received, bearing a 12% interest rate, compounding monthly, maturing on December 31, 2019. The accrued interest was US$721,000 ($719,000 Canadian equivalent) as of December 31, 2012 ($nil – December 31, 2011) with an effective interest rate of 12.9%.

Long-term investments

On May 25, 2011 the Company bought corporate bonds of a Canadian chartered bank, with a face value of $6,450,000, at a premium of $439,000. The bonds had an interest rate of 4.95% per annum with a yield of 2.3% payable semi-annually and mature on January 23, 2014. The bond was sold on September 11, 2012 for proceeds of $6,754,000. The Company realized a gain of $33,000 which is recognized as part of Investment Income in net income (loss).

Bank debt

At December 31, 2012, the Company has bank debt outstanding (net of transaction costs) of $7,757,000 (2011 – $nil) consisting of $6,298,000 under the Greater Sacramento facility and $1,459,000 under the California facility, as described below.

Greater Sacramento

On August 6, 2012, the Company’s partnership in Greater Sacramento entered into a bank credit facility agreement in the amount of US$10 million for the purpose of financing the acquisition and renovation of single family residential units. As of December 31, 2012, US$342,000 ($340,000 Canadian equivalent) of transaction fees were incurred on the bank debt. The loan balance is presented on the financial statements net of transaction fees incurred and is amortized at an effective interest rate of 5.75%. The loan balance before transaction cost is US$6.7 million ($6.7 million Canadian equivalent).

Interest-only payments are required on the bank debt at 5.00% per annum until March 1, 2018, thereafter the rate changes to the greater of 5.00% or six-month LIBOR plus 350 basis points and include principal repayments to maturity on March 1, 2028. As of December 31, 2012, the partnership incurred US$76,000 ($76,000 Canadian equivalent) of interest expense and transaction fee amortization on the outstanding loan balance.

Monthly payments of principal and interest commenced on October 1, 2012.

The loan agreement outlines the debt service covenant ratio, defined as the annualized net operating income from rental homes divided by the total outstanding principal and interest payable calculated at a fixed rate of 5.00%. As of December 31, 2012, the Company's partnership is in compliance with the covenant and other undertakings outlined in the loan agreement.

The facility is secured by the Company's single-family rental investment properties that have been approved by the lender based on the terms of the borrowing agreement.

California (McKinley)

On December 17, 2012, the Company's partnership in the Bay Area of California entered into an unsecured demand credit facility agreement in the amount of US$5 million ($5 million Canadian equivalent) for the purpose of financing the acquisition and renovation of single family residential units. As of December 31, 2012, US$33,000 ($32,000 Canadian equivalent) of transaction fees were incurred on the bank debt. The Company's partnership made the first draw on the demand facility on December 27, 2012 in the amount of US$1.5 million ($1.5 million Canadian equivalent). The loan balance before transaction cost is US$1.5 million ($1.5 million Canadian equivalent).

Interest-only payments are required on the bank debt at 4.25% per annum beginning February 1, 2013 until February 1, 2014, thereafter the monthly payments are fixed at US$26,000 ($26,000 Canadian equivalent) and the portion allocated as interest is calculated based on Wall Street Journal Prime Rate plus 1.5%. On January 1, 2018, the final lump-sum payment will be made in the amount of US$4.7 million ($4.7 million Canadian equivalent) and the portion allocated as interest is calculated based on Wall Street Journal Prime Rate plus 1.5%. As of December 31, 2012, the Company's partnership did not incur any interest expense and transaction fee amortization on the outstanding loan balance.

The loan agreement outlines working capital requirements and debt service coverage ratios for the loan portfolio and operator. As of December 31, 2012, the Company's partnership is in compliance with the covenant and other undertakings outlined in the loan agreement.

The maximum facility allowable loan amount is calculated based on the lesser of 65% of the appraised home value completed by a bank approved appraiser, or acquisition plus rehabilitation costs for each property located in defined counties. Properties located in other counties cannot make up more than 25% of the total portfolio and the allowable loan advanced on such properties would be lesser of 50% of appraised value or acquisition plus rehabilitation costs.

The fair value of borrowings approximated the carrying value as of December 31, 2012.

Royal Bank of Canada

On November 7, 2012, the Company entered into a 3-year term facility and demand facility with the Royal Bank of Canada for an operating line of $15 million. The interest rate ranges between prime plus 2% and prime plus 2.5% depending on certain quarterly financial covenants. No funds were drawn by the Company as of December 31, 2012.

Fees paid on the establishment of the loan facility are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. As it is within management's expectation to utilize the full capacity of the facility, the $56,000 commitment fee paid has been capitalized as prepaid expenses as of December 31, 2012 and will be recognized as funds are drawn.

Convertible debenture

The Company issued 517,500 6.375% convertible debentures at $1,000 per unit for a par value of $51,750,000 on July 30, 2012. The debentures mature on August 31, 2017 at their nominal value of $51.8 million or can be converted into shares at the holder's option at any time prior to the close of business on the earlier of maturity or redemption date at the conversion price of $6.00 or at a rate of 166.67 shares per $1,000 debentures owned.

The Company may settle the conversion right in cash in lieu of common shares unless the holder has expressly indicated that they do not wish to receive cash. The amount of cash the Company will have to deliver to the holder is determined by multiplying the weighted average trading price of the common shares on TSX during the 20 consecutive trading days by the number of common shares into which the elected amount would then be convertible.

The convertible debenture units outstanding are redeemable at the option of the Company on or after August 31, 2015 and prior to August 31, 2016 provided that the current market price of the common shares of the Company on the TSX on the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after August 31, 2016 and prior to the maturity date, the Company may elect to redeem the outstanding debentures in whole or part at a price equal to the principal amount plus accrued and unpaid interest.

The Company has 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 weighted average trading price of the common shares on TSX during the 20 consecutive trading days ending five trading days preceding the date fixed for redemption.

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

The convertible debentures recognized in the consolidated balance sheet are calculated as follows:

		DECEMBER 31, 2012	DECEMBER 31, 2011
Face value of convertible debentures issued on July 30, 2012	$	51,750,000	–
Less:			
Transaction costs		(2,751,000)	–
Embedded derivative options		(16,250,000)	–
Liability component on initial recognition on July 30, 2012		32,749,000	–
Less:			
Additional transaction costs in Q4 2012		(15,000)	–
Interest expense (note 25)		2,401,000	–
Interest paid		–	–
Debentures and Interest Payable at December 31, 2012	$	35,135,000	–

The fair value of the liability component of the convertible debentures at December 31, 2012 amounted to $36,109,000 ($nil – December 31, 2011).

Derivative financial instruments

The conversion and the redemption options of the convertible debentures are combined pursuant to IAS 39 and both options are measured at fair value at each reporting period using model calibration. The fair value of the derivative financial instruments was $23,921,000 as of December 31, 2012 resulting in a loss on the derivative financial instruments of $7,671,000 for the year ended December 31, 2012.

8. Investment in Associates and Joint Venture

			DECEMBER 31, 2012		DECEMBER 31, 2011
Tricon XII	(a)	$	5,827,000	$	168,000
Tricon XI	(c)		11,397,000		–
Cross Creek	(b)		6,614,000		–
TNHC	(d)		–		7,797,000
General partner interests	(e)		59,000		44,000
		$	23,897,000	$	8,009,000

(a) The Company committed $20 million through its wholly-owned subsidiary Tricon Capital Fund XII Co-Investment Inc. to Tricon XII Limited Partnership ("Tricon XII") representing a 29% ownership interest at inception, March 23, 2011. On June 15, 2011, Tricon XII had a second closing, which reduced the Company's ownership interest in Tricon XII from 29% to 14%. Therefore, on June 15, 2011 the Company commenced accounting for this investment at fair value. On March 22, 2012, Tricon XII had a closing which decreased the Company's interest to 10.8%. On May 11, 2012, Tricon XII had an additional closing which further decreased the Company's interest to 10.2%.

In accordance with the limited partnership agreement between Tricon XII limited partners, a portion of net income was distributed to the general partner, Tricon Capital GP Inc., a wholly-owned subsidiary of the Company. As of December 31, 2012, the Company has contributed $6.0 million to Tricon XII. The fair value of the Company's investment in Tricon XII was $5.8 million as of December 31, 2012 ($0.2 million – December 31, 2011). The fair value adjustment of $203,000 was included in Investment Income in net income (loss) for the year ended December 31, 2012.

(b) On April 9, 2012, the Company made an equity commitment, of US$5.4 million of which US$4.7 million ($4.7 million Canadian equivalent) was outstanding as of December 31, 2012, which represents a 10% interest through CCR Texas Equity I LP a wholly owned partnership formed by Tricon, to CCR Texas Holdings LP a single purpose entity formed by the Company, a large Canadian institutional investor and The Johnson Development Corporation for the purposes of acquiring and developing the Cross Creek project. The fair value of the Company's equity investment in Cross Creek was US$6.6 million as of December 31, 2012 ($6.6 million Canadian equivalent) with a fair value adjustment of US$1.9 million ($1.9 million Canadian equivalent) included in Investment income in net income (loss).

(c) The Company committed $25 million through its wholly-owned subsidiary Tricon Holdings USA LLC to Tricon XI A Limited Partnership ("Tricon XI") representing a 20% ownership interest at inception, July 6, 2012. As of December 31, 2012, the Company has contributed US$11.1 million ($11.1 million Canadian equivalent) into Tricon XI. The fair value of the Company's investment in Tricon XI was US$11.5 million ($11.4 million Canadian equivalent) as of December 31, 2012 ($nil – December 31, 2011) with a fair value adjustment of US$319,000 ($317,000 Canadian equivalent) included in Investment income in the consolidated statements of net and comprehensive income (loss).

(d) The Company transferred two warehoused investments, The New Home Company ("TNHC") and Cadiz Riverfront Holdings LP ("Dallas Project"), to Tricon XI on September 5, 2012 for total proceeds of US$10.5 million ($10.4 million Canadian equivalent) and US$4.3 million ($4.2 million Canadian equivalent), respectively. The gain of US$979,000 ($958,000 Canadian equivalent) from these projects, respectively, is recognized in net income (loss).

(e) The remaining investment of $59,000 represents the Company's general partner interests in the respective Tricon funds.

Pursuant to the disclosure requirements of IFRS 12, the following represents the aggregated summarized financial information of the various associates and joint venture with whom the Company has investments. The summarized financial information related to Tricon XI has been prepared in accordance with US GAAP and financial information related to Tricon XII LP and CCR Texas Equity LP has been prepared in accordance with Canadian Accounting Standards for Private Enterprises.

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

	DECEMBER 31, 2012	DECEMBER 31, 2011
Current assets	1,797,000	6,069,000
Non-current assets	159,595,000	35,699,000
Current liabilities	59,000	2,731,000
Non-current liabilities	611,000	9,543,000

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Revenue	9,869,000	30,796,000
Profit or (loss) for the year	8,594,000	(1,563,000)
Comprehensive income	8,594,000	(1,653,000)

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

9. Investment Properties

	DECEMBER 31, 2012	DECEMBER 31,2011
Opening balance – beginning of year	$ –	$ –
Acquisitions of investment property	131,551,000	–
Capital expenditure on investment property	8,511,000	–
Effect of translation to presentation currency	(713,000)	–
Fair value adjustment	254,000	–
Closing balance – end of year	$ 139,603,000	$ –

As of December 31, 2012, US$6,662,000 ($6,628,000 Canadian equivalent) of investment properties) were pledged as collateral ($nil – December 31, 2011) for the bank debt outstanding (note 7). The Company's rental partnership is prohibited from selling or transferring of assets pledged as collateral without written consent from the lender.

10. Intangible Assets

	PLACEMENT FEES	RIGHTS TO PERFORMANCE FEES	TOTAL
Year ended December 31, 2011			
Opening Net book value	3,276,000	653,000	3,929,000
Additions	89,000	–	89,000
Amortization expense	(1,160,000)	(81,000)	(1,241,000)
Net book value	2,205,000	572,000	2,777,000
As at December 31, 2011			
Cost	8,605,000	707,000	9,312,000
Accumulated amortization	(6,400,000)	(135,000)	(6,535,000)
Net book value	$ 2,205,000	$ 572,000	$ 2,777,000
Year ended December 31, 2012			
Opening Net book value	2,205,000	572,000	2,777,000
Additions	757,000	–	757,000
Amortization expense	(1,012,000)	(81,000)	(1,093,000)
Net book value	1,950,000	491,000	2,441,000
As at December 31, 2012			
Cost	9,362,000	707,000	10,069,000
Accumulated amortization	(7,412,000)	(216,000)	(7,628,000)
Net book value	$ 1,950,000	$ 491,000	$ 2,441,000

There were no impairment charges of Placement fees and Rights to performance fees in the year ended December 31, 2012 and December 31, 2011.

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

11. Office Equipment and Leasehold Improvements

	FURNITURE	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
Year ended December 31, 2011					
Opening Net book value	13,000	14,000	37,000	138,000	202,000
Additions	6,000	–	17,000	–	23,000
Amortization expense	(6,000)	(11,000)	(29,000)	(26,000)	(72,000)
Net book value	13,000	3,000	25,000	112,000	153,000
As at December 31, 2011					
Cost	152,000	58,000	468,000	426,000	1,104,000
Accumulated amortization	(139,000)	(55,000)	(443,000)	(314,000)	(951,000)
Net book value	$13,000	$3,000	$25,000	$112,000	$153,000
Year ended December 31, 2012					
Opening Net book value	13,000	3,000	25,000	112,000	153,000
Additions	3,000	9,000	26,000	42,000	80,000
Amortization expense	(7,000)	(3,000)	(30,000)	(27,000)	(67,000)
Net book value	9,000	9,000	21,000	127,000	166,000
As at December 31, 2012					
Cost	155,000	67,000	494,000	468,000	1,184,000
Accumulated amortization	(146,000)	(58,000)	(473,000)	(341,000)	(1,018,000)
Net book value	9,000	9,000	21,000	127,000	166,000

There were no impairment charges in the year ended December 31, 2012 and December 31, 2011.

12. Income Taxes

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Current income tax		
Current income tax (expense) on income for the year	$ (1,989,000)	$ (885,000)
Adjustments relating to prior years	82,000	–
	(1,907,000)	(885,000)
Deferred taxes		
Origination and reversal of temporary differences	638,000	315,000
Adjustments relating to prior years	(133,000)	11,000
Impact of change in effective rates	30,000	113,000
	535,000	439,000
Income tax (expense) recovery	$ (1,372,000)	$ (446,000)

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

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

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Income (loss) before income taxes	$ (3,840,000)	$ 990,000
Combined statutory federal and provincial income tax rate	26.50%	28.25%
Expected income tax (expense) recovery	1,018,000	(280,000)
Tax rate differential (foreign tax rates)	(254,000)	(57,000)
Tax effects of		
Permanent differences	(2,218,000)	(231,000)
Change in effective tax rates	30,000	113,000
Adjustments relating to prior periods	(51,000)	11,000
Other	103,000	(2,000)
Income tax (expense) recovery	$ (1,372,000)	$ (446,000)

Permanent differences of $2,218,000 relate to non-deductible foreign currency and embedded derivative changes of $1,787,000 with the balance of $431,000 related to other permanent differences (2011 – $nil and $231,000 respectively).

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

	DECEMBER 31, 2012	DECEMBER 31,2011
Deferred Tax Assets:		
Deferred tax asset to be recovered after more than 12 months	4,898,000	2,449,000
Deferred tax asset to be recovered within 12 months	828,000	526,000
Total Deferred Tax Assets	5,726,000	2,975,000
Deferred Tax Liabilities:		
Deferred tax liabilities reversing after more than 12 months	1,740,000	353,000
Deferred tax liabilities reversing within 12 months	–	353,000
Total Deferred Tax Liabilities	1,740,000	706,000

The movement of the deferred tax account is as follows:

Difference between Deferred Tax Assets and Deferred Tax Liabilities:		
Opening balance	2,269,000	1,830,000
Credit (charge) to the statement of net and comprehensive income	535,000	439,000
Credit to equity	1,182,000	–
Closing balance	3,986,000	2,269,000

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

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

	ISSUANCE COSTS	LONG-TERM INCENTIVE PLAN ACCRUAL	DEFERRED PLACEMENT FEES	PARTNERSHIP INTEREST	DEBENTURES	OTHER	TOTAL
Deferred Tax Assets							
At January 1, 2011	1,380,000	1,512,000	(40,000)	–	–	37,000	2,889,000
Addition/(reversal)	(322,000)	566,000	8,000	(337,000)	–	172,000	87,000
At December 31, 2011	1,057,000	2,078,000	(32,000)	(337,000)	–	209,000	2,975,000
Addition/(reversal)	1,066,000	571,000	(17,000)	353,000	948,000	(170,000)	2,751,000
At December 31, 2012	2,123,000	2,649,000	(49,000)	16,000	948,000	39,000	5,726,000

	DEFERRED PLACEMENT FEES	NET OPERATING LOSSES	INVESTMENT PROPERTIES	INVENTORIES	FORMATION COSTS	TOTAL
Deferred Tax Liabilities						
At January 1, 2011	1,059,000	–	–	–	–	1,059,000
Addition/(reversal)	(353,000)	–	–	–	–	(353,000)
At December 31, 2011	706,000	–	–	–	–	706,000
Addition/(reversal)	(15,000)	(781,000)	2,026,000	(128,000)	(68,000)	1,034,000
At December 31, 2012	691,000	(781,000)	2,026,000	(128,000)	(68,000)	1,740,000

No deferred tax has been provided for unremitted earnings of the U.S. subsidiaries as the Company is in a position to control the timing of the remittance of these earnings and it is probable that these earnings will be employed in the business operations of these subsidiaries for the foreseeable future. The aggregate amount of unremitted earnings for which deferred tax liabilities have not been recognized totaled approximately $2,170,000 (2011: $1,657,000).

13. Accounts Payable and Accruals

	DECEMBER 31, 2012	DECEMBER 31, 2011
Accounts payable and accruals	$ 1,391,000	$ 776,000
Payables on rental portfolio including tenant deposits	2,276,000	–
STIP (note 19)	1,392,000	113,000
	$5,059,000	$889,000

14. Long-term Incentive Plan ("LTIP")

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

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

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

If the expected performance fee cash flows relating to each project were increased or decreased by 5%, the LTIP liability would increase by approximately $270,000 or decrease by approximately $270,000. The weighted average discount rate used by management in calculating the fair value of performance fees for the LTIP liability is 30%. If the discount rate was increased or decreased by 5%, the LTIP liability would decrease by $563,000 or increase by $661,000, respectively.

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Opening balance - beginning of year	$ 8,310,000	$ 6,048,000
Payments	(48,000)	(156,000)
LTIP expense	1,733,000	2,418,000
Closing balance – end of year	**$ 9,995,000**	**$ 8,310,000**

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Current payments	$ 15,000	$ 40,000
Long-term expected payments	9,980,000	8,270,000
	$ 9,995,000	**$ 8,310,000**

15. Dividends

DATE OF DECLARATION	RECORD DATE	PAYMENT DATE	PER COMMON SHARE	SHARES OUTSTANDING	DIVIDEND AMOUNT
2011					
April 6, 2011	March 31, 2011	April 15, 2011	$ 0.06	18,240,871	$ 1,094,000
May 11, 2011	June 30, 2011	July 15, 2011	$ 0.06	18,240,871	$ 1,094,000
August 10, 2011	September 30, 2011	October 14, 2011	$ 0.06	18,240,871	$ 1,095,000
November 11, 2011	December 30, 2011	January 13, 2012	$ 0.06	18,233,471	$ 1,094,000
					$ 4,377,000
2012					
March 14, 2012	March 30, 2012	April 13, 2012	$ 0.06	18,230,471	$ 1,094,000
May 8, 2012	June 30, 2012	July 13, 2012	$ 0.06	31,167,971	$ 1,870,000
August 9, 2012	September 30, 2012	October 15, 2012	$ 0.06	31,167,971	$ 1,870,000
November 9, 2012	December 31, 2012	January 15, 2013	$ 0.06	41,752,849	$ 2,505,000
					$ 7,339,000

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

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

As of December 31, 2012, 1,395 common shares were declared to be issued under the DRIP (nil in 2011) for a total amount of $9,500 ($nil in 2011) on January 15, 2013.

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

16. Non-Controlling Interest

The Company entered the U.S. distressed single-family home rental market in the second quarter of 2012 through a network of partnerships with local operating partners that have started to acquire, renovate, lease and manage homes. The local operating partners own a 3% to 20% interest in the partnerships that the Company consolidates for financial reporting purposes. As a result, non-controlling interest fair value shown on the consolidated balance sheet represents the liabilities that the Company will have to pay to the local operators upon dissolution of the limited life partnerships. Non-controlling interest of $11,496,000 as presented on the balance sheet was calculated based on the estimated net cash flow of each partnership upon assumed dissolution as of year-end. The net cash flow was run through a waterfall calculation as outlined by the limited partnership agreements. Non-controlling interest fair value change of $332,000 for the year ended December 31, 2012 relates to net income of the four rental operators.

The non-controlling interest fair value with respect to Tricon XII Limited Partnership (Tricon XII) is not reflected on the consolidated balance sheet at December 31, 2012 and December 31, 2011 since Tricon XII was no longer consolidated by the Company effective June 15, 2011 in accordance with IFRS 10. Non-controlling interest fair value change of $931,000 during year ended December 31, 2011 relates to the consolidation of the Tricon XII's financial statements for that period.

17. Share Capital

DATE	PARTICULARS	NOTES	NO OF SHARES ISSUED	SHARE CAPITAL
As at January 1, 2011	**Opening Balance**		**18,240,871**	**$ 57,934,000**
Dec 6 – Dec 29, 2011	Repurchased and cancelled under the normal course issuer bid (NCIB)	(A)	(10,400)	(33,000)
As at December 31, 2011			**18,230,471**	**57,901,000**
April 27, 2012	Bought deal offering	(B)	12,937,500	49,421,000
December 4, 2012	Bought deal offering	(C)	10,447,500	57,259,000
December 17, 2012	Vested Phantom Units	(D)	137,378	571,000
As at December 31, 2012	**Ending Balance**		**41,752,849**	**$ 165,152,000**

Notes

(A) On November 18, 2011, Toronto Stock Exchange (TSX) approved the Company's intention to make a normal course issuer bid (NCIB) for a portion of its Common Shares. Under the NCIB, the Company may repurchase for cancellation up to a maximum number of Common Shares equal to a lesser of 912,043, being 5% of the issued and outstanding Common Shares and the number of Common Shares that can be purchased for an aggregate purchase price not to exceed $500,000 in the twelve-month period commencing November 22, 2011 and ending November 21, 2012. Between December 6 and December 29, 2011, the Company acquired and cancelled 10,400 Common Shares at an average price of $4.32 for a total of $50,000, including transaction costs.

(B) On April 27, 2012, the Company issued 12,937,500 common shares under a bought deal agreement at $4.00 per share for gross proceeds of $51,750,000, resulting in net proceeds from the offering of approximately $49,421,000. The shares issued under this bought deal agreement have no par value.

(C) On December 4, 2012, the Company issued 10,447,500 common shares under a bought deal agreement at $5.70 per share for gross proceeds of $59,550,750, resulting in net proceeds from the offering of approximately $57,259,000 primarily for its US single-family home rental strategy. The shares issued under this bought deal agreement have no par value.

(D) On December 17, 2012, 137,378 phantom units vested and increased share capital by approximately $571,000. This addition to share capital was calculated based on the strike price of $4.16 per share at grant date of the phantom units. The shares issued under this bought deal agreement have no par value.

The Company can issue unlimited common shares and unlimited redeemable and retractable Class A, B and C shares.
As of December 31, 2012, the Company had 41,752,849 common shares outstanding (Dec 31, 2011 – 18,230,471).

18. Interest Income

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Interest on short and long-term investments (A)l	$ 566,000	$ 597,000
Preferred return earned		
due to Tricon XII LP closings (note 5)	30,000	–
Loan interest earned from		
CCR Texas Holdings LP (note 5)	719,000	–
Interest earned on temporary loans provided		
to the funds managed by the Company (note 5)	43,000	75,000
	$ 1,358,000	$ 672,000

(A) net of bond premium amortization of $113,000.

19. Compensation Arrangements

The breakdown of the various compensation arrangements are as follows:

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Stock options	$ 264,000	$ 557,000
Phantom units	722,000	78,000
Short-term incentive plan	1,443,000	774,000
Deferred Share Unit Plan	87,000	55,000
Long-term incentive plan (note 14)	1,733,000	2,418,000

The Company operates various equity-settled and cash-settled arrangements. The sections below detail the different arrangements.

Stock option plan

Stock options may be granted to all employees. The exercise price of the options, at the grant date, is no less than the volume-weighted average trading price of the common shares for the five trading days immediately preceding the grant date.

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

On November 22, 2011, 55,000 stock options were granted of which 40,000 belong to employees of the Company and 15,000 to Spinnaker Capital Markets Inc. as partial consideration for services provided under the Service Agreement dated October 31, 2011. On November 1, 2012, 15,000 stock options were granted to Spinnaker Capital Markets Inc. as partial consideration for services provided. No options were exercised in the year ended December 31, 2012. Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

AS AT DECEMBER 31, 2012	AVERAGE EXERCISE PRICE PER SHARE	OPTIONS (IN THOUSANDS)
As of January 1, 2011	$ 5.94	941.5
Granted during 2011	4.16	55.0
Forfeited during the year	–	–
As of December 31, 2011	$ 5.84	996.5
Granted during 2012	5.70	15.0
Forfeited during the year	–	–
As of December 31, 2012	$ 5.84	1,011.5

AS AT DECEMBER 31, 2012

EXPIRY DATE	EXERCISE PRICE PER SHARE	OPTIONS (IN THOUSANDS)
November 1, 2013 (granted in 2012)	$ 5.70	15.0
May 19, 2020 (granted in 2010)	6.00	870.0
August 3, 2020 (granted in 2010)	5.26	71.5
November 22, 2020 (granted in 2011)	4.16	55.0

The fair value of the options granted in 2011 and 2012 was determined using the Black-Scholes valuation model. The fair value of the options granted totaled $5,000 and $41,000 in 2012 and 2011, respectively. The significant inputs into the model were:

	AS AT NOVEMBER 22, 2011	AS AT NOVEMBER 1, 2012
Share price	$ 4.31	$ 5.80
Exercise price	$ 4.16	$ 5.70
Expected volatility	33%	18%
Expected dividend yield	5.57%	4.14%
Expected option life	6 years	0.65 years
Risk-free interest rate	2%	1%

Tricon became a public company on May 20, 2010 and, as such, expected volatility was determined based on volatility over the last six years of a group of publicly traded companies deemed to be of comparable size and nature to Tricon.

Phantom unit plan

The Company adopted a Phantom Unit Plan ("PUP") on April 18, 2011 in accordance with the Toronto Stock Exchange ("TSX") guidelines as approved by the shareholders on May 18, 2011. The Plan consists of share-based awards to officers and employees of, and advisors to, the Company and its subsidiaries. Movements in the number of phantom units outstanding and their related average exercise price are as follows:

AS AT DECEMBER 31, 2012		AVERAGE EXERCISE PRICE PER SHARE	UNITS (IN THOUSANDS)
January 1, 2011	$	–	–
Granted during 2011		4.16	192.3
As at December 31, 2011	$	4.16	192.3
Exercised during 2012		4.16	(192.3)
As at December 31, 2012		–	–

The fair value of the units granted on November 22, 2011 totaled $800,000 (being 192,300 units issued at $4.16 per unit in accordance with the PUP). The units vested on November 22, 2012 as per the terms of the initial grant. On December 17, 2012, all phantom units previously issued were exercised net of taxes required to be withheld under the PUP. As a result, a total of 137,378 common shares were issued out of treasury, increasing share capital by approximately $571,000 along with a cash settlement of $339,000 to cover tax liability.

Short-term incentive plan ("STIP")

All of the Company's employees participate in the STIP. The STIP pool is currently determined based on 12.5% of base operating income as defined in the plan and is paid on an annual basis in cash. Employees are required to be employed with the Company at the end of the financial year to receive a payment under the STIP. The Board of Directors has the right to allocate up to 20% of base operating income (other than income attributable to funds established prior to the IPO where the percentage is fixed at 12.5%) to the bonus pool. The Board has determined that the STIP percentage will remain at 12.5% for 2012.

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

Deferred share unit plan ("DSUP")

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

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

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

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

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

20. Formation Costs and General and Administration Expenses

Formation costs

Formation cost reversal of $(192,000) for the year ended December 31, 2012 relate to reimbursement of costs by Tricon XI (2011 – $589,000 relate to Tricon XII and Tricon XI LPs).

General and administration expenses

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Office and other	$ 434,000	$ 519,000
Public Company Expenses	$ 356,000	$ 242,000
Rent (note 5)	96,000	92,000
Travel	142,000	123,000
	$ 1,028,000	$ 976,000

Public Company Expenses consists of filing fees, investor relation expenses, and insurance fees.

21. Income (Loss) per Share

a) Basic

Basic income (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares outstanding during the year.

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Net income (loss)	$ (5,212,000)	$ 544,000
Basic net income (loss) per share	$ (0.19)	$ 0.03
Weighted average number of common shares outstanding	27,731,820	18,240,004

b) Diluted

Diluted income (loss) per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The Company has two categories of dilutive potential shares: stock options (note 19) and the convertible debentures (note 7). For the stock options, a calculation was done to determine the number of shares that could have been acquired at fair value (determined using Market Price of the Company's shares as of December 31, 2012) based on the monetary value of the subscription rights attached to outstanding stock options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the stock options.

As of December 31, 2012, 14,097 of the Company's stock options are dilutive (December 31, 2011 – 469 options) as the current exercise price of the vested stock options of $4.16 is below the average annual market stock price of $4.84.

As of December 31, 2012, none of the Company's convertible debenture units are dilutive (December 31, 2011 – nil). Convertible debentures are antidilutive as the interest, net of tax and the change in fair value of financial instruments through profit and loss per ordinary share obtainable on conversion exceeds basic earnings per share.

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Net income (loss)	$ (5,212,000)	$ 544,000
Diluted earnings (loss) per share	$ (0.19)	$ 0.03
Weighted average number of common shares outstanding	27,731,820	18,240,004
Weighted average number of common shares outstanding		
Adjustments for stock options	14,375	469
Weighted average number of common shares outstanding for diluted earnings per share	27,746,195	18,240,473

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

22. Segmented Information

Due to the growth experienced during the year ended December 31, 2012 in the separate accounts business as well as the new single-family rental initiative undertaken by the Company, segmented information is provided below for a greater understanding of segmented revenues, assets and liabilities. The main segments of the business are considered to be funds, separate account revenue and net rental operating income. The Company evaluates segment performance based on income (loss) before non-controlling interest and income taxes.

	FUNDS	SEPARATE ACCOUNTS	SINGLE-FAMILY HOMES	CO-INVESTMENT	TOTAL
	(A)	(B)	(C)	(D)	
Year ended December 31, 2012					
Revenues	12,429,000	2,282,000	13,382,000	3,909,000	32,002,000
Direct Expenses	(1,541,000)	–	(14,545,000)	–	(16,086,000)
Overhead Allocation	(15,443,000)	(1,242,000)	(2,921,000)	(482,000)	(20,088,000)
Income (loss) before NCI and income taxes	(4,555,000)	1,040,000	(4,084,000)	3,427,000	(4,172,000)
Year ended December 31, 2011					
Revenues	10,757,000	–	–	274,000	11,031,000
Direct Expenses	–	–	–	–	–
Overhead Allocation	(10,906,571)	–	–	(65,429)	(10,972,000)
Income (loss) before NCI and income taxes	(149,571)	–	–	208,571	59,000

Notes:

(A) The Funds segment revenues consist of all contractual and performance fees, interest income, gain/(loss) on sale of investments in associates, and general partner distributions. Specific expenses related to this segment are LTIP, formation costs.

(B) Separate accounts segment consists of contractual fees. Direct Expenses consist of fees allocated to segment based on average Assets Under Management as of December 2012 and 2011. Please refer to item E) for details.

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

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

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

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

	FUNDS	SEPARATE ACCOUNTS	SINGLE-FAMILY HOMES	CO-INVESTMENT	CORPORATE	TOTAL
	(A)	(B)	(C)	(D)	(E)	
Segmented current assets (as at December 31, 2012)	$ 1,070,000	$ 1,618,000	$ 30,139,000	$ 27,600,000	$ –	$ 60,427,000
Segmented non-current assets						
(as at December 31, 2012)						
Loans receivable	–	7,429,000	–	–	–	7,429,000
Deferred income tax assets	2,590,000	39,000	5,000	16,000	3,076,000	5,726,000
Investments in associates	59,000	6,614,000	–	17,224,000	–	23,897,000
Long-term investments	–	–	–	–	–	–
Investment properties	–	–	139,603,000	–	–	139,603,000
Intangible assets	2,441,000	–	–	–	–	2,441,000
Office equipment and leasehold improvements	139,000	11,000	11,000	5,000	–	166,000
Total segmented assets (as at December 31, 2012)	6,299,000	15,711,000	169,758,000	44,845,000	3,076,000	239,689,000
Segmented current liabilities (as at December 31, 2012	1,264,000	365,000	5,399,000	1,000	4,174,000	11,203,000
Segmented non-current liabilities						
(as at December 31, 2012)						
Bank debt	–	–	6,298,000	–	–	6,298,000
Deferred income tax liabilities	707,000	821,000	74,000	138,000	–	1,740,000
Non-controlling interest	–	–	11,496,000	–	–	11,496,000
Long-term incentive plan – non-current portion	9,980,000	–	–	–	–	9,980,000
Derivative financial instruments	–	–	23,921,000	–	–	23,921,000
Debentures payable	–	–	33,756,000	–	–	33,756,000
Total segmented liabilities (as at December 31, 2012)	11,951,000	1,186,000	80,944,000	139,000	4,174,000	98,394,000

Notes:

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

(B) Separate accounts segmented current assets consist of cash. Separate accounts segmented current liabilities consist of accounts payable and accruals and income taxes payable.

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

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

(E) Corporate assets consist of accounts receivable, deferred income tax assets and income taxes recoverable. Corporate liabilities consist of accounts payable and accruals, income tax payable and dividends payable. Remaining Corporate assets and liabilities have been allocated to each segment based on segment's proportion of total Assets Under Management ("AUM") as of December 31, 2012 and 2011.

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

23. Lease Commitments

The Company has a lease commitment on its head office premises located at 1067 Yonge Street, Toronto, Ontario. The landlord is Mandukwe Inc., a related corporation (note 5). The minimum rental amount is $43,000 per annum extending to November 30, 2019. Additional maintenance and utility costs and realty taxes are payable as incurred.

In addition, the Company leases office equipment and furniture. The furniture lease expired on April 30, 2011. The lease had an option to buy the furniture which the Company exercised. On March 31, 2012, one of the existing office equipment leases was cancelled and was replaced with a new one with maturity on September 29, 2017. The future minimum payments in respect of the office equipment leases are:

2013	21,000
2014	21,000
2015	18,000
2016	10,000
2017	8,000
Thereafter	–

24. Rental Income

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Rental revenue	$ 2,291,000	$ –
Rental expenses	(1,069,000)	–
Rental operator management fees	(619,000)	–
Rental net income	$ 603,000	$ –

All operating leases are one year or less in duration.

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

25. Long-term Debt Interest

FOR THE YEAR ENDED DECEMBER 31,	2012	2011
Bank debt interest	$ 76,000	$ –
Convertible debentures interest	2,401,000	–
Total long-term debt interest	$ 2,477,000	$ –

Bank debt interest expense includes $10,000 amortization on $340,000 (US$342,000) of loan costs for bank debt obtained under the U.S. rental strategy.

Convertible debentures interest expense includes $1,379,000 interest payable to the bond holders as of December 31, 2012 and $1,022,000 of the expense relates to the accretion of the bond discount and amortization of transaction costs.

26. 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, 2012 (December 31, 2011 – $nil).

27. Variability of Results

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

28. Subsequent Events

As of January 1, 2013, Greater Sacramento SF Home Rental JV LLC, California SF Home Rental JV LLC, Phoenix SF Home Rental JV LLC, and LA SF Home Rental JV LLC amalgamated with Florida Home Rental JV LLC and the entity was renamed as Tricon American Homes LLC. Effective January 18, 2013, Tricon American Homes LLC qualified as a real estate investment trust ("REIT") for U.S. federal income tax purposes.

On January 7, 2013, the Company's partnership in Greater Sacramento entered into a second secured bank credit facility agreement in the amount of US$1.2 million. Interest-only payments are required on the bank debt at 4.25% per annum beginning March 1, 2013 until March 1, 2018, thereafter the rate changes to six-month LIBOR plus 2.75% and include principal repayments to maturity on February 1, 2020. The rental operator incurred US$21,000 of expenses related to the loan application. The facility is secured by the Company's single-family rental investment properties that have been approved by the lender based on the terms of the borrowing agreement.

On February 25, 2013, the Company completed a 5.60% convertible debenture offering, payable semi-annually at the end of March and September under a bought deal agreement for gross proceeds of $86,000,000.

On March 12, 2013, the Company declared a dividend of $0.06 per share for a total dividend of $2,505,000, following approval from the Board of Directors.

Corporate Information

SENIOR MANAGEMENT TEAM

David Berman
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

Geoff Matus
CO-FOUNDER AND DIRECTOR

Gary Berman
PRESIDENT AND
CO-CHIEF OPERATING OFFICER

Glenn Watchorn
CO-CHIEF OPERATING OFFICER

June Alikhan
CHIEF FINANCIAL OFFICER

Jeremy Scheetz
VICE PRESIDENT

Jonathan Ellenzweig
VICE PRESIDENT

David Giles
VICE PRESIDENT

Craig Mode
VICE PRESIDENT

BOARD OF DIRECTORS

Duff Scott
LEAD DIRECTOR AND CHAIR OF
COMPENSATION, NOMINATING AND
CORPORATE GOVERNANCE
COMMITTEES

J. Michael Knowlton
CHAIR OF AUDIT COMMITTEE

Aida Tammer
INDEPENDENT DIRECTOR

David Berman
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

Geoff Matus
CO-FOUNDER AND DIRECTOR

SHAREHOLDER INFORMATION

Exchange and Symbol:
TSX: TCN

Corporate Head Office
1067 Yonge Street
Toronto, ON M4W 2L2

Plan Eligibility
RRSP. RRIF, DPSP, RESP,
RDSP and TSFA

Auditors
PricewaterhouseCoopers LLP
North York, Ontario

Legal Counsel
Goodmans LLP
Toronto, Ontario

Transfer Agent
Equity Financial Trust Company
200 University Avenue, Suite 400
Toronto, ON M5H 4H1
1-866-393-4891
www.equityfinancialtrust.com

Investor Relations Contacts
Gary Berman, PRESIDENT
416-928-4122

June Alikhan, CHIEF FINANCIAL OFFICER
416-928-4116

Website
www.triconcapital.com

Annual General Meeting
May 14, 2013 at 10:00 a.m. ET
Goodmans LLP
333 Bay Street. Suite 3400
Toronto, ON M5H 2S7

TRICON

www.triconcapital.com

1067 Yonge Street
Toronto, Ontario M4W 2L2
Tel: 416-925-7228
Fax: 416-925-5022
info@triconcapital.com