TRICON CAPITAL GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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, 2011 and December 31, 2010 and the consolidated statements of net and comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, 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, 2011 and December 31, 2010 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "Pricewaterhouse Coopers LLP"

Chartered Accountants, Licensed Public Accountants

March 14, 2012

Tricon Capital Group Inc.

Consolidated Balance Sheets

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

	Notes	December 31, 2011	December 31, 2010
Assets			
Current Assets			
Cash and cash equivalents	3	$ 22,008,000	$ 19,683,000
Short term investments	3	9,188,000	31,156,000
Accounts receivable	10	779,000	920,000
Prepaid expenses and other assets		154,000	83,000
Income taxes recoverable		185,000	-
		32,314,000	51,842,000
Non-current assets			
Investments in associates	13	8,009,000	35,000
Long-term investments	12	10,802,000	-
Intangible assets	4	2,777,000	3,929,000
Office equipment and leasehold improvements	5	153,000	202,000
Deferred income tax assets	9	2,975,000	2,889,000
Total assets		$ 57,030,000	$ 58,897,000
Liabilities			
Current liabilities			
Accounts payable and accruals	6,10	$ 889,000	$ 855,000
Long-term incentive plan - current portion	10,21	40,000	177,000
Dividends payable	10,15	1,094,000	1,094,000
Income taxes payable		18,000	580,000
		2,041,000	2,706,000
Non-current liabilities			
Deferred income tax liabilities	9	706,000	1,059,000
Long-term incentive plan - non-current portion	10,21	8,270,000	5,871,000
		11,017,000	9,636,000
Equity			
Share capital	8	57,901,000	57,934,000
Contributed surplus		1,190,000	555,000
Deficit		(13,078,000)	(9,228,000)
Total equity		46,013,000	49,261,000
Total liabilities and equity		$ 57,030,000	$ 58,897,000

Approved by the Board of Directors

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

Tricon Capital Group Inc.

Consolidated Statements of Net and Comprehensive Income (Loss)

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

	Notes	For the Year Ended December 31, 2011	December 31, 2010
Revenue			
Contractual management fees	10	$ 9,132,000	$ 9,943,000
General partner distributions	10	1,141,000	-
Performance fees	10	311,000	2,102,000
Investment income (loss)	10,13	(225,000)	14,000
Other revenue	24	672,000	533,000
		11,031,000	12,592,000
Expenses			
Salaries and benefits expense	10,20	4,323,000	4,166,000
Gifted shares	8,10,20	-	5,041,000
Stock compensation	10,20	635,000	555,000
Long-term incentive plan	10,21	2,418,000	6,872,000
Professional and directors fees expense	10,20	1,067,000	970,000
Formation costs	16	589,000	213,000
Discretionary management bonus expense	10	-	2,013,000
General and administration expense	16	976,000	804,000
Amortization expense	4,5	1,313,000	1,188,000
Realized and unrealized foreign exchange (gain) loss		(349,000)	150,000
Other income	19	-	(215,000)
		10,972,000	21,757,000
Income (loss) before non-controlling interest and income taxes		**59,000**	**(9,165,000)**
Non-controlling interest fair value change	23	931,000	-
Income (loss) before income taxes		**990,000**	**(9,165,000)**
Income tax expense (recovery)	9	446,000	(696,000)
Net and comprehensive income (loss)		**$ 544,000**	**$ (8,469,000)**
Basic and diluted income (loss) per share	14	**$ 0.03**	**$ (0.61)**

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

Tricon Capital Group Inc.

Consolidated Statements of Changes in Equity

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

	Notes	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2010		$ 1,000	$ -	$ 2,222,000	$ 2,223,000
Net and comprehensive loss for the year		-	-	(8,469,000)	(8,469,000)
Dividends	10,15	-	-	(2,981,000)	(2,981,000)
Issuance of common shares	8	62,694,000	-	-	62,694,000
Equity issuance costs-net of income taxes of $1,752,000		(4,761,000)	-	-	(4,761,000)
Stock option expense	20	-	555,000	-	555,000
Balance at December 31, 2010		57,934,000	555,000	(9,228,000)	49,261,000
Net and comprehensive income for the year		-	-	544,000	544,000
Dividends	10,15	-	-	(4,377,000)	(4,377,000)
Repurchase of common shares	8	(33,000)	-	(17,000)	(50,000)
Stock option expense	20	-	557,000	-	557,000
Phantom unit expense	20	-	78,000	-	78,000
Balance at December 31, 2011		$ 57,901,000	$ 1,190,000	$ (13,078,000)	$ 46,013,000

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

Tricon Capital Group Inc.

Consolidated Statements of Cash Flows

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

	Notes	For the Year Ended December 31, 2011	December 31, 2010
Cash provided by (used in)			
Operating activities			
Net and comprehensive income (loss) for the year		$ 544,000	$ (8,469,000)
Adjustments for			
Non-controlling interest	23	(931,000)	-
Amortization expense	4, 5	1,313,000	1,188,000
DSUP expense	20	46,000	-
Deferred income taxes	9	(439,000)	(1,346,000)
Long-term incentive plan (net of payments of $156,000)	21	2,262,000	6,048,000
Gifted shares expense	20	-	5,041,000
Stock compensation expense		635,000	555,000
Gain on disposal of investment in real estate	19	-	(76,000)
Gain on disposal of MOD Developments Inc.	19	-	(139,000)
Accrued interest		(101,000)	-
Investment (income) loss	10,13,22	225,000	(10,000)
Foreign exchange (gain) loss on cash		(190,000)	154,000
Other	22	-	(8,000)
		3,364,000	2,938,000
Changes in non-cash working capital items			
Accounts receivable		141,000	(712,000)
Non-controlling interest	23	931,000	-
Income tax recoverable		(185,000)	-
Prepaid expenses and other assets		(71,000)	36,000
Accounts payable and accruals	20	(12,000)	(1,282,000)
Income taxes payable		(562,000)	250,000
		3,606,000	1,230,000
Investing activities			
Purchase of office equipment		(23,000)	(74,000)
Purchase of short term investments		(9,000,000)	(35,000,000)
Proceeds on disposal of short-term investments		31,156,000	3,844,000
Purchase of long term investments		(10,889,000)	-
Placement fees		(89,000)	-
Investment in associates	13	(8,199,000)	-
Proceeds on disposal of investments		-	89,000
Other		-	(4,000)
		2,956,000	(31,145,000)
Financing activities			
Repurchase of common shares		(50,000)	50,411,000
Dividends paid		(4,377,000)	(1,989,000)
		(4,427,000)	48,422,000
Foreign exchange gain (loss) on cash		190,000	(154,000)
Change in cash and cash equivalents during the year		2,135,000	18,507,000
Cash and cash equivalents - Beginning of year		19,683,000	1,330,000
Cash and cash equivalents - End of year		$ 22,008,000	$ 19,683,000
Supplementary information			
Income taxes paid		**$ 1,632,000**	**$ 422,000**

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

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

1. NATURE OF BUSINESS

Tricon Capital Group Inc. (Tricon or the Company) and its subsidiaries provide asset management services to funds managed by the Company of which the investors are high net worth individuals and institutional investors. Tricon was incorporated in June 1997 under the Business Corporations Act (Ontario) and is situated at 1067 Yonge Street, Toronto, Ontario, M4W 2L2. The Company operates in Canada and in the United States of America. Listed below are the subsidiaries of the Company:

Company Name	**Effective date**
Tricon Capital GP Inc.	March 23, 2011
Tricon USA Inc.	December 20, 2002
MOD Developments Inc. (formerly Tricon Development Group Inc.)	May 5, 2009 – disposed on January 1, 2010
2237176 Ontario Limited	May 11, 2010
TCC III Funding Limited	May 13, 2010
Altman VII General Partnership	May 13, 2010
Altman IX General Partnership	May 13, 2010
TCC IV Funding Limited	May 13, 2010
TCC V Funding Limited	May 13, 2010
TCC VI Funding Limited	May 13, 2010
Tricon VIII Funding Limited	May 13, 2010
Tricon X Funding Limited	May 13, 2010
Tri Continental Capital (1997) Ltd.	May 13, 2010
Tri Continental Capital III Ltd.	May 13, 2010
Tri Continental Capital IV Ltd.	May 13, 2010
Tri Continental Capital V Ltd.	May 13, 2010
Tri Continental Capital VI Ltd	May 13, 2010
Tricon VIII Ltd.	May 13, 2010
Tricon X Ltd.	May 13, 2010
Tricon X Secondary Funding Ltd.	August 26, 2010
TCN/TNHC LP	December 15, 2010
Tricon Capital Fund XII Co-Investment Inc.	March 23, 2011
Tricon XII Funding Limited	March 23, 2011
Tricon XII Feeder GP Ltd	May 24, 2011

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The consolidated financial statements are prepared in accordance with International Accounting Standards ("**IFRS**"), and in accordance with the Interpretations of the International Financial Reporting Interpretation Committee as issued by the International Accounting Standards Board. These consolidated financial statements have been prepared using the historical cost convention with the exception of the Company's investments in associates which are recorded at fair value. The consolidated financial statements were authorized for issue on March 14, 2012 by the Board of Directors of Tricon.

Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity that have a significant risk of material adjustment to the carrying amounts of assets or liabilities within the next fiscal year include impairment of assets, income taxes, the estimated useful lives of long-lived assets, the estimated fair value of investments in associates, the determination of the long-term incentive plan accrual, the estimates used in the fair valuing of stock option grants and the determination of consolidation requirements for the funds managed by the Company.

Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies and sufficient exposure to benefits or losses such that consolidation is appropriate under IFRS 10 *Consolidated Financial Statements* (see accounting requirements in Note 2 – New accounting requirements) generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is obtained and no longer consolidated from the date on which control ceases. Inter-company transactions, balances and unrealized gains or losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of Tricon's subsidiaries have been conformed where necessary to ensure consistency to the policies adopted by the Company.

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 primarily comprise contractual management 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 management fees are recognized as services are performed and are based on a fixed percentage of each fund's committed capital prior to the expiration of each such fund's investment period and based on invested capital following the expiration of the relevant investment period. General Partner Distributions are recognized as services are performed.

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

Investments in associates

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

a) *General Partnership interests*

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

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

b) *Warehoused investments*

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

The fair value of warehoused investments is determined using discounted cash flow (DCF) models. The determination of the fair value of warehoused investments requires management to make significant estimates in respect of the inputs and assumptions used in the DCF, such as the discount rate and the timing and amounts of cash flows. These inputs and assumptions are regularly reviewed by management and are adjusted as required. It is possible that changes in future conditions could significantly change these inputs and assumptions and result in a material change in fair value. The effect on net and comprehensive income of a 1% absolute change in the discount rate is as follows:

	Discount rate Increase 1%	Discount rate Decrease 1%
Effect on net and comprehensive income	($300,000)	$300,000

c) *Investment in Tricon XII Limited Partnership*

The Company has a designated investment in Tricon XII Limited Partnership through its wholly-owned subsidiary Tricon Capital Fund XII Co-Investment Inc. that invests in Tricon XII LP as a limited partner, which is recorded at fair value, consistent with the IAS 28 exemption referred to above.

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

Placement fee and performance fee rights intangible assets

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

Placement fee and performance fee rights intangible assets are reviewed for impairment at each measurement date or whenever indicators of impairment exist. The impairment assessment is performed at the level of the cash generating unit, which is at the fund level, as this is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets. If determined to be impaired, placement fee and performance fee rights intangible assets are written down to the higher of their value-in-use and fair value less costs to sell.

Foreign currency translation

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 consolidated financial statements are presented in Canadian dollars, which is Tricon's functional currency and the functional currency of its foreign operations.

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

Office equipment and leasehold improvements

Furniture, office equipment, computer equipment and leasehold improvements are accounted for at cost less accumulated amortization. Leasehold improvements are amortized on a straight-line basis over the lease term (including reasonably assured renewal options). All other capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Furniture	3 years
Office equipment	5 years
Computer equipment	2 years

Estimated useful lives and residual values of capital assets are reviewed and adjusted, if appropriate, at each financial year-end. Office equipment and leasehold improvements are tested for impairment whenever indicators of impairment exist. An impairment writedown is recorded when the carrying amount of a capital asset is determined to exceed its recoverable amount. The recoverable amount is the greater of an asset's fair value less cost to sell and its value-in-use.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, short-term and long-term investments, accounts receivable, accounts payable and accruals and dividends payable. Cash and cash equivalents, short-term and long-term investments and accounts receivable are classified as loans and receivables. Loans and receivables and accounts payable and accruals are initially recognized at fair value and subsequently accounted for at amortized cost. Interest income and expense are accounted for using the effective interest rate method.

Loans and receivables are assessed to determine whether objective evidence of impairment exists at each reporting date. Impairment losses are measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Impairment losses are reversed in subsequent periods if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Cash and cash equivalents

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

Short-term investments

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

Long-term investments

Long-term investments include investment in Guaranteed Investment Certificates that mature later than twelve months and corporate bonds of major Canadian financial institutions with high credit rating and maturity no longer than three years. The carrying value of long-term investments approximates their fair value due to short term to maturity.

Dividends

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

Current and deferred income taxes

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

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

Related parties

Transactions and balances with related parties are identified by management and separately disclosed in the consolidated financial statements (note 10).

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 substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Share Capital

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

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

Earnings (loss) per share

a) Basic

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

b) Diluted

The Company also considers the effects of stock options in calculating diluted earnings per share. Diluted earnings (loss) per share are determined by the weighted average number of shares outstanding, taking into account conversion of all dilutive potential ordinary shares on a weighted basis from the date the options vest to the balance sheet date.

Stock option plan

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

Phantom unit plan

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

Long-term incentive plan

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

New and future accounting requirements

On May 12, 2011 the IASB issued IFRS 10, *Consolidated Financial Statements*. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under IFRS prior to the issuance of IFRS 10, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC - 12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*. The standard is effective for annual periods beginning on or after January 1, 2013 with earlier adoption permitted. The Company elected to adopt IFRS 10 in Q2 2011 which resulted in Tricon XII Limited Partnership no longer being consolidated commencing June 15, 2011, the date that the Company's percentage of capital commitment dropped from 29% to 14%.

On May 12, 2011 the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company adopted this standard in Q2 2011 along with IFRS 10. The adoption of this standard results in expanded disclosures regarding the Company's material interests in other entities.

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

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

On November 9, 2009 the IASB issued the first part of IFRS 9 Financial Instruments which covers the classification and measurement of financial assets that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company did not adopt this standard as of December 31, 2011. Management is in the process of determining the impact of this standard to the Company.

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

3. CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

Cash and Cash Equivalents

	December 31, 2011	December 31, 2010
Bank operating accounts	$ 5,480,000	$ 4,257,000
High Interest Savings Account	5,592,000	15,426,000
CAD Interest Savings Account	4,317,000	-
USD Interest Savings Account	6,619,000	-
	$ 22,008,000	$ 19,683,000

Short-Term Investments

	Rate	Maturity	December 31, 2011	December 31, 2010
1-year GICs	1.43%	May 21, 2011	$ -	$ 10,000,000
1-year GIC	1.55%	June 30, 2011	-	5,000,000
9-month GICs	1.50%	August 15, 2011	-	6,000,000
1-year GICs	1.55%	November 17, 2011	-	10,000,000
1-year GIC	1.55%	July 3, 2012	5,000,000	-
1-year GICs	1.75%	November 21, 2012	4,000,000	-
Accrued interest			188,000	156,000
			$ 9,188,000	$ 31,156,000

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

4. INTANGIBLE ASSETS

	Placement fees	Rights to performance fees	Total
Year ended December 31, 2010			
Opening Net book value	4,347,000	707,000	5,054,000
Amortization expense	(1,071,000)	(54,000)	(1,125,000)
Net book value	3,276,000	653,000	3,929,000
As at December 31, 2010			
Cost	8,516,000	707,000	9,223,000
Accumulated amortization	(5,240,000)	(54,000)	(5,294,000)
Net book value	3,276,000	653,000	3,929,000
Year ended December 31, 2011			
Opening Net book value	3,276,000	653,000	3,929,000
Additions	89,000	-	89,000
Amortization expense	(1,160,000)	(81,000)	(1,241,000)
Net book value	2,205,000	572,000	2,777,000
As at December 31, 2011			
Cost	8,605,000	707,000	9,312,000
Accumulated amortization	(6,400,000)	(135,000)	(6,535,000)
Net book value	$ 2,205,000	$ 572,000	$ 2,777,000

There were no impairment charges of Placement fees and Rights to performance fees in 2011 and 2010.

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

5. OFFICE EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Furniture	Office equipment	Computer equipment	Leasehold improvements	Total
Year ended December 31, 2010					
Opening Net book value	1,000	14,000	11,000	165,000	191,000
Additions	14,000	8,000	52,000	-	74,000
Amortization expense	(2,000)	(8,000)	(26,000)	(27,000)	(63,000)
Net book value	13,000	14,000	37,000	138,000	202,000
As at December 31, 2010					
Cost	146,000	58,000	451,000	426,000	1,081,000
Accumulated amortization	(133,000)	(44,000)	(414,000)	(288,000)	(879,000)
Net book value	13,000	14,000	37,000	138,000	202,000
Year ended December 31, 2011					
Opening Net book value	13,000	14,000	37,000	138,000	202,000
Additions	6,000	-	17,000	-	23,000
Amortization expense	(6,000)	(11,000)	(29,000)	(26,000)	(72,000)
Net book value	13,000	3,000	25,000	112,000	153,000
As at December 31, 2011					
Cost	152,000	58,000	468,000	426,000	1,104,000
Accumulated amortization	(139,000)	(55,000)	(443,000)	(314,000)	(951,000)
Net book value	$ 13,000	$ 3,000	$ 25,000	$ 112,000	$ 153,000

There were no impairment charges in 2011 and 2010.

6. ACCOUNTS PAYABLE AND ACCRUALS

	December 31, 2011	December 31, 2010
Accounts payable and accruals	$ 776,000	$ 753,000
STIP (note 20)	113,000	102,000
	$ 889,000	$ 855,000

7. LEASE COMMITMENTS

The Company has a lease commitment on its head office premises located at 1067 Yonge Street, Toronto, Ontario. The landlord is Mandukwe Inc., a related corporation (note 10). The minimum rental amount is $43,000 per annum extending to November 30, 2019. Additional maintenance and utility costs and realty taxes are payable as incurred.

In addition, the Company leases office equipment and furniture. The furniture lease expired on April 30, 2011. The lease had an option to buy the furniture which the Company exercised. The future minimum payments in respect of the office equipment leases are:

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

2012	$	25,000
2013		25,000
2014		21,000
2015		8,000
Thereafter		-

8. SHARE CAPITAL

Date	Particulars	Notes	No of shares Issued		
As at January 1, 2010 - Opening Balance			**1,000,000**	**$**	**1,000**
May 11, 2010	Issued 8,880 and 4,781 common shares to Althurst and Mandukwe, respectively at $51.79 per share	(A)	13,661		707,000
			1,013,661	$	708,000
May 13, 2010	Stock Split of 1,013,661 common shares on a 7.803170883 for 1 basis		7,909,770	$	708,000
May 13, 2010	Issued 3 and 6 common shares to Althurst and Mandukwe, respectively for $54	(B)	9		-
May 13, 2010	Issued 679,921 common shares from treasury to two officers in consideration for their past services to the Company at $6 per share		679,921		4,080,000
May 19, 2010	Issued 160,300 common shares from treasury to the employees in consideration for their past services to the Company at $6 per share		160,300		962,000
May 20, 2010	Issued 8,500,000 common shares at $6 per share upon completion of the initial public offering, net of issuance costs of $4,398,000, net of tax of $1,616,000		8,500,000		46,602,000
June 17, 2010	Exercise of over-allotment option by underwriters at $6.00 per share, net of issuance costs of $342,000 net of tax of $128,000		990,871		5,603,000
	Additional issuance costs of $21,000, net of tax of $8,000		-		(21,000)
As at November 17, 2011 and December 31, 2010 - Ending Balance			**18,240,871**	**$**	**57,934,000**
Dec 6 - Dec 29, 2011	Repurchased and cancelled under the normal course issuer bid (NCIB)	(C)	(10,400)		(33,000)
As at December 31, 2011 - Ending Balance			**18,230,471**	**$**	**57,901,000**

(A) The shares were issued in exchange for the transfer to the Company of all the issued and outstanding shares of 2237176 Ontario Limited, which indirectly held an 80% and 86.5% interest in the performance fees receivable in respect of Tri Continental Capital VII Limited Partnership and Tricon IX Limited Partnership, respectively.

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

(B) The shares were issued as partial consideration for Canadian General Partners shares (TCC III Funding Limited, TCC IV Funding Limited, TCC V Funding Limited, TCC VI Funding Limited, Tricon VIII Funding Limited, Tricon X Funding Limited, Tri Continental (1997) Ltd., Tri Continental III Ltd, Tri Continental IV Ltd., Tri Continental V Ltd., Tri Continental VI Ltd., Tricon VIII Ltd. and Tricon X Ltd.) and transfer of rights to performance fees.

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

The Company can issue unlimited common shares and unlimited redeemable and retractable Class A, B and C shares.

As of December 31, 2011, the Company had 18,230,471 common shares outstanding (December 31, 2010 – 18,240,871 common shares outstanding).

9. INCOME TAXES

	For the Year Ended December 31, 2011	2010
Current income tax		
Current income taxes on income for the year	$ 885,000	$ 647,000
Adjustments relating to prior years	-	3,000
	885,000	650,000
Deferred taxes		
Origination and reversal of temporary differences	(315,000)	(1,800,000)
Adjustments relating to prior years	(11,000)	15,000
Impact of change in effective rates	(113,000)	439,000
	(439,000)	(1,346,000)
Income tax expense (recovery)	$ 446,000	$ (696,000)

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

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

	For the Year Ended December 31, 2011	2010
Income (loss) before income taxes	$ 990,000	$ (9,165,000)
Combined statutory federal and provincial income tax rate	28.25%	30.99%
Expected income tax expense (recovery)	280,000	(2,840,000)
Tax rate differential (foreign tax rates)	57,000	(24,000)
Tax effects of		
Permanent differences	231,000	1,724,000
Change in effective tax rates	(113,000)	439,000
Adjustment in respect of prior years	(11,000)	-
Other	2,000	5,000
Income tax expense (recovery)	$ 446,000	$ (696,000)

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

	2011	2010
Deferred Tax Assets:		
- Deferred tax asset to be recovered after more than 12 months	2,449,000	2,889,000
- Deferred tax asset to be recovered within 12 months	526,000	-
Total Deferred Tax Assets	2,975,000	2,889,000

	2011	2010
Deferred Tax Liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	353,000	1,059,000
- Deferred tax liabilities to be recovered within 12 months	353,000	-
Total Deferred Tax Liabilities	706,000	1,059,000

The movement of the deferred tax account is as follows:

	2011	2010
At January 1	1,830,000	(1,299,000)
Credit to the statement of income	439,000	1,346,000
Credit to equity	-	1,751,000
Other	-	32,000
At December 31	2,269,000	1,830,000

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

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

Assets	**Issuance costs**	**Long-term incentive plan accrual**	**Deferred placement fees**	**Partnership Interest**	**Other**	**Total**
At January 1, 2010	-	-	(49,000)	-	(4,000)	(53,000)
Addition/(reversal)	1,380,000	1,512,000	8,000	-	42,000	2,942,000
At December 31, 2010	1,380,000	1,512,000	(40,000)	-	37,000	2,889,000
Addition/(reversal)	(322,000)	566,000	8,000	(337,000)	171,000	86,000
At December 31, 2011	1,057,000	2,078,000	(32,000)	(337,000)	209,000	2,975,000

Liabilities	**Deferred placement fees**	**Net operating losses**	**Total**
At January 1, 2010	1,427,000	(181,000)	1,246,000
Addition/(reversal)	(368,000)	181,000	(187,000)
At December 31, 2010	1,059,000	-	1,059,000
Addition/(reversal)	(353,000)	-	(353,000)
At December 31, 2011	706,000	-	706,000

10. RELATED PARTY TRANSACTIONS AND BALANCES

Until May 19, 2010, the Company was owned by Althurst Holdings Inc. (Althurst), Mandukwe Inc. (Mandukwe) and an officer of the Company. The Company completed an initial public offering on May 20, 2010.

The Company leases office space from Mandukwe, a company that is owned by a director of Tricon. During the year ended December 31, 2011, the Company paid $92,000 in rental payments, including common costs to Mandukwe (2010 - $87,000).

Key management compensation

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

	For the Year Ended December 31, 2011	**2010**
Salaries, benefits and STIP (note 20)	$ 2,421,000	$ 2,026,000
Discretionary (pre-IPO) management bonus	-	2,013,000
Stock option expense (notes 20)	324,000	324,000
Phantom units	41,000	-
Gifted shares	-	4,170,000
LTIP paid	129,000	612,000
LTIP accrued (note 21)	1,660,000	4,312,000
	4,575,000	13,457,000
Director's compensation (note 20)	168,000	143,000
	$ 4,743,000	$ 13,600,000

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

Transactions with related parties

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

	For the Year Ended December 31, 2011	2010
Contractual management fees	$ 9,132,000	$ 9,943,000
General Partner distributions (i)	1,141,000	-
Performance fees	311,000	2,102,000
Investment income (loss)	(225,000)	14,000
	$ 10,359,000	$ 12,059,000

(i) The Company received General Partner distributions from an investment fund of $1,631,000 in 2011 (2010 – $nil), of which $490,000 was eliminated on consolidation as that investment fund was consolidated until June 15, 2011.

Balances arising from transactions with related parties

	December 31, 2011	December 31, 2010
Receivables from related parties included in accounts receivable		
Contractual management fees receivable from investment funds managed by the Company	$ 427,000	$ 436,000
Performance fees receivable from investment funds managed by the Company	11,000	103,000
Loans receivable from the funds	-	203,000
Other receivables	75,000	-
Payables to related parties included in accounts payable and accruals	391,000	69,000
Long Term Incentive Plan (current and non-current portion)	8,310,000	6,048,000
Short Term Incentive Plan	774,000	102,000
Dividends payable to employees and associated corporations	407,000	406,000

Revenues and receivables from related parties relate to contractual management and performance fees for services provided by the Company. The receivables are unsecured and are non-interest bearing except for the loans receivable from the funds which bear an interest rate of 9%. There are no provisions recorded against receivables from related parties at December 31, 2011 (December 31, 2010 - $nil).

The Company and its founding shareholders have indemnified the limited partners of certain funds the Company manages. Refer to note 17 for further details.

11. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. 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.

12. FINANCIAL INSTRUMENTS

The Company's activities expose it to certain financial risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's exposure to interest rate risk is limited due to the short-term nature of the Company's financial instruments with the exception of the long-term investments discussed below. The effects on net and comprehensive income (loss) of possible changes in interest rates resulting from changes in the fair values of, or cash flows associated with, the Company's financial instruments other than the long-term investments discussed below, would not be significant to the Company's operations.

The Company has exposure to foreign currency risk due to the effects of changes in foreign exchange rates related to investments and cash in US dollars. A one percentage movement in the US dollar exchange rate would result in an approximate $85,000 movement in unrealized foreign exchange income (loss) in the income statement.

Credit risk arises from cash and cash equivalents, short-term and long-term investments and accounts receivable. The Company's cash and cash equivalents, short-term and long-term investments are held by financial institutions with a minimum credit rating of AA. The Company's receivables consist primarily of contractual management fees and performance fees that are receivable from investment funds managed by the Company. Capital available at the investment funds' level mitigates the credit risk of the Company's receivables. The fair values of these financial instruments approximate their carrying values due to the short maturity of the financial instruments.

The maturities of all of the Company's financial liabilities are less than twelve months.

Long-term investments

The Company purchased two two-year Guaranteed Investment Certificates for a total of $4,000,000, bearing a 2.10% interest rate which will mature on November 18, 2013. The accrued interest was $10,000 as of December 31, 2011.

On May 25, 2011 the Company bought CIBC corporate bonds, with a face value of $6,450,000, at a premium of $439,000. The bonds have an interest rate 4.95% per annum with a yield of 2.3% payable semi-annually and mature on January 23, 2014. Management intends to hold the bonds to maturity. A 1% change in interest rates would impact the fair value of these bonds by $69,000.

The premium is amortized at the effective interest rate of 2.3% and is netted against the interest under Other Revenue. The premium amortization expense in 2011 was $97,000 (2010 – $nil). These bonds hold a credit rating of AA at December 31, 2011.

13. INVESTMENT IN ASSOCIATES

During the fourth quarter of 2011, the Company invested an additional US$0.3 million in The New Home Company ("TNHC"), an Orange County, California-based homebuilding and land development company for a total investment of US$7.7 million ($7.8 million Canadian equivalent as of December 31, 2011). The Company's total commitment to TNHC is US$10 million which is a 16.7% ownership interest in the investment. The fair value of the investment in TNHC at December 31, 2011 is US$7.7 million ($7.8 million Canadian equivalent).

The Company committed $20 million through its wholly-owned subsidiary Tricon Capital Fund XII Co-Investment Inc. to Tricon XII Limited Partnership ("Tricon XII") representing 29% ownership interest at inception. Tricon XII was formed on March 23, 2011 and incurred formation cost and operating expenses for the year ended December 31, 2011 of $931,000 which was consolidated in the Company's financial statements.

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

On June 15, 2011, Tricon XII had a second closing, which reduced the Company's ownership interest in Tricon XII to 14%. Therefore, the Company no longer consolidates Tricon XII effective June 15, 2011 and accounts for this investment at fair value through the consolidated statements of comprehensive income (loss). As new limited partners are admitted to Tricon XII during subsequent closings, the Company's interest in the fund will further decrease proportionately.

In accordance with the limited partnership agreement between Tricon XII limited partners, a portion of net income will be distributed to the general partner, Tricon Capital GP Inc., a wholly-owned subsidiary of the Company.

The fair value of the Company's investment in Tricon XII is $168,000 as of December 31, 2011 with a fair value loss of $238,000 included in Investment income (loss) in the consolidated statements of net and comprehensive income (loss).

Aggregated summarized financial information of all investments in associates is as follows:

	2011	**2010**
Current assets	5,971,000	5,459,000
Non-current assets	35,121,000	23,651,000
Current liabilities	2,688,000	4,007,000
Non-current liabilities	9,383,000	5,818,000
Revenue	43,486,000	30,293,000
Profit or (loss) for the year	(1,736,000)	103,000
Comprehensive income	(1,766,000)	86,000

The summarized financial information related to TNHC has been prepared in accordance with US GAAP.

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

Non-controlling interest

Non-controlling interest shown in the consolidated statements of net and comprehensive income (loss) represents the limited partners' share of Tricon XII. The non-controlling interest fair value is not reflected on the balance sheet as of December 31, 2011 as Tricon XII is no longer consolidated by the Company effective June 15, 2011 in accordance with IFRS 10 (December 31, 2010 - $nil).

14. INCOME (LOSS) PER SHARE

a) *Basic*

Basic income (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares outstanding during the year. At December 31, 2011 3,750 of the Company's stock options are dilutive at December 31, 2011 (there were no outstanding stock options at December 31, 2010).

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

	For the Year Ended December 31, 2011	2010
Net income (loss)	$ 544,000	$ (8,469,000)
Basic net income (loss) per share	$ 0.03	$ (0.61)
Weighted average number of common shares outstanding	18,240,004	13,891,829

b) *Diluted*

Diluted income (loss) per share is calculated by dividing net income (loss) by the sum of the weighted average number of shares outstanding during the year and weighted average number of potential shares outstanding from November 22, 2011 (vesting date of stock options) to December 31, 2011 (all stock options were anti-dilutive in 2010).

	For the Year Ended December 31, 2011	2010
Net income (loss)	$ 544,000	$ (8,469,000)
Diluted earnings (loss) per share	$ 0.03	$ (0.61)
Weighted average number of common shares outstanding	18,240,004	13,891,829
Adjustments for stock options	469	-
Weighted average number of common shares outstanding for diluted earnings per share	18,240,473	13,891,829

15. DIVIDENDS

Dividends of 6 cents per share were declared per quarter in 2011 and were paid on April 15, 2011, July 15, 2011, October 15, 2011, and January 13, 2012 respectively. The aggregate amount paid in the year was $4,377,000 (2010 - $2,188,000).

16. FORMATION COSTS AND GENERAL AND ADMINISTRATION EXPENSES

Formation costs

Formation costs relate to the new Canadian fund Tricon XII for the period January 1, 2011 to June 14, 2011 of $469,000, as well as formation costs relating to Tricon XI of $120,000 for the year ended December 31, 2011.

General and administration expenses

	For the Year Ended December 31, 2011	2010
Office and other	$ 815,000	$ 690,000
Rent (note 10)	92,000	87,000
Travel	69,000	27,000
	$ 976,000	$ 804,000

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

17. 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 at December 31, 2011 (December 31, 2010 - $nil).

18. ENTITY-WIDE DISCLOSURE

Operating segments are defined as components of an enterprise about which discrete separate financial information is available and which is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker is the Chief Executive Officer. The operations of the Company consist of a single operating segment. While the company has one operating segment it operates in different geographic markets within North America.

	For the Year Ended December 31, 2011	2010
Revenue		
Canada	$ 5,475,000	$ 6,803,000
United States of America	5,556,000	5,789,000
	$ 11,031,000	$ 12,592,000

	For the Year Ended December 31, 2011	2010
Non-current assets		
Canada	$ 14,798,000	$ 3,906,000
United States of America	9,918,000	3,149,000
	$ 24,716,000	$ 7,055,000

Revenue from funds under management that represent greater than 10% of revenues is as follows:

	For the Year Ended December 31, 2011	2010
Tri Continental Capital VI Limited Partnership	$ 1,004,000	$ 1,264,000
Tri Continental Capital VII Limited Partnership	1,617,000	1,687,000
Tricon VIII Limited Partnership	1,265,000	1,307,000
Tricon IX Limited Partnership	3,937,000	4,099,000
Tricon X Limited Partnership	997,000	1,287,000
Tricon XII Limited Partnership	1,141,000	-

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

19. OTHER INCOME

Other income comprises:

a) A gain on the disposal of the Company's 100% interest in MOD Developments Inc. on January 1, 2010 for net proceeds of $100 and the assumption by the acquirer of the liabilities of MOD Developments Inc. resulted in a gain of $139,000.

b) A gain on the disposal of an investment in real estate for net proceeds of $89,000 resulting in a gain of $76,000.

20. COMPENSATION ARRANGEMENTS

The breakdown of the various compensation arrangements is as follows:

	For the Year Ended December 31, 2011	2010
Stock options	557,000	555,000
Phantom units	78,000	-
Short-term incentive plan (included in salaries	774,000	356,000
Deferred Share Unit Plan	55,000	25,000
Gifted shares	-	5,041,000
Long-term incentive plan (note 21)	2,418,000	6,355,000

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

Stock option plan

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

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

The first issuance of options under the stock option plan occurred on May 19, 2010 of 895,000 stock options. On August 3, 2010, 71,500 additional stock options were granted to employees of the Company. 298,333 and 23,833 options were vested and exercisable on May 19, 2011 and August 3, 2011 respectively, however, no options have been exercised in 2011. On November 22, 2011, 55,000 additional stock options were granted of which 40,000 belong to employees of the Company and 15,000 to Spinnaker Capital Markets Inc. as partial consideration for services provided under the Service Agreement dated October 31, 2011. Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

	Average exercise price per share	Options (in thousands)
As of January 1, 2010	$ -	-
Granted during the year	5.94	966.5
Forfeited during the year	6.00	(25.0)
As of December 31, 2010	$ 5.94	941.5
Granted during the year	4.16	55.0
Forfeited during the year	-	-
As of December 31, 2011	$ 5.84	$ 996.5

	December 31, 2011	
Expiry date	**Exercise price per share**	**Options (in thousands)**
May 19, 2020	$ 6.00	870.0
August 3, 2020	5.26	71.5
November 22, 2020	4.16	55.0

The fair value of the options granted in 2010 and 2011 was determined using the Black-Scholes valuation model. The fair value of the options granted totaled $229,000 in 2011 and $1,428,000 in 2010. The significant inputs into the model were:

	May 19, 2010	August 3, 2010	November 22, 2011
Share price	$ 6.00	$ 5.50	$ 4.31
Exercise price	$ 6.00	$ 5.26	$ 4.16
Expected volatility	34%	34%	33%
Expected dividend yield	4.00%	4.36%	5.57%
Expected option life	6 years	6 years	6 years
Risk-free interest rate	3%	3%	2%
Weighted-average risk free rate	3.38%	3.35%	2.07%

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

Phantom unit plan

The Company adopted a Phantom Unit Plan on April 18, 2011 in accordance with the Toronto Stock Exchange (“TSX”) guidelines as approved by the shareholders on May 18, 2011. The Plan consists of share-based awards to officers and employees of, and advisors to, the Company and its subsidiaries.

	December 31, 2011	
Expiry date - December 1, 2014	Average exercise price per share	Units (in thousands)
As of January 1, 2010 and December 31, 2010	$ -	-
Granted during the year	4.16	192.3
Forfeited during the year	-	-
As at December 31, 2011	$ 4.16	192.3

The fair value of the units granted on November 22, 2011 totaled $800,000. All units will vest on the date that is one year following the date upon which the awards were granted, at which time the Company will issue common shares and retire the phantom units. $78,000 was recognized as stock compensation expense in the year ended December 31, 2011 (2010 - $nil).

Short-term incentive plan ("STIP")

All of the Company's employees participate in the STIP. The STIP pool is currently determined based on 12.5% of base operating income as defined in the plan and is paid on an annual basis in cash. Employees are required to be employed with the Company at the end of the financial year to receive a payment under the STIP.

STIP expense is accrued quarterly and is recorded in salaries and benefits expense. STIP expense for the year ended December 31, 2011 was $774,000 (December 31, 2010 - $356,000). STIP accrual as of December 31, 2011 is $113,000 (December 31, 2010 - $102,000).

Deferred share unit plan ("DSUP")

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

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

The liability is fair valued at each reporting date, based on the share price of the Company as at the reporting date and is recorded within current liabilities as there are no vesting requirements and payment takes place when a Board member resigns, which could take place at any time. DSUP expense for the year ended December 31, 2011 is $46,000 (2010 - $25,000).

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

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

Gifted shares

In the second quarter of 2010, 840,221 shares were gifted to executives and management in consideration for past services provided. These gifted shares are eligible to receive dividends, do not have any vesting restrictions, nor any conditions of any service or performance criteria, and are non-forfeitable. The gifted shares shall be released from escrow in one third tranches, over a three year period starting from May 20, 2010. The Company has no legal or constructive obligation to repurchase or settle the awards in cash.

The gifted shares were recorded in salaries and benefits expense based on their grant date value of $5,041,000. One third of these awards have been released on May 20, 2011.

21. LONG-TERM INCENTIVE PLAN ("LTIP")

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

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

If the expected performance fee cash flows relating to each project were increased or decreased by 5%, the LTIP liability would increase by approximately $92,000 or decrease by approximately $92,000. The weighted average discount rate used by management in calculating the fair value of performance fees for the LTIP liability is 30%. If the discount rate was increased or decreased by 5%, the LTIP liability would decrease by $221,000 or increase by $272,000, respectively.

LTIP Rollforward	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Opening balance - beginning of period	$ 6,048,000	$ -
Payments	(156,000)	(307,000)
LTIP expense	2,418,000	6,355,000
Closing balance - end of period	**$ 8,310,000**	**$ 6,048,000**

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

	December 31, 2011	December 31, 2010
Current	$ 40,000	$ 177,000
Long-term	8,270,000	5,871,000
	$ 8,310,000	**$ 6,048,000**

22. COMPARATVE FIGURES

The comparative numbers for 2010 were reclassified to conform to the current year's presentation as follows: a) LTIP payments from salaries and benefits expense to LTIP and b) the "Other Revenue" classification in the income statement was split into income or loss from partnerships and other revenue.

23. OTHER REVENUE

Other revenue represents interest income earned on short-term and long-term investments (net of bond premium amortization of $97,000) and temporary loans provided to the funds managed by the Company.

24. VARIABILITY OF RESULTS

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

25. SUBSEQUENT EVENTS

On March 14, 2012, the Company declared a dividend of $0.06 per share for a total dividend of $1,094,000, following approval from the Board of Directors.