Tricon Capital Group Inc.

Condensed Interim Consolidated Financial Statements

(Unaudited) for the Three and Six Months Ended June 30, 2015

Condensed Interim Consolidated Balance Sheets

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

	Notes	June 30, 2015	December 31, 2014	January 1, 2014
Assets				
Cash		$ 9,988	$ 4,940	$ 12,337
Amounts receivable		5,350	5,515	2,741
Prepaid expenses and deposits	3	9,833	1,183	391
Investments – Tricon Housing Partners	4,5	284,845	317,123	312,670
Investments – Tricon American Homes	4,5	363,867	344,170	269,888
Investments – Tricon Lifestyle Communities	4,5	8,145	4,246	–
Investments – Tricon Luxury Residences	4,5	2,022	–	–
Intangible assets	10	33,396	36,671	4,267
Deferred income tax assets	9	10,119	5,113	1,847
Other assets	11	963	763	445
Total assets		$ 728,528	$ 719,724	$ 604,586
Liabilities				
Amounts payable and accrued liabilities	7	$ 7,671	$ 18,322	$ 11,525
Dividends payable	12	4,349	4,665	5,093
Long-term incentive plan	15	16,596	17,854	11,331
Debt	6	133,520	140,262	100,737
Deferred income tax liabilities	9	20,764	12,667	2,210
Derivative financial instruments	8	65,420	35,976	44,155
Total liabilities		248,320	229,746	175,051
Equity				
Share capital	13	395,630	393,200	427,972
Contributed surplus		8,004	7,833	5,747
Accumulated other comprehensive income		19,113	17,631	(33)
Retained earnings		40,640	52,954	(4,151)
Total shareholders' equity		463,387	471,618	429,535
Non-controlling interest		16,821	18,360	–
Total equity		480,208	489,978	429,535
Total liabilities and equity		$ 728,528	$ 719,724	$ 604,586

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

Approved by the Board of Directors

David Berman Michael Knowlton Duff Scott

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

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

For the Three Months Ended	Notes	June 30, 2015	June 30, 2014
Revenue			
Contractual fees	17	$ 5,211	$ 4,730
General partner distributions	17	331	340
Performance fees	17	–	30
Interest income	17	4	12
		5,546	5,112
Investment income			
Investment income – Tricon Housing Partners	16,17	767	(3,573)
Investment income – Tricon American Homes	16,17	7,360	(3,035)
Investment income – Tricon Lifestyle Communities	16,17	(642)	–
Investment income – Tricon Luxury Residences	16,17	2	–
		7,487	**(6,608)**
		13,033	**(1,496)**
Expenses			
Salaries and benefits expense		2,734	2,190
Annual incentive plan	15	1,625	971
Long-term incentive plan	15	(414)	303
Professional fees		524	724
Directors' fees		117	73
Formation costs		449	–
General and administration expense		755	685
Interest expense		3,825	3,568
Net change in fair value of derivative		(5,884)	(45)
Transaction costs		605	344
Amortization expense		1,499	693
Realized and unrealized foreign exchange (gain)		1,173	(1,014)
		7,008	8,492
Income (loss) before non-controlling interest income and taxes		6,025	(9,988)
Non-controlling interest change		303	(273)
Income (loss) before income taxes		6,328	(10,261)
Income tax expense	9	(906)	1,587
Net income (loss)		$ 7,234	$ (11,848)
Other comprehensive income			
Cumulative translation reserve		2,450	(131)
Comprehensive income for the period		$ 9,684	$ (11,979)
Basic income (loss) per share		$ 0.08	$ (0.13)
Diluted income (loss) per share		$ 0.04	$ (0.13)
Weighted Average Shares Outstanding – Basic		90,789,370	91,016,558
Weighted Average Shares Outstanding – Diluted	14	109,644,821	92,089,596

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

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

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

For the Six Months Ended	Notes	June 30, 2015	June 30, 2014
Revenue			
Contractual fees	17	$ 10,624	$ 7,556
General partner distributions	17	655	1,001
Performance fees	17	10	30
Interest income	17	19	28
		11,308	8,615
Investment income			
Investment income – Tricon Housing Partners	16,17	7,565	20,247
Investment income – Tricon American Homes	16,17	29,978	14,482
Investment income – Tricon Lifestyle Communities	16,17	(681)	–
Investment income – Tricon Luxury Residences	16,17	2	–
		36,864	**34,729**
		48,172	**43,344**
Expenses			
Salaries and benefits expense		5,450	5,138
Annual incentive plan	15	2,888	2,099
Long-term incentive plan	15	1,222	4,990
Professional fees		1,036	1,203
Directors' fees		279	219
Formation costs		792	–
General and administration expense		1,412	1,271
Interest expense		7,384	6,807
Net change in fair value of derivative		32,007	(1,855)
Transaction costs		1,279	344
Amortization expense		3,379	926
Realized and unrealized foreign exchange (gain)		(9,485)	(1,170)
		47,643	19,972
Income (loss) before non-controlling interest income and taxes		**529**	**23,372**
Non-controlling interest change		343	(273)
Income (loss) before income taxes		**872**	**23,099**
Income tax expense	9	4,554	6,326
Net income (loss)		**$ (3,682)**	**$ 16,773**
Other comprehensive income			
Cumulative translation reserve		4,078	9
Comprehensive income for the period		**$ 396**	**$ 16,782**
Basic income (loss) per share		**$ (0.04)**	**$ 0.18**
Diluted income (loss) per share		**$ (0.04)**	**$ 0.18**
Weighted Average Shares Outstanding – Basic		**90,708,723**	**90,931,830**
Weighted Average Shares Outstanding – Diluted	14	**92,121,070**	**92,008,997**

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

Condensed Interim Consolidated Statements of Changes in Equity

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

	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total Shareholders' Equity	Non-controlling Interest	Total Equity
Balance at January 1, 2014		$ 427,972	$ 5,747	$ (33)	$ (4,151)	$ 429,535	$ –	$ 429,535
Net income		–	–	–	16,773	16,773	273	17,046
Cumulative translation reserve		–	–	9	–	9	–	9
Acquisition of subsidiary		–	–	–	–	–	18,825	18,825
Dividends/dividend reinvestment plan	12	1,537	–	–	(9,774)	(8,237)	–	(8,237)
Repurchase of common shares	13	(590)	–	–	(268)	(858)	–	(858)
Equity issuance cost		(14)	–	–	–	(14)	–	(14)
Stock options	15	532	219	–	–	751	–	751
Phantom units	15	639	(645)	–	(40)	(46)	–	(46)
Paid-in capital	15	23	–	–	–	23	–	23
Deferred share units	15	–	1,886	–	–	1,886	–	1,886
Revaluation adjustment		(1,363)	(18)	(2)	307	(1,076)	3	(1,073)
Balance at June 30, 2014		428,736	7,189	(26)	2,847	438,746	19,101	457,847
Balance at January 1, 2015		$ 393,200	$ 7,833	$ 17,631	$ 52,954	$ 471,618	$ 18,360	$ 489,978
Net income (loss)		–	–	–	(3,682)	(3,682)	(343)	(4,025)
Cumulative translation reserve		–	–	1,482	–	1,482	–	1,482
Distributions to non-controlling interest		–	–	–	–	–	(1,196)	(1,196)
Dividends/dividend reinvestment plan	12	1,188	–	–	(8,632)	(7,444)	–	(7,444)
Debentures conversion	13	277	–	–	–	277	–	277
Stock options	15	–	303	–	–	303	–	303
Deferred share units	15	965	(132)	–	–	833	–	833
Balance at June 30, 2015		395,630	8,004	19,113	40,640	463,387	16,821	480,208

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

Condensed Interim Consolidated Statements of Cash Flows

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

For the Six Months Ended	Notes	June 30, 2015	June 30, 2014
Cash provided by (used in)			
Operating activities			
Net income (loss)		$ (3,682)	$ 16,773
Adjustments for non-cash items			
Non-controlling interest		(343)	273
Amortization of intangibles and fixed assets	10,11	3,379	926
Deferred share units plan expense	15	–	59
Deferred income taxes	9	3,091	705
Long-term incentive plan	15	2,318	3,813
Annual incentive plan	15	138	723
Amortization of debenture discount and issue costs		3,494	2,271
Accrued investment income – Tricon Housing Partners	16,17	(7,565)	(20,247)
Accrued investment income – Tricon American Homes	16,17	(29,978)	(14,482)
Accrued investment income – Tricon Lifestyle Communities	16,17	681	–
Accrued investment income – Tricon Luxury Residences	16,17	(2)	–
Net change in fair value of derivative	8	32,007	(1,855)
Unrealized foreign exchange loss (gain)		(9,930)	118
Distributions to non-controlling interest		(1,196)	–
Acquisitions of investments	5	(73,869)	(25,759)
Distributions received	5	117,164	32,973
		35,707	(3,709)
Changes in non-cash working capital items	19	(19,136)	(2,520)
		16,571	(6,229)
Investing activities			
Investment in Johnson		–	(18,518)
Purchase of office equipment, furniture and leasehold improvements		(148)	(248)
Placement fees	10	(18)	–
		(166)	(18,766)
Financing activities			
Issuance (repurchase) of common shares	13	–	(288)
Equity issuance cost	13	–	(39)
Proceeds from borrowing (net of financing costs)	6	(3,613)	26,906
Dividends paid	12	(7,671)	(9,614)
		(11,284)	16,965
Foreign exchange gain (loss) on cash		(73)	1
Change in cash during the period		5,048	(8,029)
Cash – beginning of period		4,940	12,337
Cash – end of period		$ 9,988	$ 4,308
Supplementary information			
Income taxes paid		$ 3,430	$ 9,722

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

1. Nature of Business

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

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

These condensed interim consolidated financial statements were approved for issue on August 12, 2015, 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 condensed interim consolidated financial statements.

Basis of preparation

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

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". They should be read in conjunction with the annual Audited Financial Statements for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost basis except for (i) investments in Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities and Tricon Luxury Residences and (ii) derivative financial instruments, which are recorded at fair value through profit or loss ("FVTPL").

The Company presents its consolidated balance sheet with its assets and liabilities in decreasing order of liquidity. The notes to the condensed interim consolidated financial statements provide information on the Company's current assets and current liabilities (Note 18). The Company believes this presentation is more relevant given the nature of the Company's operations, which do not have specifically identifiable operating cycles.

Changes in accounting policies and disclosures

Foreign currency translation

Functional and presentation currency

Effective January 1, 2015, Tricon changed the functional and presentation currency to U.S. dollars given the increasing prevalence of U.S. dollar-denominated activities of the Company over time. The change in functional currency from Canadian dollars to U.S. dollars is accounted for prospectively from January 1, 2015. The exchange rate used to translate the balance sheet to reflect the change in functional currency on adoption is 1.16. Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment of the subsidiary (the functional currency). The condensed interim consolidated financial statements are presented in U.S. dollars. Prior year comparable information is restated to reflect the change in presentation currency. The exchange rates used to translate the balance sheet to reflect the change in presentation currency as at January 1, 2014, and December 31, 2014, are 1.06 and 1.16, respectively, while the average exchange rates used to translate the statements of comprehensive income for the six-month periods ended June 30, 2015, and June 30, 2014, are 1.24 and 1.10, respectively, and for the three-month periods ended June 30, 2015, and June 30, 2014, are 1.23 and 1.09, respectively. There were no changes to the measurement basis of the financial statement line items as a result of the change in presentation currency.

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

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 (loss).

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

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

3. Prepaid Expenses and Deposits

(in thousands of U.S. dollars)	June 30, 2015	December 31, 2014	January 1, 2014
Deposits for investments	$ 8,070	$ 493	$ –
Deposits for owner-occupied property	1,359	347	–
Other prepaid expenses and deposits	404	343	391
Total prepaid expenses and deposits	9,833	1,183	391

4.Investments

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

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

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

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

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

	June 30, 2015			December 31, 2014		
(in thousands of U.S. dollars)	Internal debt instruments	Equity	Total investment	Internal debt instruments	Equity	Total investment
Investments – THP						
US funds	$ –	$ 238,369	$ 238,369	$ –	$ 271,903	$ 271,903
Canadian funds	–	9,103	9,103	–	11,165	11,165
Separate accounts and side-cars	16,501	20,872	37,373	13,862	20,193	34,055
	16,501	268,344	284,845	13,862	303,261	317,123
Investments – TAH	–	363,867	363,867	–	344,170	344,170
Investments – TLC	–	8,145	8,145	–	4,246	4,246
Investments – TLR	–	2,022	2,022	–	–	–
Total	$ 16,501	$ 642,378	$ 658,879	$ 13,862	$ 651,677	$ 665,539

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

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

Investments	Currency	Tricon commitment	Advances	Unfunded commitment	Distributions	Investment at fair value [2]
(in thousands of dollars)						
As at June 30, 2015 [1]						
THP1 US [3] [4]	US	$ 226,775	$ 272,970	$ 19,120	$ 113,728	$ 219,748
THP2 US	US	25,000	13,078	11,922	–	18,621
Cross Creek Ranch	US	14,400	12,673	1,727	12,590	9,533
Fulshear Farms	US	5,000	3,155	1,845	553	3,179
Grand Central Park	US	8,075	6,898	1,177	3,309	6,491
Trilogy at Verde River	US	10,350	5,159	5,191	1,364	5,775
Trilogy at Vistancia West	US	4,950	2,972	1,978	1,274	3,681
Trilogy Lake Norman	US	4,330	1,868	2,462	529	2,151
Arantine Hills	US	8,600	6,564	2,036	712	6,563
Total US Investments		307,480	325,337	47,458	134,059	275,742
THP3 Canada	CA	20,000	11,025	8,975	2,027	9,103
Total CA Investments		20,000	11,025	8,975	2,027	9,103
Investments – THP						$ 284,845
As at December 31, 2014 [1]						
THP1 US [3]	US	$ 226,775	$ 272,970	$ 19,120	$ 72,188	$ 255,439
THP2 US	US	25,000	11,388	13,612	–	16,464
Cross Creek Ranch	US	14,400	12,484	1,916	11,665	9,787
Fulshear Farms	US	5,000	3,155	1,845	514	3,179
Grand Central Park	US	8,075	6,520	1,555	3,029	6,124
Trilogy at Verde River	US	10,350	4,092	6,258	1,035	4,325
Trilogy at Vistancia West	US	4,950	2,675	2,275	1,057	2,975
Trilogy Lake Norman	US	4,330	1,135	3,195	434	1,158
Arantine Hills	US	8,600	6,507	2,093	399	6,507
Total US Investments		307,480	320,926	51,869	90,321	305,958
THP3 Canada	CA	20,000	10,893	9,107	–	11,165
Total CA Investments		20,000	10,893	9,107	–	11,165
Investments – THP						$ 317,123

(1) Commitment, unfunded commitment, advances and distributions are shown in Fund or Separate Account originating currency.
(2) Investments at fair value as of June 30, 2015 and December 31, 2014 are shown in US dollars.
(3) $226,775 represents the Company's total fund commitment; the purchase price of the 68.4% interest was $260,500.
(4) Actual cash distribution received from THP1 US was reduced by $1,025 of withholding tax.

The Company guarantees the credit facility of TAH on a non-recourse basis subject to specific carved-out events. This credit facility is secured by the single-family rental homes.

5. Fair Value Estimation

In the fair value hierarchy, the level within 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:

	June 30, 2015			December 31, 2014		
(in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investments – THP						
US funds	$ –	$ –	$ 238,369	$ –	$ –	$ 271,903
Canadian funds	–	–	9,103	–	–	11,165
Separate accounts and side-cars	–	–	37,373	–	–	34,055
	–	–	284,845	–	–	317,123
Investments – TAH	–	–	363,867	–	–	344,170
Investments – TLC	–	–	8,145	–	–	4,246
Investments – TLR	–	–	2,022	–	–	–
	$ –	$ –	$ 658,879	$ –	$ –	$ 665,539
Financial liabilities						
Derivative financial instruments (Note 8)	$ –	$ 65,420	$ –	$ –	$ 35,976	$ –

There have been no transfers between levels for the six months ended June 30, 2015 and for the year ended December 31, 2014.

Financial Assets and Valuation Methodologies

Valuation methodologies

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

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

Investments – Tricon Housing Partners

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

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

A side-car is a co-investment vehicle under common sponsorship with a Tricon fund. Tricon's ownership interests in the side-car are held through the Company's wholly-owned subsidiaries. The side-car generally participates in larger investment opportunities provided by the fund sponsor or general partner. The measurement and valuation methodologies for side-cars are the same as 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
Debt investments	Discounted cash flow	a) Discount rate (1) b) Future cash flow
Equity investments		
Commingled funds	Net asset value	a) Discount rate (2) b) Future cash flow c) Control premium/ discount, if any (3)
Separate accounts and side-cars	Waterfall distribution model	Appraised value (4)

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

(2) The range of discount rates in the discounted cash flow model was from 12.5% to 25.0%. Generally, an increase in future cash flow will result in an increase to the fair value of debt investments and fund equity investments. An increase in the discount rate will result in a decrease in fair value of the debt instruments and fund equity investments. The same percentage change in the discount rate will result in a greater change in fair value than the same absolute percentage change in future cash flow.

(3) As at June 30, 2015, only the THP1 US Co-Investment had a Control Premium.

(4) The Company obtained external valuations for four separate account equity investments for December 31, 2014, totaling $11,518. The Company's investment team and finance team verified all major inputs to the valuation and reviewed the results with the independent valuator. For the remaining separate account investments totaling $8,675, the Company determined that the fair value approximates acquisition price since the properties were purchased close to year-end. The significant input within the appraised value is the value of land per acre.

Sensitivity

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

(in thousands of dollars)	Currency	June 30, 2015 1% increase	June 30, 2015 1% decrease	December 31, 2014 1% increase	December 31, 2014 1% decrease
U.S. funds	US	$ (2,147)	$ 2,200	$ (2,543)	$ 2,611
Canadian funds	CA	(266)	277	(299)	312
Separate accounts and side-cars	US	(408)	424	(386)	401

Investments – Tricon American Homes

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

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

During the quarter, The Broker Price Opinion ("BPO") valuation methodology was used to determine the fair value of 6% of our investment in homes held before April 1, 2015. The homes were valued by independent brokers who hold active real estate licenses and have market experience in the locations and segments of the homes valued. The brokers value each home based on recent comparable sales and active comparable listings in the area, assuming the homes were all renovated to an average standard in their respective areas. The BPO retrieves information on the comparable properties from the Multiple Listing Service ("MLS") public database.

The remaining investment properties that were not subject to BPO valuation in the quarter have been valued using the Home Price Indexes ("HPI") methodology. The HPI is calculated based on a repeat-sales model using large real estate information databases compiled from public records. Due to the lag in logging transaction information in the public database, the quarterly index change is based on two months historical data and one month forecast data. The change in the HPI for the current period is then applied to the previously recorded fair value of the investment properties.

In addition to the investment generating rental income, a small percentage of the inventory is held for resale. These are select properties purchased opportunistically specifically for the purpose of being renovated and sold within six months. All inventory homes are valued under the HPI method.

The Company also takes into account the unrealized and realized carried interest payable to local operating partners as general partners of some of the underlying limited partnerships in determining the fair value of its investment. The carried interest amounts are based on waterfall distribution calculations specified in the relevant limited partnership agreement with each local operator and may result in the payment of a performance fee to the general partner once limited partners receive their capital and preferred return. The fair value of external debt is based on a discounted cash flow model at a market rate that the limited partnerships would have obtained for similar financing. Deferred income taxes are based on the enacted tax rates for future years, with fair value determined by discounting to the reporting period. Working capital of the limited partnerships approximates fair value.

Sensitivity

On June 12, 2015, Tricon American Homes ("TAH") amended its debt facility agreement. Facility interest is now calculated based on floating interest rates at a rate of 1-month LIBOR plus 300 basis points, subject to a 25 basis points LIBOR floor. Previously, the rate was 3-month LIBOR plus 360 basis points, subject to a 50 basis points LIBOR floor. As a result, interest expense will only be impacted when the 1-month LIBOR increases above 0.25%. The 1-month LIBOR has remained at 0.18% during the first six months of 2015. At June 30, 2015, if interest rates had been 10 basis points lower, with all other variables held constant, the interest rate would have remained at 3.25% as a result of the LIBOR floor in place, and there would have been no change in Investment income – TAH for the first six months of 2015 or 2014. At June 30, 2015, if interest rates had been 10 basis points higher with all other variables held constant, Investment income – TAH for the six months ended June 30, 2015 would have been $5 (2014 – $0) lower. Investment income is more sensitive to interest rate increases than decreases because of LIBOR floors on borrowings. The calculated impact of a 10 basis point increase is higher in 2015 than in 2014 because of the decrease in the LIBOR floor from 0.50% on 3-month LIBOR to 0.25% on 1-month LIBOR.

On May 12, 2015, TAH completed a securitization transaction in which it received gross proceeds of $361 million. The securitization transaction involved the issuance and sale of single-family rental pass-through certificates that represent beneficial ownership interests in a loan secured by a portion of the Company's portfolio of single-family properties. Interest only payments are required on the bank debt at a weighted average interest rate of 1-month LIBOR plus 1.96% per annum. Monthly payments of interest commenced on June 9, 2015. All outstanding principal and interest shall be paid in full prior to maturity on May 9, 2017, with three one-year extensions available at the Company's option. As of June 30, 2015, the rental partnership is in compliance with the covenant and other undertakings outlined in the loan agreement. If interest rates had been 10 basis points higher or lower, with all other variables held constant, Investment income – TAH for the six months ended June 30, 2015, would have been $30 (2014 — $0) lower or higher, respectively.

If the prices of single-family rental homes held by the TAH limited partnerships were to increase or decrease by 1% (December 31, 2014 – 1%), the impact on Investments – TAH fair value at June 30, 2015, would be $6,759 and ($6,772), respectively (December 31, 2014 – $4,270 and ($5,266)).

Investments – Tricon Lifestyle Communities

The Company's investment in Investments – Tricon Lifestyle Communities ("TLC") is held through wholly-owned subsidiaries that carry 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 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.

The Company fair values the TLC assets using the discounted cash flow methodology. The fair value is determined based on, among other things, rental income from the current leases and assumptions about rental income from future leases, such as increases in rental growth and occupancy, less future cash outflows in respect of such leases. Other factors included in the future cash flow estimate are the terminal value of the investment 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 near the balance sheet date.

Since all variables impacting fair value of the investment property, such as rental growth, expense inflation and the impact of capital expenditure, do not change significantly in the first 12 months after acquisition, the fair value is not materially different from the acquisition price. As at June 30, 2015, the fair value of TLC equals the acquisition price of its underlying property. Key variables are monitored on a quarterly basis to determine if there may be a material change in fair value.

Sensitivity

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

Investments – Tricon Luxury Residences

In July 2015, the Company announced a new strategic initiative focused on acquiring land for development of purpose-built multi-family rentals in the United States and Canada. On March 31, 2015, Tricon acquired the first property for development, 592 Sherbourne Street, Toronto, Ontario, through a limited partnership in which Tricon has a 15% ownership interest.

The Company's investment in Tricon Luxury Residences ("TLR") is held through wholly-owned subsidiaries that carry 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 TLR 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.

The Company fair values the TLR assets using the discounted cash flow methodology. The fair value is determined based on, among other things, assumptions about rental income from leases less future cash outflows in respect of such leases. During development, as certain pre-determined milestones are achieved and the risk profile of the investment is reduced, the discount rate is adjusted accordingly.

Since all variables impacting fair value of the investment property do not change significantly in the first 12 months after acquisition, the fair value is not materially different from the acquisition price. As at June 30, 2015, the fair value of TLR equals the acquisition price of its underlying property plus any development expenditures. Key variables are monitored on a quarterly basis to determine if there may be a material change in fair value.

Sensitivity

Tricon Luxury Residences' debt facility is based on a floating interest rate at prime plus 1.5%. Prime has remained at 2.85% during the three-month period ended June 30, 2015. At June 30, 2015, if interest rates had been 10 basis points lower or higher, with all other variables held constant, the interest rate would have been 4.25% or 4.45%. There would have been no change in investment income – Tricon Luxury Residences for the three-month period ended June 30, 2015, as interest expense is capitalized to the value of the development.

Continuity of investments

The following presents the changes in Level 3 instruments for the periods ended June 30, 2015 and December 31, 2014:

(in thousands of U.S. dollars)	June 30, 2015	December 31, 2014
Opening balance	$ 665,539	$ 582,558
Acquisitions	73,869	59,634
Distributions/sales	(117,164)	(68,407)
Investment income	36,864	142,623
Deferred tax adjustment for TAH and THP	–	2,758
Revaluation of opening balance	(229)	(53,627)
Ending balance	$ 658,879	$ 665,539

Investment income includes an unrealized gain of $32,999 resulting from fair value increases (December 31, 2014 — $28,762) resulting from foreign exchange movements and fair value increases in investments.

Financial liabilities

Valuation methodologies

Derivative financial instruments relate to the conversion and redemption features of the debentures and are valued using model calibration as discussed in Note 8. Inputs to the valuation model are determined from observable market data wherever possible, including prices available from exchanges and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

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

	June 30, 2015		December 31, 2014	
	2017 Debenture	2020 Debenture	2017 Debenture	2020 Debenture
Risk-free rate (1)	0.92%	1.29%	1.52%	1.81%
Stock price (2)	C$10.91	C$10.91	C$8.72	C$8.72
Implied volatility (3)	33.11%	28.73%	29.96%	29.91%
Dividend yield (4)	2.10%	2.38%	2.72%	3.05%

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

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

(3) Implied volatility was computed from the trading volatility of the Company's stock.

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

Cash, amounts receivable, amounts payable and accruals, dividends payable, interest payable, bank debt and debentures payable are measured at amortized cost, since their carrying values are a reasonable approximation of fair value due to their short-term nature.

6. Debt

(in thousands of U.S. dollars)	June 30, 2015	December 31, 2014
Revolving term credit facility	$ 44,450	$ 46,800
Convertible debentures	89,070	93,462
	$ 133,520	$ 140,262

Revolving term credit facility

The Company increased the existing corporate revolving credit facility from $105 million to $175 million on March 2, 2015 and again to $235 million on June 30, 2015. The increased credit facility includes a syndicate of lenders comprised of Canadian and U.S. banks. The credit facility may be further increased to $275 million with the approval of the lenders. The remaining key terms of the credit facility, including pricing and a maturity date of April 2018, remain unchanged. The Company has provided a general security agreement creating a first priority security interest on the assets of the Company.

During the six months ended June 30, 2015, the minimum balance drawn on the credit facility was $44,450, and the maximum amount drawn was $118,800.

The credit facility interest expense incurred in the six months ended June 30, 2015 was $1,612 (June 30, 2014 - $630). As at June 30, 2015, the outstanding balance of the credit facility was $44,450 and the Company was in compliance with the covenants of the credit facility.

Debentures payable

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

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD[1]	CAD	USD[1]	CAD	USD[1]	CAD
June 30, 2015						
Face value outstanding	$ 41,315	$ 51,607	$ 68,638	$ 85,731	$ 109,953	$ 137,338
Less: Transaction costs (net of amortization)	(1,043)	(1,301)	(2,380)	(2,970)	(3,423)	(4,271)
Liability component on initial recognition	40,272	50,306	66,258	82,761	106,530	133,067
Debentures discount (net of amortization)	(7,038)	(8,791)	(10,422)	(13,017)	(17,460)	(21,808)
Debentures payable	$ 33,234	$ 41,515	$ 55,836	$ 69,744	$ 89,070	$ 111,259

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

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

The above carrying values were recognized at amortized cost after discounting the future interest and principal payments using the effective interest rates. If the debt components of the debentures were recognized at fair value, then the balance appearing on the consolidated balance sheets would be \$93,573 (C\$116,878) as of June 30, 2015 and \$111,383 (C\$129,215) as of December 31, 2014. The difference between the amortized costs and implied fair value is a result of the difference between the effective interest rate and the market risk-free rate.

The face and weighted average interest rates are as follows:

				Debt balance	
(in thousands of U.S. dollars)	Coupon interest rates	Effective interest rates	Maturity dates	June 30, 2015	December 31, 2014
Fixed Rate					
July 2012 Debentures	6.375%	7.66%	2017	$ 33,234	$ 34,232
February 2013 Debentures	5.60%	6.46%	2020	55,836	59,230
Total fixed-rate debt	5.89%	6.91%		89,070	93,462
Variable Rate					
Revolving Term Credit Facility	3.82%	3.82%	2018	44,450	46,800
Total debt	5.20%	5.88%		$ 133,520	$ 140,262

The scheduled principal repayments and debt maturities are as follows:

(in thousands of U.S. dollars)	Revolving term credit facility	Convertible debentures	Total
2016	$ –	$ –	$ –
2017	–	41,315	41,315
2018	44,450	–	44,450
2019	–	–	–
2020	–	68,638	68,638
2021 and thereafter	–	–	–
	44,450	109,953	154,403
Transaction costs (net of amortization)			(3,423)
Debenture discounts (net of amortization)			(17,460)
			$ 133,520

7. Amounts Payable and Accrued Liabilities

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

(in thousands of U.S. dollars)		June 30, 2015		December 31, 2014
Accrued liabilities	$	4,442	$	5,567
Income taxes payable		1,111		10,485
Interest payable		2,118		2,270
Total	$	7,671	$	18,322

8. Derivative Financial Instruments

The conversion and redemption options available within both series of convertible debentures are reported at fair value on a quarterly basis. As at June 30, 2015, the fair value of the embedded derivative payable increased to $65,420 (C$81,714), primarily as a result of an increase in the price of the Company's stock in relation to the conversion price of the underlying debentures.

The conversion and redemption options of the convertible debentures are combined pursuant to IAS 39, "Financial Instruments: Recognition and Measurement", and are measured at fair value at each reporting period using model calibration. The fair value of the derivative financial instruments at June 30, 2015 was $65,420 (C$81,714) (December 31, 2014 — $35,976 (C$41,737)), resulting in a loss on the derivative financial instruments of $32,007 for the six months ended June 30, 2015 (June 30, 2014 – $1,855 gain). Refer to Note 5 – Fair Value Estimation for details of quantitative information used as inputs in measuring the fair value of the conversion and redemption options.

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

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

The assumed conversion of the debentures was anti-dilutive due to the loss recognized on the derivative financial instruments in the six months ended June 30, 2015; as a result, the shares issuable on conversion were excluded from the weighted average diluted shares outstanding for the six months ended June 30, 2015. The comparative period in 2014 also excluded the impact of the assumed conversion.

In comparison, the assumed conversion of the debentures was dilutive in the three months ended June 30, 2015; as a result, the shares issuable on conversion were included in the weighted average diluted shares outstanding for the three months ended June 30, 2015. The comparative quarter in 2014 excluded the impact of the assumed conversion.

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

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD	CAD	USD	CAD	USD	CAD
June 30, 2015						
Derivative financial instruments – beginning of period	$ 22,789	$ 26,438	$ 13,187	$ 15,299	$ 35,976	$ 41,737
Fair value changes (based on market price)	16,280	20,334	15,727	19,643	32,007	39,977
Revaluation to period-end exchange rate	(1,602)	–	(961)	–	(2,563)	–
Derivative financial instruments – end of period	$ 37,467	$ 46,772	$ 27,953	$ 34,942	$ 65,420	$ 81,714

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

9. Income Taxes

(in thousands of U.S. dollars)	For the Three Months Ended June 30 2015	2014	For the Six Months Ended June 30 2015	2014
Current income tax	$ (481)	$ 4,098	$ 1,135	$ 5,555
Deferred income tax	(425)	(2,511)	3,419	771
Income tax expense (recovery)	$ (906)	$ 1,587	$ 4,554	$ 6,326

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 Three Months Ended June 30 2015	2014	For the Six Months Ended June 30 2015	2014
Income (loss) before non-controlling interest and income taxes	$ 6,025	$ (9,988)	$ 529	$ 23,372
Combined statutory federal and provincial income tax rate	26.50%	26.50%	26.50%	26.50%
Expected income tax expense (recovery)	1,597	(2,647)	140	6,194
Tax rate differential (foreign tax rates)	234	815	374	872
Tax effects of				
Permenant differences (1)	(3,028)	3,403	(809)	(557)
Change in effective tax rates (2)	977	29	5,228	29
Other(3)	(686)	(13)	(379)	(212)
Income tax expense (recovery)	$ (906)	$ 1,587	$ 4,554	$ 6,326

(1) Permanent differences for 2015 are comprised of the following: (a) unrealized foreign exchange gains on conversion of consolidated subsidiaries that file income tax returns on a US dollar basis; and (b) the non-taxable portion of the unrealized gain recognized on the investment in Tricon American Homes; and (c) fair value change on the derivative.
(2) Tax impact of the future gain in sale of TAH and TLC for prior years resulting from the change in exit strategy.
(3) Other adjustments include revaluation due to change of presentation currency.

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

(in thousands of U.S. dollars)	June 30, 2015	December 31, 2014
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	$ 10,119	$ 5,113
Total deferred tax assets	$ 10,119	$ 5,113
Deferred tax liabilites:		
Deferred tax liabilities to be recovered after more than 12 months	$ 20,764	$ 12,667
Total deferred tax liabilities	$ 20,764	$ 12,667

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

The movement of the deferred tax accounts was as follows:

(in thousands of U.S. dollars)	June 30, 2015	December 31, 2014
Change in net deferred tax assets (liabilities):		
Opening balance	$ (7,554)	$ (363)
Credit (change) to the statement of comprehensive income	(3,419)	(4,484)
Other	328	(2,707)
Total deferred tax assets	$ (10,645)	$ (7,554)

10. Intangible Assets

There were no impairments to placement fees and rights to performance fees during the six months ended June 30, 2015 and June 30, 2014.

The intangible assets are comprised as follows:

(in thousands of U.S. dollars)		June 30, 2015		December 31, 2014
Placement fees	$	2,819	$	3,172
Rights to performance fees		281		313
Customer relationship intangible		6,045		6,688
Contractual development fees		24,251		26,498
Total intangible assets	$	33,396	$	36,671

11. Other Assets

(in thousands of U.S. dollars)		June 30, 2015		December 31, 2014
Office equipment	$	380	$	249
Leasehold improvements		364		295
Goodwill		219		219
Total other assets	$	963	$	763

There were no impairment charges in the six months ended June 30, 2015 and June 30, 2014.

12. Dividends

(in thousands of dollars, except per share amounts)			Common shares	Dividend amount per share		Total dividend amount	
Date of declaration	Record date	Payment date	outstanding	in C$	in US$ (1)	in C$	in US$ (1)
March 5, 2014	March 31, 2014	April 15, 2014	90,513,609	$ 0.06	$ 0.05	$ 5,431	$ 4,913
May 12, 2014	June 30, 2014	July 15, 2014	90,546,289	0.06	0.06	5,433	4,861
August 13, 2014	September 30, 2014	October 15, 2014	90,734,794	0.06	0.05	5,444	5,092
November 11, 2014	December 31, 2014	January 15, 2015	90,192,448	0.06	0.05	5,412	4,665
						$ 21,720	$ 19,531 (2)
March 10, 2015	March 31, 2015	April 15, 2015	90,431,078	0.06	0.05	5,420	4,281
May 11, 2015	June 30, 2015	July 15, 2015	90,533,290	0.06	0.05	5,438	4,351
						$ 10,858	$ 8,632 (3)

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

(2) 2014: Total of $19,531 (C$21,720) payment includes $17,168 (C$18,979) in cash and $2,363 (C$2,741) in DRIP.

(3) 2015: Total of $8,632 (C$10,858) payment includes $7,444 (C$9,413) in cash and $1,188 (C$1,445) in DRIP.

As of June 30, 2015, 150,139 common shares were issued under the Company's Dividend Reinvestment Plan ("DRIP") (for the year of 2014 - 373,058) for a total amount of $1,188 (for the year of 2014 -$2,363).

13. Share Capital

	June 30, 2015			December 31, 2014		
	Number of	Share capital		Number of	Share capital	
(in thousands of U.S. dollars)	shares issued	in US$ (1)	in C$	shares issued	in US$ (1)	in C$
Beginning balance	90,192,448	$ 393,200	$ 456,148	90,276,953	$ 427,972	$ 455,191
Shares issued under DRIP (1)	150,139	1,188	1,440	373,058	2,363	2,741
Stock options exercised	–	–	–	84,276	509	591
Shares issued for phantom units vested	–	–	–	192,361	1,278	1,483
Normal course issuer bid (NCIB)	–	–	–	(734,200)	(3,326)	(3,858)
Deferred share units vested (2)	151,922	965	1,201	–	–	–
Debentures conversions (3)	38,781	277	337	–	–	–
Revaluation to period-end exchange rate (4)	–	–	–	–	(35,596)	–
Ending balance	90,533,290	$ 395,630	$ 459,126	90,192,448	$ 393,200	$ 456,148

(1) On January 15 and April 15, 2015,150,139 common shares were issued under the DRIP at an average price of $7.91 (C$9.59) per share.
(2) On February 13 and June 10 2015, 151,922 deferred share units vested at an average price of $6.35 (C$7.90) and $6.62 (C$8.12), respectively.
(3) During Q2 2015, $277 (C$337) debentures were converted to 38,781 shares at an average price of $7.14 (C$8.69) per share.
(4) 2014 opening balance was revalued at period-end rate; 2015 opening balance was carried at historical rate and not revalued.

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

As of June 30, 2015, the Company had 90,533,290 common shares outstanding (December 31, 2014 – 90,192,448).

14. Income Per Share

Basic

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
(in thousands of U.S. dollars)	2015	2014	2015	2014
Net income (loss)	$ 7,234	$ (11,848)	$ (3,682)	$ 16,773
Weighted average number of common shares outstanding	90,508,682	90,579,888	90,428,035	90,495,160
Adjustments for vested units	280,688	436,670	280,688	436,670
Weighted average number of common shares outstanding for basic earnings per share	90,789,370	91,016,558	90,708,723	90,931,830
Basic net income (loss) per share	$ 0.08	$ (0.13)	$ (0.04)	$ 0.18

Diluted

Diluted income per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The Company has three categories of potential dilutive shares related to stock compensation: stock options, deferred share unit plan (see Note 15) and the convertible debentures (see Note 8). For the stock compensation, a calculation is done to determine the number of shares that could have been acquired at fair value (determined using the market price of the Company's shares as of June 30, 2015) based on the monetary value of the stock compensation arrangements. The number of shares calculated as described above is comparable to the number of shares that would have been issued assuming the vesting of the stock compensation arrangement and conversion of debentures.

Stock compensation

For the six months ended June 30, 2015, the Company's stock compensation plans resulted in 1,412,347 dilutive share units (June 30, 2014 – 1,077,167) as the exercise price of the potential share units is below the average market share price of $10.45 for the period.

For the three months ended June 30, 2015, the Company's stock compensation plans resulted in 1,506,223 dilutive share units (June 30, 2014 – 1,073,038) as the exercise price of the potential share units is below the average market share price of $11.01 for the quarter.

Convertible debentures

For the six months ended June 30, 2015, the Company's convertible debentures are anti-dilutive (June 30, 2014 – anti-dilutive). For the three months ended June 30, 2015, the Company's convertible are dilutive (June 30, 2015 – anti-dilutive) because the interest, net of tax, and the change in fair value of financial instruments through profit and loss per ordinary share obtainable on conversion exceed basic earnings per share.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
(in thousands of U.S. dollars)	2015	2014	2015	2014
Net income (loss)	$ 7,234	$ (11,848)	$ (3,682)	$ 16,773
Adjustment for convertible debentures interest expense	2,026	–	–	–
Changes in fair value for financial instruments through profit or loss	(4,686)	–	–	–
Adjusted net income (loss)	$ 4,574	$ (11,848)	$ (3,682)	$ 16,773
Weighted average number of commone shares outstanding	90,789,370	91,016,558	90,708,723	90,931,830
Adjustments for stock compensation	1,506,223	1,073,038	1,412,347	1,077,167
Adjustments for convertible debentures	17,349,882	–	–	–
Weighted average number of common shares outstanding for diluted earnings per share	109,644,821	92,089,596	92,121,070	92,008,997
Diluted income (loss) per share	$ 0.04	$ (0.13)	$ (0.04)	$ 0.18

15. Compensation Arrangements

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

For the Three Months Ended June 30,	2015		2014	
(in thousands of U.S. dollars)	AIP	LTIP	AIP	LTIP
Cash accrual	$ 1,033	$ (1,114)	$ 584	$ (327)
Phantom units	–	(236)	–	(22)
Deferred share units ("DSUs")	689	295	387	442
Stock options	–	220	–	210
DRIP and revaluation loss (gain)	(97)	421	–	–
Total compensation expense	$ 1,625	$ (414)	$ 971	$ 303

For the Six Months Ended June 30,	2015		2014	
(in thousands of U.S. dollars)	AIP	LTIP	AIP	LTIP
Cash accrual	$ 1,748	$ (430)	$ 1,202	$ 3,182
Phantom units	–	–	98	313
Deferred share units ("DSUs")	1,166	856	799	803
Stock options	–	347	–	692
DRIP and revaluation loss (gain)	(26)	449	–	–
Total compensation expense	$ 2,888	$ 1,222	$ 2,099	$ 4,990

The changes to transactions of the various cash-settled and equity-settled arrangements during the three and six months ended June 30, 2015 are detailed in the following sections.

Cash settled

AIP – For the six months ended June 30, 2015, the Company accrued $2,914 in relation to the AIP, of which 60%, being $1,748, will be paid in cash in February 2016 and the balance will be paid in DSUs, which will vest one year from the grant date.

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

LTIP – A liability for cash-settled LTIP awards is accrued based on expected performance fees that would be generated from the fair value of the assets within each fund or separate account but disbursed only when such performance fees are earned and recognized as revenue.

For the six months ended June 30, 2015, the Company reversed $430 in LTIP expense relating to expected performance fees from commingled funds (excluding THP1 US) and separate accounts/side-car investments that will be paid over pre-established vesting periods specific to each commingled fund or separate account/side-car commencing on the anniversary date of the award.

Phantom unit plan ("PUP")

On August 13, 2013, as a result of the crystallization of performance fees from the acquisition of the Company's 68.4% interest in THP1 US limited partnership, 584,252 phantom units were granted on a fully vested basis and held in escrow to be released over three years on the anniversary date of the transaction. The Company estimated that 30% of the benefit value will be settled in cash to satisfy tax withholding requirements and accordingly, this cash-settled component is fair valued at each reporting period and resulted in $201 of expense for the six months ended June 30, 2015 and is included in the revaluation amount.

Deferred share units ("DSUs")

AIP – For the six months ended June 30, 2015, the Company accrued $1,166 in AIP expense representing 40% of the 2015 AIP entitlement, which will be granted in DSUs in February 2016, and will vest one year later. On February 13, 2015, 179,772 DSUs were granted at $7.99 (C$9.95) per unit in settlement of the 2014 AIP entitlement. The fair value of the DSUs on the grant date was $1,436 (C$1,789) and they will vest on February 14, 2016.

LTIP – For the six months ended June 30, 2015, the Company accrued $1,104 in LTIP expense relating to investment income from THP1 US that will be paid in DSUs vesting equally over a five-year period commencing on the anniversary date of each grant. Compensation expense related to the grants is recognized on a graded vesting basis and for the six months ended June 30, 2015, is comprised of $231 relating to the current year entitlement and $873 relating to the prior year entitlement. On February 13, 2015, 404,904 DSUs were granted at $7.99 (C$9.95) per unit under the 2014 DSU plan and will vest equally from 2016 to 2020.

Stock option plan

During the six months ended June 30, 2015, 36,667 stock options expired and were cancelled and 10,666 were exercised. As of June 30, 2015, there were 2,775,667 stock options outstanding at an average exercise price per share of $5.97 (C$7.37).

On March 16, 2015, the Company granted 721,500 options at an exercise price of $8.28 (C$10.57).

AIP liability continuity

(in thousands of U.S. dollars)	June 30, 2015	December 31, 2014
Opening balance – beginning of period	$ 4,282	$ 4,961
Award settlement		
Cash	(1,218)	(3,845)
DSU	(1,270)	–
Phantom units	–	(1,008)
Current period accrual		
Cash	1,748	2,765
DSU	1,166	1,843
DRIP and revaluation	(26)	138
Conversion to period-end exchange rate	(166)	(572)
Closing balance – end of period	$ 4,516	$ 4,282

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

Balance sheets

(in thousands of U.S. dollars)	June 30, 2015	December 31, 2014
Amounts payable and accrued liabilities	$ 2,685	$ 2,197
Equity – contributed surplus	1,831	2,085
Closing balance – end of period	$ 4,516	$ 4,282

LTIP liability continuity

(in thousands of U.S. dollars)	June 30, 2015	December 31, 2014
Opening balance – beginning of period	$ 23,528	$ 16,123
Award settlement		
Cash	(148)	–
DSU	(694)	–
Phantom units	–	(1,119)
Current period accrual		
Cash	(430)	7,182
DSU	856	2,304
DRIP and revaluation	449	525
Stock options	347	498
Conversion to period-end exchange rate	(1,373)	(1,985)
Closing balance – end of period	$ 22,535	$ 23,528

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

Balance sheets

(in thousands of U.S. dollars)	June 30, 2015	December 31, 2014
LTIP	16,596	17,854
Equity – contributed surplus	5,939	5,674
Closing balance – end of period	$ 22,535	$ 23,528

16. Segmented Information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer in making strategic decisions. The main segments of the Company are: Private Funds and Advisory; and Principal Investing in Tricon Housing Partners ("THP"), Tricon American Homes ("TAH"), Tricon Lifestyle Communities ("TLC"), and Tricon Luxury Residences ("TLR"). The Company evaluates segment performance based on net income less interest expense, amortization, and income taxes and adjustments for certain unrealized and non-recurring items.

The segmented income statement information is as follows:

For the Three Months Ended June 30, 2015 (in thousands of U.S. dollars)	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 5,546	$ –	$ –	$ –	$ –	$ –	$ 5,546
Investment income	–	767	7,360	(642)	2	–	7,487
	5,546	767	7,360	(642)	2	–	13,033
Expenses	3,107	977	149	(122)	–	1,688	5,799
Net income (loss)	$ 2,439	$ (210)	$ 7,211	$ (520)	$ 2	$ (1,688)	$ 7,234

For the Three Months Ended June 30, 2014 (in thousands of U.S. dollars)	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 5,082	$ –	$ –	$ –	$ –	$ 30	$ 5,112
Investment income	–	(3,573)	(3,035)	–	–	–	(6,608)
	5,082	(3,573)	(3,035)	–	–	30	(1,496)
Expenses	5,200	1,578	4,236	–	–	(662)	10,352
Net income (loss)	$ (118)	$ (5,151)	$ (7,271)	$ –	$ –	$ 692	$ (11,848

For the Six Months Ended June 30, 2015 (in thousands of U.S. dollars)	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 11,298	$ –	$ –	$ –	$ –	$ 10	$ 11,308
Investment income	–	7,565	29,978	(681)	2	–	36,864
	11,298	7,565	29,978	(681)	2	10	48,172
Expenses	7,945	2,564	38,924	(128)	–	2,549	51,854
Net income (loss)	$ 3,353	$ 5,001	$ (8,946)	$ (553)	$ 2	$ (2,539)	$ (3,682)

For the Six Months Ended June 30, 2014 (in thousands of U.S. dollars)	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 8,585	$ –	$ –	$ –	$ –	$ 30	$ 8,615
Investment income	–	20,247	14,482	–	–	–	34,729
	8,585	20,247	14,482	–	–	30	43,344
Expenses	10,937	7,037	9,415	–	–	(818)	26,571
Net income (loss)	$ (2,352)	$ 13,210	$ 5,067	$ –	$ –	$ 848	$ 16,773

The balance sheet segmented information is as follows:

June 30, 2015 (in thousands of U.S. dollars)	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
United States	$ 43,229	$ 275,855	$ 363,867	$ 8,145	$ 2,022	$ –	$ 693,118
Canada	17,538	9,271	–	–	–	8,601	35,410
Total Assets	60,767	285,126	363,867	8,145	2,022	8,601	$ 728,528
United States	28,138	–	13,800	38	–	–	41,976
Canada	9,770	921	176,641	–	–	19,012	206,344
Total Liabilities	$ 37,908	$ 921	$ 190,441	$ 38	$ –	$ 19,012	$ 248,320

December 31, 2014 (in thousands of US dollars)	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
United States	$ 36,998	$ 304,478	$ 344,168	$ 4,246	$ –	$ –	$ 689,890
Canada	11,525	14,928	–	–	–	3,381	29,834
Total Assets	48,523	319,406	344,168	4,246	–	3,381	$ 719,724
United States	15,489	17,264	6,500	–	–	–	39,253
Canada	26,608	7,083	138,950	–	–	17,852	190,493
Total Liabilities	$ 42,097	$ 24,437	$ 145,450	$ –	$ –	$ 17,852	$ 229,746

17. Related Party Transactions and Balances

The Company has a 10-year sub-lease commitment on the head office premises with Mandukwe Inc., a company owned and controlled by a current director of Tricon. For the six months ended June 30, 2015, the Company paid $27 in rental payments to Mandukwe, including maintenance and utility costs (June 30, 2014 - $29).

Transactions with related parties

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

For the Three Months Ended June 30, (in thousands of U.S. dollars)	2015	2014
Contractual fees	$ 5,211	$ 4,730
General partner distributions	331	340
Performance fees	–	30
Interest income	4	12
Total revenue	$ 5,546	$ 5,112
Investment income –		
Tricon Housing Partners	$ 767	$ (3,573)
Tricon American Homes	7,360	(3,035)
Tricon Lifestyle Communities	(642)	–
Tricon Luxury Residences	2	–
Total investment income	$ 7,487	$ (6,608)

For the Six Months Ended June 30, (in thousands of U.S. dollars)	2015	2014
Contractual fees	$ 10,624	$ 7,556
General partner distributions	655	1,001
Performance fees	10	30
Interest income	19	28
Total revenue	$ 11,308	$ 8,615
Investment income –		
Tricon Housing Partners	$ 7,565	$ 20,247
Tricon American Homes	29,978	14,482
Tricon Lifestyle Communities	(681)	–
Tricon Luxury Residences	2	–
Total investment income	$ 36,864	$ 34,729

Balances arising from transactions with related parties

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

(in thousands of U.S. dollars)	June 30, 2015	December 31, 2014
Receivables from related parties included in amounts receivable		
Contractual fees receivable from investment funds managed	$ 604	$ 578
Other receivables	985	733
Employee relocation housing loans (1)	800	806
Loan receivables from investment in associates and joint ventures	16,501	13,862
Long-term incentive plan	16,596	23,528
Annual incentive plan	4,516	4,282
Dividends payable to employees and associated corporations	387	355
Other payables to related parties included in amounts payable and accruals	440	215

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

Revenues and receivables from related parties relate to general partnership distributions and contractual and performance fees for services provided by the Company. The receivables are unsecured and non-interest bearing. There are no provisions recorded against receivables from related parties at June 30, 2015 (December 31, 2014 - $nil).

18. Financial Risk Management

The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These significant estimates should be read in conjunction with the Company's annual Audited Financial Statements as at December 31, 2014. There have been no changes in the risk management policies since the year end except as noted below.

Liquidity risk

During the six months ended June 30, 2015, there was a change in the Company's liquidity that resulted in a working capital deficit of $31,299 (December 31, 2014 - $58,149). As of June 30, 2015, the outstanding bank debt was $44,450 (December 31, 2014 — $46,800). The credit facility was used to finance investment activities during the period.

The details of the net current liabilities are shown below:

(in thousands of U.S. dollars)	June 30, 2015	December 31, 2014
Cash	$ 9,988	$ 4,940
Amounts receivable	5,350	5,515
Prepaid expenses and deposits	9,833	1,183
Current assets	25,171	11,638
Amounts payable and accruals	7,671	18,322
Dividends payable	4,349	4,665
Net current assets (liabilities) before the undernoted	13,151	(11,349)
Bank debt	44,450	46,800
Net current liabilities	$ 31,299	$ 58,149

Management estimates that the Company will receive sufficient cash flow from the Tricon Housing Partners and Tricon American Homes businesses to enable repayment of the bank debt. During the six months ended June 30, 2015, the Company received distributions of $117,164 (December 31, 2014 - $68,407) from these investments.

19. Working Capital

For the Six Months Ended June 30, (in thousands of U.S. dollars)	2015	2014
Amounts receivable	$ 165	$ 47
Prepaid expenses and deposits	(8,650)	1,952
Amounts payable and accruals	(1,125)	(3,245)
Interest payable	(152)	145
Income taxes payable	(9,374)	2,485
	$ (19,136)	$ (2,520)

20. 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.

21. Subsequent Events

On July 16, 2015, the Company closed a US$141.4 million investment in an existing active 2,083-acre master planned community in Arlington, Texas, known as Viridian. The investment is being made in a new separate account whereby Tricon has committed to invest $25.4 million and an institutional investor has committed $116.0 million.

On July 28, 2015, the Company announced a new strategic initiative focused on the development and management of a portfolio of Class-A purpose-built luxury rental apartments across the United States and Canada. This new business vertical is branded as Tricon Luxury Residences ("TLR") and represents the Company's fourth major business line. TLR has secured two U.S. development opportunities in Dallas and Frisco, Texas and one Canadian development opportunity in Toronto, Ontario.

On July 28, 2015, the Company entered into an agreement with a syndicate of underwriters co-led by RBC Capital Markets and GMP Securities L.P., and including TD Securities Inc., BMO Capital Markets, National Bank Financial Inc., Raymond James Ltd., Canaccord Genuity Corp., CIBC World Markets Inc., Paradigm Capital Inc. and Scotiabank, who have agreed to purchase, on a "bought deal" basis, 13,158,000 common shares at a price of C$11.40 per common share for gross proceeds of C$150 million. The Company has also granted the Underwriters an option, which may be exercised by the Underwriters at any time up to 30 days following the closing of the Offering, to purchase up to an additional 1,973,700 common shares to cover over-allotments, if any, and for market stabilization purposes. The net proceeds of the Offering, including any proceeds from the over-allotment option, will be used to partially fund the future equity requirements in each of the Company's business verticals, including the new TLR vertical, and for general corporate purposes, including repayment of the outstanding balance under the Company's corporate revolving credit facility. The Offering is expected to close on or about August 18, 2015.

On August 10, TLC entered into a binding contract to purchase a portfolio of five age-restricted communities in the Phoenix MSA which is comprised of approximately 1,360 residential spaces. The transaction is expected to close in Q4 2015 upon meeting conditions precedent in relation to the assumption of existing debt. The acquisition price is $34.3 million and the debt to be assumed is $22.0 million.

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