TRICON

CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended December 31, 2017

February 27, 2018

Independent Auditor's Report

To the Shareholders of
Tricon Capital Group Inc.

We have audited the accompanying consolidated financial statements of Tricon Capital Group Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and December 31, 2016 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tricon Capital Group Inc. and its subsidiaries as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars)

	Notes	December 31, 2017	December 31, 2016
ASSETS			
Cash		$ 14,813	$ 17,780
Amounts receivable		13,506	16,892
Prepaid expenses and deposits	4	622	2,599
Investments – Tricon Housing Partners	5, 6	306,637	301,787
Investments – Tricon American Homes	5, 6	884,115	479,938
Investments – Tricon Lifestyle Communities	5, 6	62,074	52,591
Investments – Tricon Lifestyle Rentals	5, 6	89,225	62,410
Intangible assets	11	20,016	24,967
Deferred income tax assets	10	23,937	12,404
Other assets	12	15,778	1,376
Total assets		**$ 1,430,723**	**$ 972,744**
LIABILITIES			
Amounts payable and accrued liabilities	8	$ 11,273	$ 10,892
Dividends payable	13	6,906	5,459
Long-term incentive plan	16	15,224	13,359
Debt	7	383,604	168,857
Deferred income tax liabilities	10	47,927	30,488
Derivative financial instruments	9	37,494	28
Total liabilities		**502,428**	**229,083**
Equity			
Share capital	14	713,553	567,677
Contributed surplus		16,754	15,835
Cumulative translation adjustment		19,184	18,711
Retained earnings		167,849	127,691
Total shareholders' equity		917,340	729,914
Non-controlling interest		10,955	13,747
Total equity		**928,295**	**743,661**
Total liabilities and equity		**$ 1,430,723**	**$ 972,744**

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

Approved by the Board of Directors

David Berman

Michael Knowlton

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of U.S. dollars, except per share amounts which are in U.S. dollars, unless otherwise indicated)

For the years ended	Notes	December 31, 2017	December 31, 2016
Revenue			
Contractual fees	17	$ 23,486	$ 24,518
General partner distributions	17	1,388	1,297
Performance fees	17	525	780
		25,399	26,595
Investment income			
Investment income – Tricon Housing Partners	17, 18	18,209	27,550
Investment income – Tricon American Homes	17, 18	113,067	50,081
Investment income – Tricon Lifestyle Communities	17, 18	7,381	5,108
Investment income – Tricon Lifestyle Rentals	17, 18	12,391	2,066
		151,048	84,805
		176,447	111,400
Expenses			
Compensation expense	16	29,100	22,797
General and administration expense		7,274	6,643
Interest expense	7	23,721	11,798
Net change in fair value of derivative financial instruments	9	23,276	(8,607)
Transaction costs		3,167	1,829
Amortization and depreciation expense		5,375	5,818
Realized and unrealized foreign exchange loss (gain)		1,881	(518)
		93,794	39,760
Income before income taxes		**82,653**	**71,640**
Income tax expense – current	10	4,889	1,579
Income tax expense – deferred	10	8,416	10,301
Net income		**$ 69,348**	**$ 59,760**
Attributable to:			
Shareholders of Tricon		$ 69,252	$ 59,472
Non-controlling interest		96	288
Net income		**$ 69,348**	**$ 59,760**
Other comprehensive income			
Items that will be reclassified subsequently to net income			
Cumulative translation reserve		473	(1,387)
Comprehensive income for the year		**$ 69,821**	**$ 58,373**
Attributable to:			
Shareholders of Tricon		$ 69,725	$ 58,085
Non-controlling interest		96	288
Comprehensive income for the year		**$ 69,821**	**$ 58,373**
Basic earnings per share attributable to shareholders of Tricon		**$ 0.54**	**$ 0.53**
Diluted earnings per share attributable to shareholders of Tricon		**$ 0.54**	**$ 0.46**
Weighted average shares outstanding – basic	15	**127,152,721**	**112,490,019**
Weighted average shares outstanding – diluted	15	**129,302,655**	**123,646,532**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of U.S. dollars)

	Notes	Share capital	Contributed surplus	Cumulative translation adjustment	Retained earnings	Total shareholders' equity	Non-controlling interest	Total
Balance at January 1, 2017		**$ 567,677**	**$ 15,835**	**$ 18,711**	**$ 127,691**	**$ 729,914**	**$ 13,747**	**$ 743,661**
Net income		–	–	–	69,252	69,252	96	69,348
Cumulative translation reserve		–	–	473	–	473	–	473
Distributions to non-controlling interest		–	–	–	–	–	(2,888)	(2,888)
Dividends/Dividend reinvestment plan	13	6,608	–	–	(26,100)	(19,492)	–	(19,492)
Repurchase of common shares	14	(5,249)	–	–	(2,994)	(8,243)	–	(8,243)
Debentures conversion	14	28	–	–	–	28	–	28
Bought deal offering	14	141,140	–	–	–	141,140	–	141,140
Stock options	16	722	329	–	–	1,051	–	1,051
Deferred share units	16	2,627	590	–	–	3,217	–	3,217
Balance at December 31, 2017		**$ 713,553**	**$ 16,754**	**$ 19,184**	**$ 167,849**	**$ 917,340**	**$ 10,955**	**$ 928,295**
Balance at January 1, 2016		**$ 561,347**	**$ 9,812**	**$ 20,098**	**$ 90,813**	**$ 682,070**	**$ 15,932**	**$ 698,002**
Net income		–	–	–	59,472	59,472	288	59,760
Cumulative translation reserve		–	–	(1,387)	–	(1,387)	–	(1,387)
Distributions to non-controlling interest		–	–	–	–	–	(2,473)	(2,473)
Dividends/Dividend reinvestment plan	13	4,560	–	–	(22,257)	(17,697)	–	(17,697)
Repurchase of common shares	14	(1,113)	–	–	(337)	(1,450)	–	(1,450)
Bought deal offering	14	1,362	–	–	–	1,362	–	1,362
Stock options	16	77	926	–	–	1,003	–	1,003
Phantom units		617	(805)	–	–	(188)	–	(188)
Deferred share units	16	827	5,902	–	–	6,729	–	6,729
Balance at December 31, 2016		**$ 567,677**	**$ 15,835**	**$ 18,711**	**$ 127,691**	**$ 729,914**	**$ 13,747**	**$ 743,661**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)

For the years ended	Notes	December 31, 2017	December 31, 2016
CASH PROVIDED BY (USED IN)			
Operating activities			
Net income		$ 69,348	$ 59,760
Adjustments for non-cash items			
Amortization and depreciation expense	11, 12	5,375	5,818
Deferred income taxes	10	8,416	10,301
Long-term incentive plan	16	3,451	3,829
Annual incentive plan	16	2,618	2,817
Amortization of debenture discount and issuance costs		5,509	2,217
Accrued investment income – Tricon Housing Partners	6	(18,209)	(27,550)
Accrued investment income – Tricon American Homes	6	(113,067)	(50,081)
Accrued investment income – Tricon Lifestyle Communities	6	(7,381)	(5,108)
Accrued investment income – Tricon Lifestyle Rentals	6	(12,391)	(2,066)
Net change in fair value of derivative financial instruments	9	23,276	(8,607)
Unrealized foreign exchange loss (gain)		3,504	(1,342)
Distributions to non-controlling interest		(2,888)	(2,473)
Advances made to investments	6	(392,132)	(256,032)
Distributions received from investments	6	97,855	212,658
		(326,716)	(55,859)
Changes in non-cash working capital items	22	5,744	(5,590)
Net cash (used in) provided by operating activities		(320,972)	(61,449)
Investing activities			
Purchase of building, furniture, office and computer equipment, and leasehold improvements	12	(14,824)	(640)
Net cash (used in) provided by investing activities		(14,824)	(640)
Financing activities			
Issuance (repurchase) of common shares – net of issuance costs	14	130,843	(1,450)
Debt financing	7, 23	55,592	93,750
Issuance of convertible debentures – net of deferred financing costs	7, 23	164,554	–
Dividends paid	13	(18,193)	(16,947)
Net cash (used in) provided by financing activities		332,796	75,353
Effect of foreign exchange rate difference on cash		**33**	**23**
Change in cash during the year		**(2,967)**	**13,287**
Cash – beginning of year		**17,780**	**4,493**
Cash – end of year		**$ 14,813**	**$ 17,780**
Supplementary information			
Cash paid on			
Income taxes		**$ 4,370**	**$ 10,849**
Interest		**$ 13,664**	**$ 8,041**

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

1. NATURE OF BUSINESS

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

Tricon was incorporated on June 16, 1997 under the Business Corporations Act (Ontario) and its head office is located at 1067 Yonge Street, Toronto, Ontario, M4W 2L2. The Company is domiciled in Canada. Tricon became a public company on May 20, 2010, and its common shares are listed on the Toronto Stock Exchange (TSX) (symbol: TCN).

These consolidated financial statements were approved for issue on February 27, 2018 by the Board of Directors of Tricon.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation and measurement

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as set out in the CPA Canada Handbook – Accounting. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Tricon's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated financial statements, are disclosed in Note 3.

These consolidated financial statements have been prepared under the historical cost convention, except for (i) investments in Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities and Tricon Lifestyle Rentals; and (ii) derivative financial instruments, which are recorded at fair value through profit or loss ("FVTPL").

The Company presents its consolidated balance sheet with its assets and liabilities in decreasing order of liquidity. The notes to the consolidated financial statements provide information on the Company's current assets and current liabilities (Note 19). The Company believes this presentation is more relevant given the nature of the Company's operations, which do not have specifically identifiable operating cycles.

Foreign currency translation

Currency translation

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

Subsidiaries

For subsidiaries that are required to be consolidated, the results and financial position of those subsidiaries with a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities are translated at the closing rate at the date of the balance sheet;

ii) income and expenses are translated at average exchange rates. The Company uses monthly average exchange rates due to the volume of transactions each month; and

iii) all resulting exchange differences are recognized in other comprehensive income.

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

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

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

Name	Functional currency
Tricon Holdings Canada Inc.	U.S. dollar
Tricon Housing Partners US II (Canada) GP Ltd.	Canadian dollar
Tricon Capital GP Inc.	Canadian dollar
Tricon Housing Partners US Co-Investment Inc.	U.S. dollar
Tricon Housing Partners US II A Incentive LP	U.S. dollar
Tricon Housing Partners US II B/C Incentive LP	U.S. dollar
Tricon Holdings USA LLC	U.S. dollar
Tricon USA Inc.	U.S. dollar
Tricon JDC LLC	U.S. dollar
Tricon Development Group Ltd.	Canadian dollar
Tricon Luxury Residences PM Inc.	Canadian dollar
Tricon US TopCo LLC	U.S. dollar
Tricon US FTA LLC	U.S. dollar
CCR Texas Agent Inc.	U.S. dollar
Tricon Head Office Inc	Canadian dollar

Consolidation

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

The Company meets the definition of an investment entity and as such, investments in subsidiaries (other than those that provide investment-related services) are accounted for at FVTPL, rather than by consolidating them. All of the subsidiaries that provide investment-related services, including the Company's Canadian and U.S. asset management operating entities that earn contractual fees and performance fees from private funds, continue to be consolidated.

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

The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The amounts attributable to non-controlling interests are presented separately in the statement of comprehensive income below net income, and are included in the equity section of the balance sheet.

Acquisition-related costs are expensed as incurred.

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

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

Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Associates that are held as part of the Company's investment portfolio are carried on the balance sheet at fair value even though the Company may have significant influence over those companies. This treatment is permitted by IAS 28, Investment in Associates, which allows investments that are held by the Company to be recognized and measured at FVTPL and accounted for in accordance with IAS 39 and IFRS 13, with changes in fair value recognized in the statement of comprehensive income.

Fixed assets

Building, furniture, office equipment, computer equipment and leasehold improvements are accounted for at cost less accumulated depreciation. On November 22, 2017, the Company acquired a commercial condominium, which will serve as the Company's new head office in Toronto and has an estimated useful life of 30 years (Note 12). Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the fixed assets, as follows:

Building	30 years
Furniture and office equipment	2–3 years
Computer equipment	2–5 years
Leasehold improvements	5 years

Estimated useful lives of fixed assets are reviewed and adjusted, if appropriate, at each financial year-end. As described below in Impairment of non-financial assets, fixed assets are also reviewed at each balance sheet date to determine whether there is an indication of impairment.

Placement fees and rights to performance fees intangible assets

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

Johnson intangibles

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

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

Goodwill

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

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

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

Impairment of non-financial assets

Assets that are subject to amortization and depreciation 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets are reviewed for possible impairment or reversal of a previously recorded impairment at each reporting date. Other long-lived assets include goodwill and it is reviewed for impairment annually or at any time if an indicator of impairment exists.

Financial instruments

Financial assets

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

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

Gains and losses arising from changes in the fair value of the financial assets at FVTPL category are presented in the statement of comprehensive income within investment income. Financial assets and liabilities at FVTPL are presented within changes in operating assets and liabilities in the consolidated statements of cash flows.

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

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

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

Cash and amounts receivable are initially recognized at fair value and subsequently accounted for at amortized cost.

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

The carrying amount is reduced through the use of an allowance account. The amount of the loss is recognized in net income.

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

Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL or other liabilities, as appropriate.

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

The Company's financial liabilities consist of amounts payable and accrued liabilities, dividends payable, debt and derivative financial instruments. The Company's financial liabilities are classified as other liabilities.

Debt is initially recognized at fair value net of transaction costs and subsequently accounted for at amortized cost. Interest expense is accounted for using the effective interest rate method.

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

Derivative financial instruments

Derivative financial instruments, which are comprised of the conversion and redemption options related to the convertible debentures, are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with the resulting gain or loss reflected in net income. Derivatives are valued using model calibration. Inputs to the valuation model are determined from observable market data wherever possible, including prices available from exchanges, over-the-counter markets and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Compound financial instruments

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

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

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

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. As of December 31, 2017, the Company does not have any assets or liabilities that are subject to an offsetting agreement.

Leases

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

Share capital

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

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

Earnings per share

Basic

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

Diluted

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

Dividends

Dividends on common shares are recognized in the consolidated financial statements in the year in which the dividends are approved by Tricon's Board of Directors.

Current and deferred income taxes

Income tax expense includes current and deferred income taxes. Income tax 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.

Current income taxes are the expected taxes payable on the taxable income for the year, using income tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to income taxes payable in respect of previous years. The Company uses the liability method to recognize deferred income taxes on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets are only recorded if it is probable that they will be realized. Enacted or substantively enacted rates in effect at the consolidated balance sheet date that are expected to apply when the deferred income tax asset is realized or the deferred tax liability is settled are used to calculate deferred income taxes.

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

Investment income

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

Revenue recognition

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

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

General partner distributions are recognized as services are performed.

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

Compensation arrangements

Stock option plan

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

Annual Incentive Plan ("AIP")

The Board of Directors approved an Annual Incentive Plan ("AIP") and a Performance Fee-Related Bonus Plan known as the long-term incentive plan ("LTIP"). The plans were approved as of January 2014 and the AIP was updated by the Board as of March 2015.

Aggregate AIP awards are calculated on an annual basis as a percentage (the "AIP Percentage") of EBITDA for Bonus Purposes as defined under the AIP, with the actual percentage, not to exceed 20%, determined annually at the Board's discretion. The aggregate AIP awards are allocated among employees at the Board's discretion. Under the current plan, at least 60% of AIP compensation will be distributed as cash, and up to 40% in Deferred Share Units ("DSUs") granted pursuant to the Company's Deferred Share Unit Plan ("DSUP") with a one-year vesting and expense period. Expenses incurred under the AIP are recognized in the period when services are provided.

Long-term incentive plan ("LTIP")

LTIP expense is generated from two sources: (i) 50% of the Company's share of performance fees or carried interest from Tricon Housing Partners and Tricon Lifestyle Rentals Canada, and (ii) the AIP Percentage of THP1 US investment income, payable in DSUs which vest over a five-year period. Amounts under the LTIP are allocated among employees pursuant to the LTIP.

For the LTIP generated from the Company's share of performance fees or carried interest from Tricon Housing Partners and Tricon Lifestyle Rentals Canada, the Company estimates the LTIP liability by determining the performance fees at each reporting date based on the estimated fair value of the underlying investments. Changes in the LTIP liability are recognized in the statement of comprehensive income.

For the LTIP generated from the Company's investment income in THP1 US, as the deferred shares vest equally on the anniversary dates following the grant date over a five-year period, the compensation expenses are recognized over a six-year period on a graded vesting basis.

Directors' fees

One-half of each independent Director's base annual retainer is paid in DSUs which vest on the third anniversary of the grant date. In addition, an independent Director may elect each year to receive a portion of the balance of his or her fees (including his or her base annual retainer, any additional retainer, and meeting attendance fees) in DSUs, which DSUs vest immediately upon grant. Any remaining balance of such fees not payable in DSUs is paid in cash. The DSUs granted to Directors are governed by the DSUP.

Prior to 2014, independent Directors had the option of receiving a portion of their annual retainer and other fees in notional units. The terms of such notional units, which were issuable only to independent Directors, were equivalent to the DSUs except that: (i) the notional units vested only when a holder ceased to act as a Director of, or otherwise be employed by, the Company, and (ii) the notional units were only redeemable for cash.

Reportable segments

Tricon is comprised of five reportable segments: Private Funds and Advisory ("PF&A"); and Principal Investing in Tricon Housing Partners ("THP"), Tricon American Homes ("TAH"), Tricon Lifestyle Communities ("TLC"), and Tricon Lifestyle Rentals ("TLR"). The reportable segments are business units offering different products and services, and are managed separately due to their distinct investment natures. These five reportable segments have been determined by the Company's chief operating decision makers (Note 17).

Accounting standards adopted in the current year

International Accounting Standard ("IAS") 12 was amended to clarify the requirements for recognizing deferred income tax assets on unrealized losses, deferred income taxes where an asset is measured at fair value below the asset's tax base, and certain other aspects of accounting for deferred income tax assets. The amendment was adopted on January 1, 2017, without a significant impact on Tricon's balance sheet and statements of operations.

In January 2016, the IASB issued an amendment to IAS 7, Statement of Cash Flows, introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendment was adopted on January 1, 2017, without a significant impact on Tricon's balance sheet and statements of operations. The Company has provided the related information for the current period in Note 23.

Accounting standards and interpretations issued but not yet adopted

In July 2014, the IASB issued the final publication of the IFRS 9 standard, which will supersede IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and the new hedge accounting guidance.

Under IFRS 9, financial assets will be classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The new hedge accounting standard will align hedge accounting more closely with risk management. IFRS 9 does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018.

The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The adoption of IFRS 9 is not expected to have a material impact on the Company's consolidated financial statements.

On May 28, 2014, the IASB issued the final revenue standard, IFRS 15, Revenue from Contracts with Customers, which will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

The new standard contains a single model that applies to contracts with customers and two approaches for recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of individual transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The Company will adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. Management assessed that the adoption may impact Tricon's accounting for contractual fees and performance fees, and in particular its contractual fees from Johnson. Management reviewed the fee terms of existing development management agreements at Johnson and determined that the pattern of revenue recognition in Johnson's reported result will remain unchanged upon adoption of this standard.

The Company meets the definition of an investment entity, and therefore, investments in subsidiaries are accounted for at FVTPL, rather than consolidating them. Investment income is out of the scope of IFRS 15, and therefore, we expect that the application of this new standard will have no overall impact, including on contractual fees as noted above, on the Company's consolidated financial statements.

On January 13, 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15.

The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2018, together with its adoption of IFRS 15. The adoption of IFRS 16 is not expected to have a material impact on the Company's consolidated financial statements as the Company has no significant operating lease arrangements.

In June 2016, the IASB issued an amendment to IFRS 2, Share-Based Payments, addressing (i) certain issues related to the accounting for cash-settled awards, and (ii) the accounting for equity-settled awards that include a "net settlement" feature in respect of employee withholding taxes. This amendment is effective for annual periods beginning on or after January 1, 2019. The Company is currently reviewing the amendment to assess the impact it may have upon adoption.

In November 2016, the IFRS Interpretations Committee issued IFRIC 22, Foreign Currency Transactions and Advance Consideration. The interpretation clarifies that the date of foreign currency transactions for purposes of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary asset or liability arising from the payment or receipt of advance consideration. The amendment is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The adoption of IFRIC 22 is not expected to have a material impact on the Company's consolidated financial statements as the Company has no significant foreign currency advance transactions with a third party.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Income taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. Significant estimates are required in determining the Company's consolidated income tax provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions. Furthermore, deferred income tax balances are recorded using enacted or substantively enacted future income tax rates. Changes in enacted income tax rates are not within the control of management. However, any such changes in income tax rates may result in actual income tax amounts that may differ significantly from estimates recorded in deferred tax balances.

Judgment is also required in determining whether deferred income tax assets should be recognized on the consolidated balance sheets. Deferred income tax assets are recognized to the extent that the Company believes it is probable that the assets can be recovered when future taxable profit will be available against which the temporary differences can be utilized. The Company assesses deferred income tax liabilities on its investments in TAH, TLC and TLR based on a reduction of its investment as opposed to a sale of underlying assets held by the investment.

Fair value and impairment of financial instruments

Certain financial instruments are recorded in the Company's consolidated balance sheet at values that are representative of or approximate fair value.

The fair values of the Company's investments in Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities and Tricon Lifestyle Rentals are determined using the valuation methodologies described in Note 6. By their nature, these valuation techniques require the use of assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in the underlying assumptions could materially impact the determination of the fair value of a financial instrument. Imprecision in determining fair value using valuation techniques may affect the investment income recognized in a particular period.

Fair value of incentive plans

Management is required to make certain assumptions and to estimate future financial performance to estimate the fair value of incentive plans at each consolidated balance sheet date. Significant estimates and assumptions relating to such incentive plans are disclosed in Notes 2 and 16. The LTIP requires management to estimate future non-IFRS earnings measures, namely future performance fees relative to each fund or separate account. Future non-IFRS measures are estimated based on current projections, and are updated at least annually, taking into account actual performance since inception.

Determination of investment entity

In accordance with IFRS 10, an investment entity is an entity that obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income (including rental income), or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. In addition, IFRS 10 clarifies that an investment entity may earn fee income from the provision of investment-related services to external parties. After considering all relevant facts and circumstances to determine whether or not the Company should still be considered as an investment entity, management believes that there has not been any event triggering a change to the status during the year.

4. PREPAID EXPENSES AND DEPOSITS

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Deposits for office building	$ –	$ 2,155
Other prepaid expenses and deposits	622	444
Total prepaid expenses and deposits	**$ 622**	**$ 2,599**

5. INVESTMENTS

Investments – Tricon Housing Partners (“THP”) are land and homebuilding investments or co-investments in funds, separate accounts and side-car investments managed by the Company.

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

On May 9, 2017, TAH completed its acquisition of Silver Bay Realty Trust Corp. (“Silver Bay”), a New York Stock Exchange-listed U.S. single-family rental Real Estate Investment Trust with 9,054 homes, of which 1,247 non-core homes were disposed in the fourth quarter. This acquisition was of a complementary portfolio to that of TAH given its focus on the Sun Belt and middle market strategy. The $21.50 per share all-cash transaction valued Silver Bay at approximately $1.4 billion (before transaction costs), which included an equity purchase price of approximately $808,000 and in-place debt (net of cash on hand) of approximately $628,000.

Total advances to the Company’s investment in TAH include $242,228 to effect the acquisition of Silver Bay.

Investments – Tricon Lifestyle Communities (“TLC”) are investments in U.S. manufactured housing communities that lease land to owners of prefabricated homes.

Investments – Tricon Lifestyle Rentals (“TLR”) are investments in Canadian and U.S. Class A purpose-built rental apartments.

The Company makes these investments via equity investments and loan advances. Advances made to investments are added to the carrying value when paid; distributions from investments are deducted from the carrying value when received. The following is a summary of the composition of the Company’s investments:

	December 31, 2017			December 31, 2016		
(in thousands of U.S. dollars)	Internal debt instruments	Equity	Total investment	Internal debt instruments	Equity	Total investment
Investments – THP						
U.S. commingled funds	$ –	$ 119,714	$ 119,714	$ –	$ 137,004	$ 137,004
Canadian commingled funds	–	9,651	9,651	–	9,537	9,537
Separate accounts and side-cars	21,903	155,369	177,272	21,101	134,145	155,246
	21,903	284,734	306,637	21,101	280,686	301,787
Investments – TAH	–	884,115	884,115	–	479,938	479,938
Investments – TLC	–	62,074	62,074	–	52,591	52,591
Investments – TLR	–	89,225	89,225	–	62,410	62,410
Total	**$ 21,903**	**$ 1,320,148**	**$ 1,342,051**	**$ 21,101**	**$ 875,625**	**$ 896,726**

The underlying loan instruments within the Company’s Tricon Housing Partners investments, if utilized, are denominated in U.S. dollars and bear interest at rates between 9.95% and 11.95%, compounded monthly.

Each investment vertical may utilize debt in order to finance normal business operations, with the debt secured by the underlying assets of the related investment. The Company has provided specific guarantees to the lenders of the TAH warehouse facility, the TLC mortgages and the TLR land and construction loans, on a non-recourse basis subject only to specific carved-out events in the case of the TAH and TLC guarantees. In 2016, the Company entered into a financial guarantee contract in the amount of $27,740 (C$34,800) with Canadian Imperial Bank of Commerce for the provision of a financial guarantee in respect of a construction loan held by 592 Sherbourne GP Inc. The construction loan matures on January 7, 2019 with two one-year extensions. This guarantee contract is initially measured at fair value and subsequently recorded as a contingent liability until such time as it becomes probable that the guarantor will be required to make payments under the guarantee provision.

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

(in thousands of dollars) THP Investments	Currency	Tricon commitment	Advances	Unfunded commitment	Project fees	Cash distributions	Total distributions	Investment at fair value[2]
As at December 31, 2017[1]								
THP1 US[3,4]	USD	$ 226,775	$ 269,676	$ 10,975	$ –	$ 275,474	$ 275,474	$ 92,731
THP2 US	USD	25,000	21,125	3,875	–	28	28	26,983
THP US SP1 LP	USD	6,330	5,331	999	554	1,592	2,146	5,051
THP US SP2 LP	USD	5,760	5,210	550	211	115	326	5,688
Cross Creek Ranch	USD	12,960	12,484	476	6,218	14,597	20,815	8,887
Fulshear Farms	USD	5,000	3,255	1,745	650	–	650	3,246
Grand Central Park	USD	9,785	8,526	1,259	3,486	1,598	5,084	9,128
Trilogy at Verde River	USD	12,600	10,312	2,288	3,461	–	3,461	9,739
Viridian	USD	25,400	26,860	1,047	3,079	5,775	8,854	27,396
Trinity Falls	USD	91,750	81,549	10,201	949	–	949	95,301
Side-cars	USD	23,613	18,479	5,134	5,515	429	5,944	12,836
Total USD investments		**$ 444,973**	**$ 462,807**	**$ 38,549**	**$ 24,123**	**$ 299,608**	**$ 323,731**	**$ 296,986**
THP3 Canada	CAD	20,000	12,299	7,701	–	3,580	3,580	9,651
Total CAD investments		**$ 20,000**	**$ 12,299**	**$ 7,701**	**$ –**	**$ 3,580**	**$ 3,580**	**$ 9,651**
Investments – THP								**$ 306,637**
As at December 31, 2016[1]								
THP1 US[3,4]	USD	$ 226,775	$ 269,676	$ 10,975	$ –	$ 248,834	$ 248,834	$ 111,744
THP2 US	USD	25,000	19,774	5,226	–	–	–	25,260
THP US SP1 LP	USD	6,330	5,298	1,032	155	–	155	5,839
Cross Creek Ranch	USD	14,400	12,484	1,916	5,724	11,808	17,532	8,364
Fulshear Farms	USD	5,000	3,255	1,745	650	–	650	3,269
Grand Central Park	USD	9,785	8,213	1,572	2,758	1,249	4,007	9,341
Trilogy at Verde River	USD	10,350	8,375	1,975	2,603	–	2,603	10,641
Viridian	USD	25,400	25,460	1,047	1,785	3,500	5,285	23,472
Trinity Falls	USD	91,750	73,865	17,885	209	–	209	77,195
Side-cars	USD	17,880	15,135	2,745	3,907	–	3,907	17,125
Total USD investments		**$ 432,670**	**$ 441,535**	**$ 46,118**	**$ 17,791**	**$ 265,391**	**$ 283,182**	**$ 292,250**
THP3 Canada	CAD	20,000	12,016	7,984	–	2,715	2,715	9,537
Total CAD investments		**$ 20,000**	**$ 12,016**	**$ 7,984**	**$ –**	**$ 2,715**	**$ 2,715**	**$ 9,537**
Investments – THP								**$ 301,787**

(1) Commitment, unfunded commitment, advances and distributions are shown in fund or separate account originating currency.
(2) Investments at fair value as of December 31, 2017 and December 31, 2016 are shown in thousands of U.S. dollars.
(3) $226,775 represents the Company's total fund commitment; the purchase price of the 68.4% interest was $260,500.
(4) The cumulative actual cash distributions received from THP1 US was reduced by $9,459 of withholding tax.

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

The controlled subsidiaries which are not consolidated by the Company include:

Name	Type	Principal place of business	Country of incorporation	Ownership interest %	Voting rights %[1]
Tricon SF Home Rental ULC	Holding Company	USA	Canada	100%	100%
Tricon American Homes LLC	Holding Company	USA	USA	100%	100%
Tricon Housing Partners US LP	Limited Partnership	USA	USA	68%	68%
Tricon Housing Partners US II B LP	Limited Partnership	USA	USA	16%	16%
Tricon Housing Partners Canada III Co-Investment Ltd.	Holding Company	Canada	Canada	100%	100%
Tricon Housing Partners Canada III LP	Limited Partnership	Canada	Canada	10%	10%
Tricon Housing Partners US Syndicated Pool I LP	Limited Partnership	USA	USA	20%	50%
Tricon Housing Partners US Syndicated Pool II LP	Limited Partnership	USA	USA	20%	50%
Tricon USA Lender Inc.	Holding Company	USA	Canada	100%	100%
Tricon Lender II Inc.	Holding Company	USA	Canada	100%	100%
CCR Texas Equity LP	Limited Partnership	USA	USA	10%	50%
CCR Texas Holdings LP	Limited Partnership	USA	USA	9%	50%
Vistancia West Equity LP	Limited Partnership	USA	USA	7%	50%
Vistancia West Holdings LP	Limited Partnership	USA	USA	6%	50%
FF Texas Equity LP	Limited Partnership	USA	USA	10%	50%
FF Texas Holdings LP	Limited Partnership	USA	USA	10%	50%
Conroe CS Texas Equity LP	Limited Partnership	USA	USA	10%	50%
Conroe CS Texas Holdings LP	Limited Partnership	USA	USA	10%	50%
Tegavah Equity LP	Limited Partnership	USA	USA	10%	50%
Tegavah Holdings LP	Limited Partnership	USA	USA	9%	50%
Lake Norman Equity LP	Limited Partnership	USA	USA	7%	50%
Lake Norman Holdings LP	Limited Partnership	USA	USA	7%	50%
Arantine Hills Equity LP	Limited Partnership	USA	USA	7%	50%
Arantine Hills Holdings LP	Limited Partnership	USA	USA	7%	50%
Viridian Equity LP	Limited Partnership	USA	USA	18%	50%
Viridian Holdings LP	Limited Partnership	USA	USA	17%	50%
Tricon Manufactured Housing Communities ULC	Holding Company	USA	Canada	100%	100%
Tricon Manufactured Housing Communities LLC	Holding Company	USA	USA	100%	100%
Tricon/COB MHC LP	Limited Partnership	USA	USA	98%	67%
Tricon Luxury Residences Co-Investment Inc.	Holding Company	Canada	Canada	100%	100%
592 Sherbourne LP	Limited Partnership	Canada	Canada	15%	50%
57 Spadina LP	Limited Partnership	Canada	Canada	20%	50%
Scrivener Square	Co-ownership	Canada	Canada	50%	50%
Summerhill Shops	Co-ownership	Canada	Canada	25%	50%
Tricon SLR US Multifamily LLC	Holding Company	USA	USA	100%	100%
Tricon SLR US Multifamily I LP	Limited Partnership	USA	USA	100%	50%
SLR-TCN McKenzie Project, LP	Limited Partnership	USA	USA	90%	50%
SLR-TCN Canals at Grand Park II Project, LP	Limited Partnership	USA	USA	90%	50%

(1) In respect of major decisions only.

6. FAIR VALUE ESTIMATION

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

The following describes the categories within the fair value hierarchy:

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

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

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

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

	December 31, 2017			December 31, 2016		
(in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investments – THP						
U.S. commingled funds	$ –	$ –	$ 119,714	$ –	$ –	$ 137,004
Canadian commingled funds	–	–	9,651	–	–	9,537
Separate accounts and side-cars	–	–	177,272	–	–	155,246
	–	–	306,637	–	–	301,787
Investments – TAH	–	–	884,115	–	–	479,938
Investments – TLC	–	–	62,074	–	–	52,591
Investments – TLR	–	–	89,225	–	–	62,410
	$ –	**$ –**	**$ 1,342,051**	**$ –**	**$ –**	**$ 896,726**
Financial liabilities						
Derivative financial instruments (Note 9)	$ –	$ 37,494	$ –	$ –	$ 28	$ –

There have been no transfers between levels for the years ended December 31, 2017 and December 31, 2016.

Financial assets valuation methodologies

The Company's Valuation Committee is responsible for fair value measurements included in the financial statements, including Level 3 measurements. The valuation processes and results are reviewed and approved by the Valuation Committee at least once every quarter, in line with the Company's quarterly reporting dates. The Valuation Committee consists of individuals who are knowledgeable and have experience in the fair value techniques for the investments held by the Company. The Valuation Committee decides on the appropriate valuation methodologies for new investments and contemplates changes in the valuation methodology for existing investments. Additionally, the Valuation Committee analyzes the movements in each investment's value, which involves assessing the validity of the inputs applied in the valuation. Valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's financial statements.

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

Investments – Tricon Housing Partners

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

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

A side-car is a co-investment vehicle under common sponsorship with a Tricon fund. Tricon's ownership interests in the side-cars are held through the Company's wholly-owned subsidiaries. A side-car generally participates in larger investment opportunities provided by the fund sponsor or general partner. The measurement and valuation methodologies for side-cars are the same as those for the limited partnership investments.

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

Description	Valuation technique(s)	Significant unobservable input	December 31, 2017 Range of inputs	December 31, 2017 Weighted average of inputs	December 31, 2016 Range of inputs	December 31, 2016 Weighted average of inputs	Other inputs and key information
Debt investments	Net asset value, determined using discounted cash flow	a) Discount rate[1] b) Future cash flow[2]	10.0% – 12.0% 3 – 6 years	11.4% 4.9 years	10.0% – 12.0% 4 – 5 years	10.7% 4.1 years	Estimated probability of default
Equity investments Commingled funds	Net asset value, determined using discounted cash flow	a) Discount rate[1] b) Future cash flow[2]					Entitlement risk, sales risk and construction risk are taken into account in determining the discount rate. **U.S. funds:** Lower of 20% and the expected return for the project, subsequently adjusted downward as development risk is mitigated over project life. **Canadian funds:** Discounted at contractual interest rate; may include contingent interest cash flows (received when developers' project returns exceed the underlying contractual interest), which is discounted using the same method as U.S. funds.
THP1 US			12.5% – 20.0% 1 – 4 years	14.7% 2.8 years	12.5% – 20.0% 1 – 4 years	14.6% 2.8 years	
THP2 US			12.5% – 20.0% 1 – 10 years	15.0% 1.3 years	12.5% – 20.0% 1 – 7 years	16.1% 2.0 years	
THP3 Canada			8.0% – 18.0% 2 – 8 years	10.9% 2.4 years	8.0% – 18.0% 3 – 8 years	10.8% 3.5 years	
Separate accounts and side-cars	Waterfall distribution model	a) Discount rate[1] b) Future cash flow[2] c) Appraised value[3]	15.0% – 24.0% 1 – 18 years	N/A[3] 14.0 years	17.0% – 25.0% 2 – 21 years	N/A[3] 13.5 years	Entitlement risk, sales risk and construction risk are taken into account in determining the discount rate. Price per acre of land, timing of project funding requirements and distributions.

(1) Generally, an increase in future cash flow will result in an increase in the fair value of debt instruments and fund equity investments. An increase in the discount rate will result in a decrease in the fair value of debt instruments and fund equity investments. The same percentage change in the discount rate will result in a greater change in fair value than the same absolute percentage change in future cash flow.

(2) Estimating future cash flows involves modelling developers' cash flows to determine the quantum and timing of project funding requirements and cash distributions to the investment vehicle. Estimates of developers' cash flows are based on detailed quarterly and annual budgets and include estimates of construction and development costs, anticipated selling prices and absorption ratios for each project.

(3) On an annual basis, the Company obtains external valuations for its separate account equity and side-car investments. As at December 31, 2017, the external valuations for Tricon's interest in eight separate account equity and side-car investments totaled $49,329. The Company's investment team and finance team verify all major inputs to the valuation and review the results with the independent appraiser. The significant input within the appraised value is the value of land per acre.

Sensitivity

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

(in thousands of dollars)	Currency	December 31, 2017 1% increase	December 31, 2017 1% decrease	December 31, 2016 1% increase	December 31, 2016 1% decrease
U.S. commingled funds	USD	$ (1,067)	$ 1,094	$ (1,342)	$ 1,377
Canadian commingled funds	CAD	(165)	169	(258)	269
Separate accounts and side-cars	USD	(3,002)	3,186	(1,673)	1,724

Investments – Tricon American Homes

All of the Company's investments in TAH subsidiary entities are held through a wholly-owned subsidiary, Tricon SF Home Rental ULC, which is recorded at fair value. The fair value of the Company's investment in Tricon SF Home Rental ULC is calculated based on the underlying net assets' fair value. The fair value of net assets of the various entities is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

Home values typically do not change materially in the short term, and capital expenditures generally do not significantly impact values in the first three months after purchase. As a result, homes acquired in the current quarter are recorded at their purchase price plus the cost of capital expenditures, if applicable. Homes acquired prior to October 1, 2017 were valued at November 30, 2017. Management has assessed the impact of any market changes that have occurred subsequent to the date of valuation and has determined that values were valid at December 31, 2017.

During the year, the Broker Price Opinion ("BPO") valuation methodology was used to determine the fair value of 6,135 of TAH's rental properties. The remainder of the rental properties, including those previously valued by BPO, had their values updated using the Home Price Index ("HPI") methodology. The HPI is calculated based on a repeat-sales model using large real estate information databases compiled from public records. Twelve-month trailing HPI was used where the quarterly HPI change was determined by averaging the index movement over the past twelve months. The quarterly HPI change is then applied to the previously recorded fair value of the investment properties. The data used to fair value the rental properties is specific to the zip code in which the property is located.

In addition to the investment properties generating rental income, a small percentage of the investment properties are held for sale ("for sale homes"). These for sale homes were originally purchased as rental properties but subsequently selected for sale through the investee's active asset management process. All for sale homes are valued at fair value less cost to sell.

The fair value of external debt is based on a discounted cash flow model at a market rate of interest that TAH would have obtained for similar financing. Deferred income taxes are based on the enacted tax rates for future years, with fair values determined by discounting to the reporting period. Working capital approximates fair value.

In the fourth quarter of 2017, TAH completed the sale of 1,523 non-core homes to a large institutional single-family rental owner and operator, including 1,247 homes acquired from Silver Bay. The homes were sold for total disposition proceeds of approximately $153,000, which were primarily used to repay a portion of the outstanding Silver Bay acquisition warehouse facility.

Debt

A summary of TAH's debt outstanding as of December 31, 2017 is as follows:

			Debt balance[6]	
(in thousands of U.S. dollars)	Effective interest rates	Maturity dates	December 31, 2017	December 31, 2016
Securitization loan, TAH 2015-1[1]	LIBOR+1.96%	May 2018	$ –	$ 350,595
Silver Bay acquisition warehouse facility[2]	LIBOR+3.28%	May 2018	155,828	–
Warehouse credit facility[1]	LIBOR+3.00%	October 2019	184,167	63,038
Securitization loan, TAH 2016-1	3.59%	November 2021	362,601	362,601
Securitization loan, TAH 2017-1[3]	3.50%	September 2022	462,594	–
Term loan[4]	LIBOR+2.00%	October 2022	347,582	–
Securitization loan, TAH 2017-2[5]	3.58%	January 2024	365,000	–
Total debt			**$ 1,877,772**	**$ 776,234**

(1) The warehouse credit facility has a one-year extension option. On October 6, 2017, TAH amended and restated its credit facility to increase the size of the facility to $500,000. Concurrently, TAH made an early repayment of the securitization loan, TAH 2015-1, resulting in approximately 3,200 homes being released from the securitization collateral pool.

(2) The Silver Bay acquisition warehouse facility has two six-month extension options.

(3) TAH closed its third securitization loan, TAH 2017-1, on August 23, 2017. The transaction involved the issuance and sale of six classes of fixed-rate pass-through certificates. The gross transaction proceeds represent approximately 76% of the value of the securitized portfolio and approximately 83% of its all-in cost. Proceeds were used to partially repay the Silver Bay acquisition warehouse facility.

(4) TAH entered into a new term loan facility with Morgan Stanley Asset Funding Inc. on October 24, 2017.

(5) TAH closed its fourth securitization loan, TAH 2017-2, on December 20, 2017. The transaction involved the issuance and sale of six classes of fixed-rate pass-through certificates. The gross transaction proceeds represent approximately 70% of the value of the securitized portfolio and approximately 90% of its all-in cost. Proceeds were used to partially repay the Silver Bay acquisition warehouse facility and the warehouse credit facility.

(6) The fair value of debt at TAH approximates cost.

Sensitivity

As of December 31, 2017, TAH, and the Company where applicable as its sponsor, are in compliance with the financial covenants and other undertakings outlined in the loan agreements. The one-month LIBOR during the year ended December 31, 2017 ranged from 0.77% to 1.37%. If interest rates had been 50 basis points lower, with all other variables held constant, investment income in TAH for the year ended December 31, 2017 would have been $3,889 (2016 – $2,133) higher. If interest rates had been 50 basis points higher, with all other variables held constant, investment income in TAH for the year ended December 31, 2017 would have been $3,889 (2016 – $2,540) lower.

If the prices of single-family rental homes held by TAH were to increase or decrease by 1% (December 31, 2016 – 1%), the impact on investments in TAH fair value at December 31, 2017 would be $26,613 and ($26,613), respectively (December 31, 2016 – $12,099 and ($12,099)).

The weighted average of the quarterly HPI change was 1.4%. If the change in the quarterly HPI increased or decreased by 0.5%, the impact on investments in TAH fair value at December 31, 2017 would be $8,206 and ($8,206), respectively (December 31, 2016 – $5,614 and ($5,614)).

Investments – Tricon Lifestyle Communities

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

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

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

The Company also takes into account the carried interest payable to the third-party operating partner of the underlying limited partnership in determining the fair value of its investment. The carried interest amounts are based on waterfall distribution calculations specified in the limited partnership agreement and may result in the payment of a performance fee to the third-party operating partner once limited partners receive their capital and preferred return. The fair value of external debt is based on a discounted cash flow model at a market rate that the limited partnership would have obtained for similar financing. Deferred income taxes are based on the enacted tax rates for future years. Working capital of the limited partnership approximates fair value.

Subsequent to year-end, TLC's properties are presented as assets held for sale as TLC launched an official marketing process to exit the investment. TLC properties are available for immediate sale, and management has committed to a plan to sell the group of assets and is actively seeking a buyer for the assets. The sale is probable and is expected to be completed within a year.

Sensitivity

Since the rate of interest on borrowings incurred by TLC is fixed, investment income in TLC for the period would not change due to interest rate fluctuations.

TLC's fair value measurements of its investments are based on significant unobservable inputs, including discount rates and future cash flows. At December 31, 2017, an increase of 1% in the discount rate results in a decrease in fair value of $6,982, and a decrease of 1% in the discount rate results in an increase in fair value of $5,959 (December 31, 2016 – ($3,557) and $2,475, respectively).

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

Investments – Tricon Lifestyle Rentals (formerly Tricon Luxury Residences)

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

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

			December 31, 2017		December 31, 2016		
Description	Valuation technique(s)	Significant unobservable input	Range of inputs	Weighted average of inputs	Range of inputs	Weighted average of inputs	Other inputs and key information
TLR Canada	Waterfall distribution model Net asset value, determined using income approach	a) Discount rate[1] b) Future cash flow[2] c) Appraised value[3]	9.0% – 10.0% 1 – 3 years	9.3% 1.7 years	N/A	N/A	Construction risk and leasing risk are taken into account in determining the discount rate. Price per square foot, timing of project funding requirements and distributions.
TLR U.S.	Net asset value, determined using discounted cash flow	a) Discount rate[1] b) Future cash flow[2]	14.0% – 14.5% 2 – 3 years	14.25% 2.2 years	14.0% – 14.5% 2 – 3 years	14.25% 3.0 years	Entitlement risk, leasing risk and construction risk are taken into account in determining the discount rate. Discounted at expected return for the project, subsequently adjusted downward as development risk is mitigated over project life.

(1) Generally, an increase in future cash flow will result in an increase in the fair value of the investments. An increase in the discount rate will result in a decrease in the fair value of investments. The same percentage change in the discount rate will result in a greater change in fair value than the same absolute percentage change in future cash flow.

(2) Estimating future cash flows involves modelling developers' or projects' cash flows to determine the quantum and timing of project funding requirements and cash distributions. Estimates of cash flows are based on annual budgets and include estimates of construction and development costs, anticipated selling/leasing prices and absorption rates for each project.

(3) On an annual basis, the Company obtains external valuations dated December 1 for certain TLR Canada investments. The Company's investment team and finance team verify all major inputs to the valuation and review the results with the independent appraiser. The significant input within the appraised value is the value of land per square foot. Management has assessed whether any significant market changes have occurred subsequent to the date of valuation and has determined that the value remained unchanged at December 31, 2017.

Sensitivity

An increase of 1% in the discount rate results in a decrease in fair value of $1,385, and a decrease of 1% in the discount rate results in an increase in fair value of $1,424 (December 31, 2016 – ($1,272) and $1,316, respectively).

An increase of 5% in the appraised land value per square foot would result in an increase in fair value of $491, and a decrease of 5% in the appraised land value per square foot would result in a decrease in fair value of $491 (December 31, 2016 – $510 and ($510), respectively).

Continuity of investments

The following presents the changes in Level 3 instruments for the years ended December 31, 2017 and December 31, 2016:

THP

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Opening balance	$ 301,787	$ 303,782
Advances made to investments	21,496	88,562
Distributions received from investments	(34,855)	(118,107)
Investment income	18,209	27,550
Ending balance	**$ 306,637**	**$ 301,787**
Unrealized fair value gain included in net income on investments still held	18,209	27,550

TAH

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Opening balance	$ 479,938	$ 426,030
Advances made to investments	354,110	98,378
Distributions received from investments	(63,000)	(94,551)
Investment income	113,067	50,081
Ending balance	**$ 884,115**	**$ 479,938**
Unrealized fair value gain included in net income on investments still held	113,067	50,081

TLC

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Opening balance	$ 52,591	$ 19,153
Advances made to investments	2,102	28,330
Investment income	7,381	5,108
Ending balance	**$ 62,074**	**$ 52,591**
Unrealized fair value gain included in net income on investments still held	7,381	5,108

TLR

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Opening balance	$ 62,410	$ 19,582
Advances made to investments	14,424	40,762
Investment income	12,391	2,066
Ending balance	**$ 89,225**	**$ 62,410**
Unrealized fair value gain included in net income on investments still held	12,391	2,066

Financial liabilities valuation methodologies

Derivative financial instruments relate to the conversion and redemption features of the convertible debentures and are valued using model calibration, as discussed in Note 9. Inputs to the valuation model are determined from observable market data wherever possible, including prices available from exchanges and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Quantitative information about fair value measurements (Level 2) using significant observable inputs other than quoted prices included in Level 1 is as follows:

	December 31, 2017		December 31, 2016	
	2020 convertible debentures	2022 convertible debentures	2020 convertible debentures	2022 convertible debentures
Risk-free rate[1]	2.09%	2.23%	1.28%	N/A
Stock price[2]	C$11.55	C$11.55	C$9.46	N/A
Implied volatility[3]	25.01%	24.73%	19.05%	N/A
Dividend yield[4]	2.30%	2.30%	2.95%	N/A

(1) Risk-free rates were from the Canadian and U.S. dollar swap curves matching the terms to maturity of the debentures.

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

(3) Implied volatility was computed from the trading volatility of the Company's stock over a comparable term to maturity.

(4) Dividend yields were from the forecast dividend yields matching the terms to maturity of the debentures.

Cash, amounts receivable, amounts payable and accrued liabilities (including interest payable), dividends payable, and revolving term credit facility are measured at cost, since their carrying values are a reasonable approximation of fair value due to their short-term nature.

7. DEBT

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Revolving term credit facility	$ 161,500	$ 113,750
Convertible debentures	214,147	55,107
Mortgage	7,957	–
Total debt	**$ 383,604**	**$ 168,857**

As at December 31, 2017, the outstanding balance of the revolving term credit facility was $161,500 (December 31, 2016 – $113,750). During the year ended December 31, 2017, the Company paid interest on total debt in the amount of $13,664 (2016 – $8,041).

Revolving term credit facility

The Company has access to a $365,000 revolving term credit facility (the "Facility"). The Facility includes a syndicate of lenders comprised of Canadian and U.S. banks. The Facility has a maturity date of June 30, 2020. The Company has provided a general security agreement creating a first priority security interest on the assets of the Company.

During the year ended December 31, 2017, the minimum balance drawn on the Facility was nil, and the maximum amount drawn was $163,000.

Advances under the Facility are available by way of Prime, USBR and LIBOR loans as well as Banker's Acceptances. The applicable margin on advances is determined in reference to the senior funded debt-to-EBITDA ratio and is added to the applicable loan reference rate as follows: Prime and USBR loans range from 2.25% to 3.00% above the respective reference rate, and LIBOR loans and Banker's Acceptances range from 3.25% to 4.00% above the respective reference rate. Standby fees ranging from 81.25 basis points to 1.00% of the unutilized portion of the total commitment are payable, with reference to the funded debt-to-EBITDA ratio, on a quarterly basis. Total interest expense incurred under the Facility for the year ended December 31, 2017 amounted to $6,580 (2016 – $6,138), which includes standby charges of $1,730 (2016 – $1,094). The weighted average interest rate during the year ended December 31, 2017 was 4.47%.

The Facility agreement requires the Company to maintain the following covenants: (i) a senior funded debt-to-EBITDA ratio of 4.25:1 for each fiscal quarter prior to June 30, 2018; 3.75:1 for each fiscal quarter ending between July 1, 2018 and June 30, 2019; and 3.25:1 for each fiscal quarter ending thereafter; (ii) a minimum interest coverage ratio of 1.25:1 for each fiscal quarter ending prior to December 31, 2018; 1.40:1 for each fiscal quarter ending between January 1, 2019 and December 31, 2019; and 1.50:1 for each fiscal quarter ending thereafter; and (iii) a consolidated total funded debt-to-capital not to exceed 55%. The Company was in compliance with each of the covenants of the Facility.

Convertible debentures

2020 convertible debentures

The Company issued 86,000 units of 5.60% convertible debentures at C$1,000 per unit for a principal value of $83,800 (C$86,000) on February 25, 2013 (the "2020 convertible debentures"). The debentures mature on March 31, 2020 at their outstanding principal value or can be converted into shares at the holder's option at any time prior to the close of business on the earlier of maturity or redemption date at the conversion price of C$9.80 per share or at a rate of 102.04 shares per C$1,000 of debentures owned. The February 2013 Debentures were initially recorded on the consolidated balance sheets as debt of $83,800 (C$86,000) less costs of $3,448 (C$3,539). In addition, the Company allocated $16,915 (C$17,363) to the conversion and redemption feature on initial recognition, which was deducted from the principal balance and will be accreted to the principal amount of the debenture over its term. As at December 31, 2017, the outstanding principal amount was $68,306 (C$85,693) (December 31, 2016 – $63,852 or C$85,731).

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

The 2020 convertible debenture units outstanding are redeemable at the option of the Company on or after March 31, 2016 and prior to March 31, 2018 provided that the Current Market Price (as defined in the trust indenture governing the 2020 convertible debentures) of the Company's common shares on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2018 and prior to the maturity date, the Company may elect to redeem the outstanding debentures in whole or part at a price equal to the principal amount plus accrued and unpaid interest.

The Company has an option to settle the redemption right by delivering the number of common shares determined by dividing the principal amount of the convertible debentures by 95% of the Current Market Price on the fifth trading day preceding the date fixed for redemption or the maturity date. In 2017, $28 (C$38) of 2020 convertible debentures were converted into 3,877 common shares.

2022 convertible debentures

On March 17, 2017, the Company completed the offering, on a bought deal basis, of $172,500 aggregate principal amount of 5.75% extendible convertible unsecured debentures (the "2022 convertible debentures"), including $22,500 aggregate principal amount of 2022 convertible debentures issued pursuant to the exercise of underwriters' over-allotment options. The net offering proceeds to the Company were $164,554 after transaction costs of $7,946.

Upon the closing of the acquisition of Silver Bay on May 9, 2017, the 2022 convertible debentures became convertible to common shares of the Company in accordance with their terms, and their maturity date was extended to March 31, 2022.

The 2022 convertible debentures bear interest at 5.75% per annum, which is payable semi-annually in arrears in March and September, and are convertible into common shares of the Company at a conversion rate of 95.6023 common shares per $1,000 principal amount of 2022 convertible debentures (equivalent to a conversion price of approximately $10.46 per common share (equivalent to C$13.12 as of December 31, 2017)).

Similar to the 2020 convertible debentures, the Company may settle the conversion right in cash in lieu of common shares unless the holder has explicitly indicated that it does not wish to receive cash.

The 2022 convertible debentures may not be redeemed by the Company prior to March 31, 2020, except in the event of the satisfaction of certain conditions after a change of control has occurred. On or after March 31, 2020 and prior to March 31, 2021, the 2022 convertible debentures may be redeemed by the Company at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the Current Market Price (as defined in the trust indenture governing the 2022 convertible debentures) of the Company's common shares on the fifth trading day immediately preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2021 and prior to their final maturity date, the 2022 convertible debentures may be redeemed by the Company at a price equal to the principal amount thereof plus accrued and unpaid interest. The Company has an option to settle the redemption right, where applicable, by delivering the number of common shares determined by dividing the principal amount of the convertible debentures by 95% of the Current Market Price of the Company's common shares on the fifth trading day immediately preceding the date fixed for redemption or the maturity date. In 2017, there were no conversions of the 2022 convertible debentures.

As of December 31, 2017, the host liability component of the convertible debentures recognized on the consolidated balance sheets was calculated as follows:

(in thousands of U.S. dollars)	2020 convertible debentures	2022 convertible debentures	Total
December 31, 2017			
Principal amount outstanding[1]	$ 68,306	$ 172,500	$ 240,806
Less: Transaction costs (net of amortization)	(1,304)	(6,901)	(8,205)
Liability component on initial recognition	67,002	165,599	232,601
Debentures discount (net of amortization)	(6,051)	(12,403)	(18,454)
Convertible debentures	**$ 60,951**	**$ 153,196**	**$ 214,147**

(in thousands of U.S. dollars)	2020 convertible debentures	2022 convertible debentures	Total
December 31, 2016			
Principal amount outstanding[1]	$ 63,852	$ –	$ 63,852
Less: Transaction costs (net of amortization)	(1,590)	–	(1,590)
Liability component on initial recognition	62,262	–	62,262
Debentures discount (net of amortization)	(7,155)	–	(7,155)
Convertible debentures	**$ 55,107**	**$ –**	**$ 55,107**

(1) 2020 convertible debentures principal amount outstanding of C$85,693 (2016 – C$85,731) was translated to U.S. dollars at the year-end exchange rate.

The above carrying values were recognized at amortized cost after discounting the future interest and principal payments using the effective interest rates. The fair value of the host liability component of the 2020 convertible debentures is $68,362 (C$85,764) as of December 31, 2017 and $70,210 (C$94,267) as of December 31, 2016. The fair value of the host liability component of the 2022 convertible debentures is $169,310. The difference between the amortized cost and implied fair value is a result of the difference between the effective interest rate and the market interest rate for debt with similar terms.

Mortgage

On November 22, 2017, the Company obtained a $7,856 (C$10,000) mortgage loan to purchase a commercial condominium, which will serve as the Company's new head office in Toronto. The total mortgage amount was $7,856 (C$10,000), of which $1,064 (C$1,355) was withheld from the net proceeds to be advanced upon satisfaction of certain conditions outlined in the mortgage agreement. The mortgage carries a fixed interest rate of 4.38% compounded semi-annually and has a seven-year term to maturity. Total interest expense incurred on the mortgage loan in 2017 was $36. As at December 31, 2017, the outstanding principal amount was $7,957 (C$9,982). The Company is in compliance with the covenant and other undertakings outlined in the mortgage agreement.

The transaction costs incurred in relation to the mortgage transaction were insignificant.

The coupon/stated interest rates and effective interest rates are as follows:

(in thousands of U.S. dollars)	Coupon/stated interest rates	Effective interest rates	Maturity dates	Debt balance December 31, 2017	Debt balance December 31, 2016
Fixed rate					
2020 convertible debentures	5.60%	6.46%	2020	$ 60,951	$ 55,107
2022 convertible debentures	5.75%	6.85%	2022	153,196	–
Mortgage	4.38%	4.43%	2024	7,957	–
Total fixed-rate debt	**5.66%**	**6.66%**		**$ 222,104**	**$ 55,107**
Variable rate					
Revolving term credit facility	LIBOR+3.25%	4.47%	2020	161,500	113,750
Total debt				**$ 383,604**	**$ 168,857**

The scheduled principal repayments and debt maturities are as follows:

(in thousands of U.S. dollars)	Revolving term credit facility	Convertible debentures	Mortgage	Total
2018	$ –	$ –	$ 181	$ 181
2019	–	–	190	190
2020	161,500	68,306	198	230,004
2021	–	–	206	206
2022	–	172,500	215	172,715
2023 and thereafter	–	–	6,967	6,967
	161,500	240,806	7,957	410,263
Transaction costs (net of amortization)				(8,205)
Debentures discount (net of amortization)				(18,454)
Total debt				**$ 383,604**

8. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

Amounts payable and accrued liabilities consist of trade payables and accrued liabilities, AIP liability, income taxes payable and interest payable, as follows:

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Trade payables and accrued liabilities	$ 6,187	$ 8,948
AIP liability (Note 16)	420	529
Income taxes payable	256	87
Interest payable	4,410	1,328
Total amounts payable and accrued liabilities	**$ 11,273**	**$ 10,892**

9. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

As at December 31, 2017, the fair value of the embedded derivative payable on the 2020 convertible debentures increased by $13,575 (C$17,030) (2016 – decrease of $8,607). The fair value of the embedded derivative payable on the 2022 convertible debentures was $23,889, representing an increase of $9,701 since the inception date of May 9, 2017. The change in value of the conversion feature, which is reflected as an expense (2016 – income) of the Company, increased largely because of an increase in the Company's share price on the TSX. There was an additional increase of $2 from foreign exchange revaluation (2016 – increase of $259) on the 2020 convertible debentures.

The assumed conversion of both the 2020 and 2022 debentures was anti-dilutive mainly due to the fair value loss recognized on the derivative financial instruments in the year ended December 31, 2017; as a result, the shares issuable on conversion were excluded from the weighted average diluted shares outstanding for the year ended December 31, 2017. The comparative period in 2016 included the impact of the assumed conversion of the 2020 convertible debentures.

The value attributed to the derivative financial instruments is shown below:

(in thousands of U.S. dollars)	2020 convertible debentures[1]	2022 convertible debentures	Total
December 31, 2017			
Derivative financial instruments – beginning of year	$ 28	$ –	$ 28
Derivative instrument value of debentures issued	–	14,188	14,188
Fair value changes (based on market price)	13,575	9,701	23,276
Revaluation to year-end exchange rate	2	–	2
Derivative financial instruments – end of year	**$ 13,605**	**$ 23,889**	**$ 37,494**

(in thousands of U.S. dollars)	2020 convertible debentures[1]	2022 convertible debentures	Total
December 31, 2016			
Derivative financial instruments – beginning of year	$ 8,376	$ –	$ 8,376
Fair value changes (based on market price)	(8,607)	–	(8,607)
Revaluation to year-end exchange rate	259	–	259
Derivative financial instruments – end of year	**$ 28**	**$ –**	**$ 28**

(1) Derivative financial instruments ending balance of C$17,067 (2016 – C$37) was translated to U.S. dollars at the year-end exchange rate.

10. INCOME TAXES

(in thousands of U.S. dollars) For the years ended December 31	2017	2016
Income tax expense – current	$ 4,889	$ 1,579
Income tax expense – deferred	8,416	10,301
Income tax expense	**$ 13,305**	**$ 11,880**

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

(in thousands of U.S. dollars) For the years ended December 31	2017	2016
Income before income taxes	$ 82,653	$ 71,640
Combined statutory federal and provincial income tax rate	26.50%	26.50%
Expected income tax expense	21,903	18,985
Non-taxable gains on investments	(16,847)	(7,572)
Non-taxable (gains) losses on derivative financial instruments	6,168	(2,281)
Tax rate changes[1]	(1,452)	–
Foreign tax rate differential	628	613
Other, including permanent differences	2,905	2,135
Income tax expense	**$ 13,305**	**$ 11,880**

(1) On December 22, 2017, The United States House of Representatives and the Senate passed the "Tax Cuts and Jobs Act" into law. The overall impact of the new tax rules is a one-time net tax benefit of $1,452. U.S. tax reform is not expected to have a material impact on Tricon's consolidated effective tax rate.

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

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	$ 23,247	$ 11,152
Deferred income tax assets to be recovered within 12 months	690	1,252
Total deferred income tax assets	**$ 23,937**	**$ 12,404**
Deferred income tax liabilities		
Deferred income tax liabilities reversing after more than 12 months	$ 47,728	$ 30,256
Deferred income tax liabilities reversing within 12 months	199	232
Total deferred income tax liabilities	**$ 47,927**	**$ 30,488**

The movement of the deferred income tax accounts was as follows:

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Change in net deferred income tax liabilities		
Net deferred income tax liabilities – beginning of year	$ 18,084	$ 9,318
Charge to the statement of comprehensive income	8,416	10,301
Credit directly to equity	(2,054)	(1,362)
Other	(456)	(173)
Net deferred income tax liabilities – end of year	**$ 23,990**	**$ 18,084**

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

(in thousands of U.S. dollars)	Long-term incentive plan accrual	Issuance costs	Net operating losses	Other	Total
Deferred income tax assets					
At December 31, 2016	$ 3,684	$ 1,640	$ 6,926	$ 154	$ 12,404
Addition	517	1,185	8,991	840	11,533
At December 31, 2017	**$ 4,201**	**$ 2,825**	**$ 15,917**	**$ 994**	**$ 23,937**

(in thousands of U.S. dollars)	Investments	Convertible debentures	Deferred placement fees	Other	Total
Deferred income tax liabilities					
At December 31, 2016	$ 29,538	$ 265	$ 685	$ –	$ 30,488
Addition/(reversal)	17,559	225	(345)	–	17,439
At December 31, 2017	**$ 47,097**	**$ 490**	**$ 340**	**$ –**	**$ 47,927**

The Company believes it will have sufficient future income to realize the deferred income tax assets.

11. INTANGIBLE ASSETS

The intangible assets are as follows:

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Placement fees	$ 1,415	$ 1,805
Rights to performance fees	127	189
Customer relationship intangible	4,759	5,273
Contractual development fees	13,715	17,700
Total intangible assets	**$ 20,016**	**$ 24,967**

Intangible assets represent future management fees, development fees and commissions that Tricon expects to receive over the life of the projects that the Company manages. They are amortized by project over the estimated periods that the projects expect to collect these fees, which range from 2 to 13 years.

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

(in thousands of U.S. dollars) For the year ended December 31, 2017	Opening	Additions	Amortization expense	Translation adjustment	Ending
Placement fees	$ 1,805	$ –	$ (391)	$ 1	$ 1,415
Rights to performance fees	189	–	(62)	–	127
Customer relationship intangible	5,273	–	(514)	–	4,759
Contractual development fees	17,700	–	(3,985)	–	13,715
Intangible assets	**$ 24,967**	**$ –**	**$ (4,952)**	**$ 1**	**$ 20,016**

(in thousands of U.S. dollars) For the year ended December 31, 2016	Opening	Additions	Amortization expense	Translation adjustment	Ending
Placement fees	$ 2,471	$ –	$ (658)	$ (8)	$ 1,805
Rights to performance fees	250	–	(61)	–	189
Customer relationship intangible	5,788	–	(515)	–	5,273
Contractual development fees	22,018	–	(4,318)	–	17,700
Intangible assets	**$ 30,527**	**$ –**	**$ (5,552)**	**$ (8)**	**$ 24,967**

There were no impairments to placement fees and rights to performance fees for the years ended December 31, 2017 and December 31, 2016.

12. OTHER ASSETS

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Building	$ 13,295	$ –
Furniture, computer and office equipment	2,051	910
Leasehold improvements	213	247
Goodwill	219	219
Total other assets	**$ 15,778**	**$ 1,376**

On November 22, 2017, the Company acquired a commercial condominium at 7 St. Thomas Street, Toronto for its own use. The costs of the building include the purchase price of $10,614 (C$13,316) along with development costs of $2,681 (C$3,363). This purchase was partially financed through a $7,856 (C$10,000) mortgage. Upon closing, the Company received net mortgage proceeds of C$8,650; the remaining C$1,355 will be received upon satisfaction of certain conditions as outlined in the mortgage agreement. This amount has been recorded as amounts receivable on the Company's consolidated balance sheet as at December 31, 2017.

In 2017, no depreciation was taken on the building as it was not available for use. The building will be ready for use in 2018.

13. DIVIDENDS

(in thousands of dollars, except per share amounts)			Common shares	Dividend amount per share		Total dividend amount		Dividend reinvestment plan ("DRIP")	
Date of declaration	Record date	Payment date	outstanding	CAD	USD[1]	CAD	USD[1]	CAD	USD[2]
February 22, 2017	March 31, 2017	April 17, 2017	113,030,589	0.065	0.049	$ 7,347	$ 5,515	$ 1,246	$ 938
May 9, 2017	June 30, 2017	July 14, 2017	133,806,806	0.065	0.050	8,697	6,682	2,764	2,169
August 8, 2017	September 30, 2017	October 16, 2017	134,165,809	0.065	0.050	8,721	6,988	2,672	2,139
November 7, 2017	December 31, 2017	January 15, 2018	133,472,861	0.065	0.052	8,676	6,915	3,034	2,426
						$ 33,441	**$ 26,100**	**$ 9,716**	**$ 7,672**
March 8, 2016	March 31, 2016	April 15, 2016	112,069,541	0.065	0.050	$ 7,285	$ 5,616	$ 1,345	$ 1,046
May 11, 2016	June 30, 2016	July 15, 2016	112,239,181	0.065	0.050	7,296	5,608	1,753	1,351
August 10, 2016	September 30, 2016	October 15, 2016	112,567,194	0.065	0.050	7,317	5,578	1,612	1,223
November 9, 2016	December 31, 2016	January 13, 2017	112,754,769	0.065	0.048	7,329	5,455	1,789	1,362
						$ 29,227	**$ 22,257**	**$ 6,499**	**$ 4,982**

(1) Dividends are issued and paid in Canadian dollars. For reporting purposes, amounts recorded in equity are translated to U.S. dollars using the daily exchange rate on the date of record. Dividends payable of $6,906 recorded on the Company's balance sheet are translated to U.S. dollars using the period-end exchange rate.

(2) Dividends reinvested are translated to U.S. dollars using the daily exchange rate on the date common shares are issued.

The Company has a Dividend Reinvestment Plan ("DRIP") under which eligible shareholders may elect to have their cash dividends automatically reinvested into additional common shares. These additional shares are issued from treasury (or purchased in the open market) at a discount, in the case of treasury issuances, of up to 5% of the Average Market Price, as defined under the DRIP, of the common shares as of the dividend payment date. If common shares are purchased in the open market, they are priced at the average weighted cost to the Company of the shares purchased.

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

For the year ended December 31, 2017, 827,617 common shares were issued under the DRIP (2016 – 728,239) for a total amount of $6,608 (2016 – $4,560).

14. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. The common shares of the Company do not have par value.

As of December 31, 2017, the Company had 133,472,861 common shares outstanding (December 31, 2016 – 112,754,769).

	December 31, 2017			December 31, 2016		
	Number of shares issued	Share capital		Number of shares issued	Share capital	
(in thousands of dollars)	(repurchased)	USD	CAD	(repurchased)	USD	CAD
Beginning balance	112,754,769	$ 567,677	$ 685,589	112,037,851	$ 561,347	$ 677,277
Shares issued under DRIP[1]	827,617	6,608	8,471	728,239	4,560	6,075
Stock options exercised[2]	146,734	722	949	10,503	77	100
Shares issued for phantom units released from escrow	–	–	–	104,595	617	643
Normal course issuer bid (NCIB)[3]	(982,900)	(5,249)	(6,512)	(244,520)	(1,113)	(1,538)
Deferred share units exercised[4]	396,514	2,627	3,464	118,101	827	1,129
Debentures conversion	3,877	28	38	–	–	–
Bought deal offering[5]	20,326,250	141,140	193,311	–	1,362	1,903
Ending balance	**133,472,861**	**$ 713,553**	**$ 885,310**	**112,754,769**	**$ 567,677**	**$ 685,589**

(1) In 2017, 827,617 common shares were issued under the DRIP at an average price of $7.98 (C$10.24) per share.

(2) In 2017, 804,000 vested stock options were exercised and settled by issuing 146,734 common shares.

(3) On October 4, 2017, the Company announced that the Toronto Stock Exchange approved its notice of intention to make a normal course issuer bid to repurchase up to 2,700,000 of its common shares during the twelve-month period ending October 5, 2018. In the fourth quarter of 2017, the Company repurchased 982,900 of its common shares for $8,243 (C$10,384), which reduced share capital and retained earnings by $5,249 and $2,994, respectively.

(4) In 2017, 396,514 common shares were issued for deferred share units (DSUs) exercised at an average price of $6.63 (C$8.74) per share.

(5) On March 17, 2017, the Company completed the offering, on a bought deal basis, of 20,326,250 subscription receipts at a price of $7.41 (C$9.90) per subscription receipt for gross proceeds of $150,520 (C$201,230 translated to U.S. dollars using the March 17, 2017 exchange rate). Upon the closing of the acquisition of Silver Bay on May 9, 2017, 20,326,250 common shares were delivered to holders of subscription receipts in satisfaction of their right to receive one common share per subscription receipt. On the settlement date, the gross proceeds were revalued to $146,837 (C$201,230 translated to U.S. dollars using the May 9, 2017 exchange rate). Net proceeds from the offering were $141,140 (C$193,311), which is net of $7,751 equity issuance costs (including $964 of dividend equivalent payments), offset by $2,054 of deferred tax recoveries.

15. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing net income attributable to shareholders of Tricon by the sum of the weighted average number of shares outstanding and vested deferred share units during the period.

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

For the years ended December 31	2017	2016
Net income attributable to the shareholders of Tricon	$ 69,252	$ 59,472
Weighted average number of common shares outstanding	126,431,932	112,378,522
Adjustments for vested units	720,789	111,497
Weighted average number of common shares outstanding for basic earnings per share	127,152,721	112,490,019
Basic earnings per share	**$ 0.54**	**$ 0.53**

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. The Company has three categories of potentially dilutive shares: stock options, deferred share units (Note 16) and the convertible debentures (Note 9). For the stock options and deferred share units, the number of dilutive shares is based on the number of shares that could have been acquired at fair value (determined using the market price of the Company's shares as of December 31, 2017) based on the monetary value awarded under the AIP and LTIP. For the convertible debentures, the number of dilutive shares is based on the number of common shares into which the elected amount would then be convertible. The number of shares calculated as described above is comparable to the number of shares that would have been issued assuming the vesting of the stock compensation arrangement and conversion of debentures.

Stock options and deferred share units

For the year ended December 31, 2017, the Company's stock compensation plans resulted in 2,149,934 dilutive share units (2016 – 2,408,452) as the exercise price of the potential share units is below the average market share price of $8.34 (C$10.82) for the year.

Convertible debentures

For the year ended December 31, 2017, both of the Company's convertible debentures are anti-dilutive, as debentures interest expense, net of tax, and the net change in fair value of derivative financial instruments would result in increased earnings per share upon conversion. Therefore, in computing the diluted weighted average shares outstanding and the associated earnings per share amount for the year ended December 31, 2017, the impact of the 2020 and 2022 convertible debentures was excluded.

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

For the years ended December 31	2017	2016
Net income attributable to the shareholders of Tricon	$ 69,252	$ 59,472
Adjustment for convertible debentures interest expense – net of tax	–	4,158
Net change in fair value of financial instruments through profit or loss	–	(6,326)
Adjusted net income attributable to the shareholders of Tricon	$ 69,252	$ 57,304
Weighted average number of common shares outstanding	127,152,721	112,490,019
Adjustments for stock compensation	2,149,934	2,408,452
Adjustments for convertible debentures	–	8,748,061
Weighted average number of common shares outstanding for diluted earnings per share	129,302,655	123,646,532
Diluted earnings per share	**$ 0.54**	**$ 0.46**

16. COMPENSATION EXPENSE

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

(in thousands of U.S. dollars)

For the years ended December 31	2017	2016
Salaries and benefits	$ 14,169	$ 12,207
Annual incentive plan ("AIP")	11,205	7,474
Long-term incentive plan ("LTIP")	3,726	3,116
Total compensation expense	**$ 29,100**	**$ 22,797**

For the years ended December 31	2017		2016	
(in thousands of U.S. dollars)	AIP	LTIP	AIP	LTIP
Cash component	$ 8,478	$ 1,236	$ 4,657	$ (713)
Deferred share units ("DSUs")	2,593	1,799	2,743	2,356
Stock options	–	1,078	–	1,014
DRIP and revaluation loss (gain)	134	(387)	74	459
Total AIP and LTIP expenses	**$ 11,205**	**$ 3,726**	**$ 7,474**	**$ 3,116**

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

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

Cash component

AIP – For the year ended December 31, 2017, the Company recognized $11,071 (2016 – $7,400) in relation to the AIP expense, of which approximately 76% (2016 – 60%), being $8,478, was settled in cash in December 2017. The balance of the AIP accrual was awarded in DSUs in December 2017, which will vest one year from the grant date. Aggregate AIP awards are calculated on an annual basis as a percentage of EBITDA for Bonus Purposes as defined under the Board-approved annual compensation incentive plans. The AIP expense for the year ended December 31, 2017 has increased compared to the same period in the prior year, as a result of an increase in EBITDA for Bonus Purposes and an increase in staffing.

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

For the year ended December 31, 2017, the Company increased its accrual related to cash-component LTIP by $1,236 (2016 – $713 accrual decrease) as a result of an increase in expected future performance fees from commingled funds (excluding THP1 US) and separate accounts/side-car investments that will be paid over pre-established vesting periods specific to each commingled fund or separate account/side-car commencing on the anniversary date of the award.

Deferred share units ("DSUs")

AIP – For the year ended December 31, 2017, the Company accrued $2,593 in AIP expense (2016 – $2,743), representing approximately 24% of the 2017 AIP entitlement. On December 15, 2017, 313,998 DSUs were granted at $8.86 (C$11.35) per unit and will vest one year from the grant date. The fair value of the DSUs on the grant date was $2,783 (C$3,564).

LTIP – For the year ended December 31, 2017, the Company accrued $1,799 in LTIP expense (2016 – $2,356) relating to investment income from THP1 US that was paid in DSUs vesting equally over a five-year period commencing on the anniversary date of each grant. Compensation expense related to the grants is recognized on a graded vesting basis and for the year ended December 31, 2017 is comprised of $304 relating to the current-year entitlement and $1,495 relating to the prior-year entitlement. Under the DSUP, 114,132 DSUs were granted at $8.86 (C$11.35) per unit on December 15, 2017. The DSUs will vest in equal tranches on each anniversary of the grant date from 2018 to 2022.

Stock option plan

During the year ended December 31, 2017, 990,000 stock options were granted (2016 – 995,000), and 804,000 stock options were exercised (2016 – 42,000). For the year ended December 31, 2017, the Company recorded $1,078 (2016 – $1,014) in relation to granted stock options.

For the years ended December 31	2017	2016
Risk-free interest rate (%)	1.6	1.0
Expected option life (years)	4.4	5.3
Expected volatility (%)	23.62	28.93
Average share price (CAD) during the year	10.82	8.91
Weighted average exercise price (CAD)	11.35	8.85

The following table summarizes the movement in the stock option plan during the specified periods:

For the years ended December 31	2017		2016	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Opening balance – outstanding	4,346,835	$ 8.53	3,398,835	$ 8.42
Granted	990,000	11.35	995,000	8.85
Exercised	(804,000)	8.89	(42,000)	6.99
Forfeited	(41,834)	9.41	(5,000)	10.57
Ending balance – outstanding	**4,491,001**	**$ 9.08**	**4,346,835**	**$ 8.53**

		December 31, 2017		
Grant date	Expiration date	Options outstanding	Options exercisable	Exercise price on outstanding options (CAD)
May 19, 2010	May 19, 2020	521,000	521,000	$ 6.00
August 3, 2010	August 3, 2020	49,000	49,000	5.26
November 22, 2011	November 22, 2020	20,000	20,000	4.16
May 17, 2013	May 17, 2020	650,334	650,334	6.81
November 25, 2013	November 25, 2020	150,833	150,833	7.74
March 16, 2015	March 16, 2020	533,166	344,329	10.57
November 17, 2015	November 17, 2020	756,668	488,330	10.03
November 14, 2016	November 14, 2023	820,000	266,666	8.85
December 15, 2017	December 15, 2024	990,000	–	11.35
Total		**4,491,001**	**2,490,492**	**$ 9.08**

AIP payable is recorded within amounts payable and accrued liabilities, and the equity component is included in the contributed surplus. The breakdown is presented below.

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Amounts payable and accrued liabilities (Note 8)	$ 420	$ 529
Equity – contributed surplus	5,535	5,155
Total AIP	**$ 5,955**	**$ 5,684**

LTIP's liability and equity components are presented on the balance sheet as follows:

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
LTIP – liability	$ 15,224	$ 13,359
Equity – contributed surplus	9,877	9,553
Total LTIP	**$ 25,101**	**$ 22,912**

17. SEGMENTED INFORMATION

The Company has five reportable segments, as follows: Private Funds and Advisory ("PF&A"); and Principal Investing in Tricon Housing Partners ("THP"), Tricon American Homes ("TAH"), Tricon Lifestyle Communities ("TLC"), and Tricon Lifestyle Rentals ("TLR"). The reportable segments are business units offering different products and services, and are managed separately due to their distinct investment natures. These five reportable segments have been determined by the Company's chief operating decision makers.

In accordance with IFRS 8, Operating Segments, the Company discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. The Company evaluates segment performance based on the revenue and investment income of each investment vertical.

The corporate headquarters provides support functions in the areas of accounting, treasury, information technology, legal, and human resources, and therefore, it does not represent an operating segment. Such corporate expenses have been included below to provide a reconciliation to the overall results in accordance with IFRS 8.

The Company does not report balance sheet information by segment because that information is not used to evaluate performance or allocate resources between segments.

(in thousands of U.S. dollars)

For the year ended December 31, 2017	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 25,399	$ –	$ –	$ –	$ –	$ –	$ 25,399
Investment income	–	18,209	113,067	7,381	12,391	–	151,048
	25,399	18,209	113,067	7,381	12,391	–	176,447
Expenses	–	–	–	–	–	(64,698)	(64,698)
Interest expense	–	–	–	–	–	(23,721)	(23,721)
Amortization	–	–	–	–	–	(5,375)	(5,375)
Income tax expense	–	–	–	–	–	(13,305)	(13,305)
Net income							**$ 69,348**

(in thousands of U.S. dollars)

For the year ended December 31, 2016	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 26,595	$ –	$ –	$ –	$ –	$ –	$ 26,595
Investment income	–	27,550	50,081	5,108	2,066	–	84,805
	26,595	27,550	50,081	5,108	2,066	–	111,400
Expenses	–	–	–	–	–	(22,144)	(22,144)
Interest expense	–	–	–	–	–	(11,798)	(11,798)
Amortization	–	–	–	–	–	(5,818)	(5,818)
Income tax expense	–	–	–	–	–	(11,880)	(11,880)
Net income							**$ 59,760**

18. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has a ten-year sub-lease commitment on the head office premises with Mandukwe Inc., a company owned and controlled by a current director and shareholder of Tricon. For the year ended December 31, 2017, the Company paid $283 in rental payments to Mandukwe Inc., including realty taxes, maintenance, insurance, and utility costs (2016 – $140).

Transactions with related parties

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

(in thousands of U.S. dollars)

For the years ended December 31	2017	2016
Contractual fees	$ 23,486	$ 24,518
General partner distributions	1,388	1,297
Performance fees	525	780
Total revenue	**$ 25,399**	**$ 26,595**
Investment income – Tricon Housing Partners	$ 18,209	$ 27,550
Investment income – Tricon American Homes	113,067	50,081
Investment income – Tricon Lifestyle Communities	7,381	5,108
Investment income – Tricon Lifestyle Rentals	12,391	2,066
Total investment income	**$ 151,048**	**$ 84,805**

Balances arising from transactions with related parties

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

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Receivables from related parties included in amounts receivable		
Contractual fees receivable from investment funds managed	$ 1,609	$ 320
Other receivables	5,381	5,043
Employee relocation housing loans[1]	670	782
Loan receivables from investment in associates and joint ventures	21,903	21,101
Annual incentive plan	5,955	5,684
Long-term incentive plan	25,101	22,912
Dividends payable	320	302
Other payables to related parties included in amounts payable and accrued liabilities	2,261	6,705

(1) The employee relocation housing loans are non-interest bearing for a term of five years, maturing in 2018.

Revenues and receivables from related parties relate to general partnership distributions and contractual and performance fees for services provided by the Company. The receivables are unsecured and non-interest bearing. There are no provisions recorded against receivables from related parties at December 31, 2017 (December 31, 2016 – nil).

Key management compensation

Key management includes the Named Executive Officers (NEO), who are the Chief Executive Officer, Chief Financial Officer and the three other most highly-compensated officers or employees of the Company. Compensation paid and awarded to key management for employee services is based on employment agreements and is as follows:

(in thousands of U.S. dollars)

For the years ended December 31	2017	2016
Total salaries and benefits	$ 1,789	$ 1,776
Total AIP	5,689	3,960
Total LTIP	1,533	2,277
Total key management compensation	**$ 9,011**	**$ 8,013**

19. FINANCIAL RISK MANAGEMENT

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

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

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company invests in debt instruments, the fair values of which vary depending on market interest rates. At December 31, 2017, if interest rates at that date had been 50 basis points higher or lower with all other variables held constant, interest expense for the year would have increased (decreased) by:

For the years ended December 31	2017		2016	
(in thousands of U.S. dollars)	50 bps increase	50 bps decrease	50 bps increase	50 bps decrease
Interest expense	$ 55	$ (55)	$ 58	$ (58)

Interest rate risk arises from the Company's financing arrangements (Note 7). Borrowings issued at variable rates expose the Company to cash flow interest rate risk. To limit its exposure to interest rate risk, the Company has a balanced portfolio of fixed rate and variable rate debt, of which the revolving term credit facility is the only debt instrument subject to a variable interest rate.

Foreign currency risk

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

	December 31, 2017		December 31, 2016	
(in thousands of U.S. dollars)	1% increase	1% decrease	1% increase	1% decrease
Assets				
Investments – Tricon Housing Partners				
Canadian funds	$ 97	$ (97)	$ 95	$ (95)
Investments – Tricon Lifestyle Rentals	356	(356)	264	(264)
	$ 453	**$ (453)**	**$ 359**	**$ (359)**
Liabilities				
Convertible debentures	686	(686)	551	(551)
Mortgage	80	(80)	–	–
Derivative financial instruments	137	(137)	–	–
	$ 903	**$ (903)**	**$ 551**	**$ (551)**

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

Credit risk

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

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

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

At December 31, 2017, the Company's maximum exposure to credit risk was $21,903 (December 31, 2016 – $21,101). Through the equity portion of its investments, the Company is also indirectly exposed to credit risk arising on loans advanced by investees to individual real estate development projects.

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

As at December 31, 2017, the assets held by the Company are not past due or impaired (2016 – nil).

For the year ended December 31, 2017, no unrealized gains (losses) (2016 – none) are attributable to changes in credit risk of these debt instruments.

Concentration risk

Concentration risk arises as a result of the potential concentration of exposures, by country, geographical location, product type, industry sector or counterparty type. The following is a summary of the Company's concentration risk, based on the composition of the fair value of its investments – Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities, and Tricon Lifestyle Rentals balances:

(in thousands of U.S. dollars)

Province/State	December 31, 2017	December 31, 2016
Canada		
Ontario	$ 38,699	$ 30,109
Alberta	2,233	2,992
British Columbia	4,200	2,877
USA		
Texas	310,617	251,345
California	218,776	200,882
Arizona	200,196	104,503
Georgia	202,737	80,292
Florida	188,294	73,707
North Carolina	76,894	67,511
Nevada	62,502	46,318
Ohio	180	–
Indiana	18,740	18,536
South Carolina	17,983	17,654
	$ 1,342,051	**$ 896,726**

Liquidity risk

Liquidity risk is the risk that an entity will have difficulty in meeting obligations associated with its financial liabilities as they fall due or can only do so on terms that are materially disadvantageous. Prudent liquidity risk management includes maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities. The Company uses long-term borrowings to finance its investment strategy for Tricon American Homes, Tricon Lifestyle Communities and Tricon Lifestyle Rentals. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational and financing costs. Liquidity risk from the convertible debentures is mitigated by the Company's option, under the terms of the debentures, to settle the obligation with shares.

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

(in thousands of U.S. dollars) As at December 31, 2017	Demand and less than 1 year	From 1 to 3 years	From 3 to 5 years	Later than 5 years	Total
Liabilities					
Amounts payable and accrued liabilities	$ 11,273	$ –	$ –	$ –	$ 11,273
Dividends payable	6,906	–	–	–	6,906
Revolving term credit facility	–	161,500	–	–	161,500
Debentures payable	–	68,306	172,500	–	240,806
Mortgage	181	388	421	6,967	7,957
Derivative financial instruments	–	13,605	23,889	–	37,494
Total	**$ 18,360**	**$ 243,799**	**$ 196,810**	**$ 6,967**	**$ 465,936**

(in thousands of U.S. dollars) As at December 31, 2016	Demand and less than 1 year	From 1 to 3 years	From 3 to 5 years	Later than 5 years	Total
Liabilities					
Amounts payable and accrued liabilities	$ 10,892	$ –	$ –	$ –	$ 10,892
Dividends payable	5,459	–	–	–	5,459
Revolving term credit facility	–	113,750	–	–	113,750
Debentures payable	–	–	63,852	–	63,852
Derivative financial instruments	–	–	28	–	28
Total	**$ 16,351**	**$ 113,750**	**$ 63,880**	**$ –**	**$ 193,981**

During 2017, the change in the Company's liquidity resulted in a working capital surplus of $10,581 (December 31, 2016 – surplus of $20,920). As of December 31, 2017, the outstanding credit facility was $161,500 (December 31, 2016 – $113,750) and $203,500 of the credit facility remained available to the Company. During the year ended December 31, 2017, the Company received distributions of $97,855 (2016 – $212,658) from its investments.

The future repayments of principal and interest on fixed-rate financial liabilities is as follows:

(in thousands of U.S. dollars) As at December 31, 2017	Less than 1 year	From 1 to 3 years	From 3 to 5 years	Later than 5 years	Total
Principal					
2020 convertible debentures[1]	$ –	$ 68,306	$ –	$ –	$ 68,306
2022 convertible debentures	–	–	172,500	–	172,500
Mortgage[1]	181	388	421	6,967	7,957
Interest					
2020 convertible debentures[1]	3,825	5,738	–	–	9,563
2022 convertible debentures	9,919	19,838	14,878	–	44,635
Mortgage[1]	342	659	624	539	2,164
Total	**$ 14,267**	**$ 94,929**	**$ 188,423**	**$ 7,506**	**$ 305,125**

(1) 2020 convertible debentures and mortgage amounts were translated to U.S. dollars at the year-end exchange rate.

The details of the net current assets are shown below:

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Cash	$ 14,813	$ 17,780
Amounts receivable	13,506	16,892
Prepaid expenses and deposits	622	2,599
Current assets	28,941	37,271
Amounts payable and accrued liabilities	11,273	10,892
Dividends payable	6,906	5,459
Mortgage (Note 7)	181	–
Net current assets	**$ 10,581**	**$ 20,920**

20. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: (i) to safeguard its ability to meet financial obligations and growth objectives, including future investments; (ii) to provide an appropriate return to its shareholders; and (iii) to maintain an optimal capital structure that allows multiple financing options, should a financing need arise. The Company's capital consists of debt (including revolving term credit facility and convertible debentures), cash 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, 2017, the Company is in compliance with all financial covenants (Note 7).

21. COMMITMENTS

The Company has four lease commitments on office premises as of December 31, 2017. The lessor of the Company's head office located at 1067 Yonge Street in Toronto is Mandukwe Inc., a related party (Note 18). The head office is expected to be vacated in 2018, when the Company relocates to its newly acquired office building (Note 12), and subsequently will be subleased until the lease expiration date in 2019. The Company also leases office equipment. The future minimum payments for the Company's offices and office equipment are as follows:

(in thousands of U.S. dollars)	Office equipment	Office leases	Total
2018	$ 26	$ 323	$ 349
2019	26	269	295
2020	26	187	213
2021	26	193	219
2022	–	199	199
2023 and thereafter	–	688	688
Total	**$ 104**	**$ 1,859**	**$ 1,963**

22. WORKING CAPITAL CHANGES

(in thousands of U.S. dollars) For the years ended December 31	2017	2016
Amounts receivable	$ 3,386	$ (8,804)
Prepaid expenses and deposits	1,977	(57)
Amounts payable and accruals	381	3,271
	$ 5,744	**$ (5,590)**

23. FINANCING ACTIVITIES

			Non-cash changes			
(in thousands of U.S. dollars)	As at December 31, 2016	Cash flows	Foreign exchange movement	Fair value changes	Other[1]	As at December 31, 2017
Revolving term credit facility	$ 113,750	$ 47,750	$ –	$ –	$ –	$ 161,500
2020 convertible debentures	55,107	–	3,165	–	2,679	60,951
2022 convertible debentures	–	150,366	–	–	2,830	153,196
Mortgage	–	7,842	115	–	–	7,957
Derivative financial instruments	28	14,188	2	23,276	–	37,494
Total liabilities from financing activities	**$ 168,885**	**$ 220,146**	**$ 3,282**	**$ 23,276**	**$ 5,509**	**$ 421,098**

(1) Includes amortization of debenture discounts and issuance costs.

24. 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, 2017 (December 31, 2016 – nil).

25. VARIABILITY OF RESULTS

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

26. SUBSEQUENT EVENTS

On February 27, 2018, the Board of Directors of the Company declared a dividend of seven cents per share in Canadian dollars payable on or after April 15, 2018 to shareholders of record on March 31, 2018.

Subsequent to year-end, the Company repurchased 431,931 of its common shares for C$4,621 as part of its NCIB program approved by the TSX (Note 14).

Subsequent to year-end, the Company classified its investment in TLC as held for sale as a result of TLC initiating an active program to dispose of all of its underlying assets and liabilities. TLC has committed to a plan for the sale of the underlying parks, and it launched an official marketing process on January 8, 2018.

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