

A solid platform for growth

AGF MANAGEMENT LIMITED Annual Report 2007

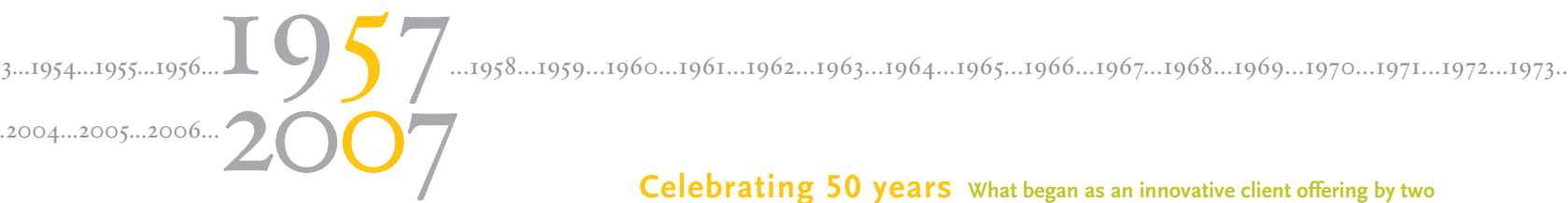


What are you doing after work?

AGF Management Limited is one of Canada’s leading independent financial services firms, with strong investment management roots going back to 1957. Fiscal 2007 marked AGF’s 50th anniversary and its most successful year from a financial results perspective. Through its offices across Canada and its subsidiaries around the world, AGF has a proud history of delivering top-quality, innovative products and services through a broad distribution network to more than one million investors.

With approximately \$54.0 billion in total assets under management and close to \$4 billion in loan assets, AGF strives to be the premier provider of investment management and financial solutions to retail, institutional and high-net-worth clients.

AGF’s products and services include a diversified family of more than 50 mutual funds, the AGF Harmony tailored investment program, the evolutionary AGF Elements portfolios, AGF institutional account services, high-net-worth products, and AGF Trust GICs, investment loans and real estate secured loans. AGF trades on the Toronto Stock Exchange under the symbol *AGF.B*.



Celebrating 50 years What began as an innovative client offering by two portfolio managers in 1957 has become one of Canada’s largest independent financial services companies with a global reach. Our goal has always been to deliver predictable excellence in investment management, a wide and relevant spectrum of financial products that meet our clients’ needs and outstanding client service.

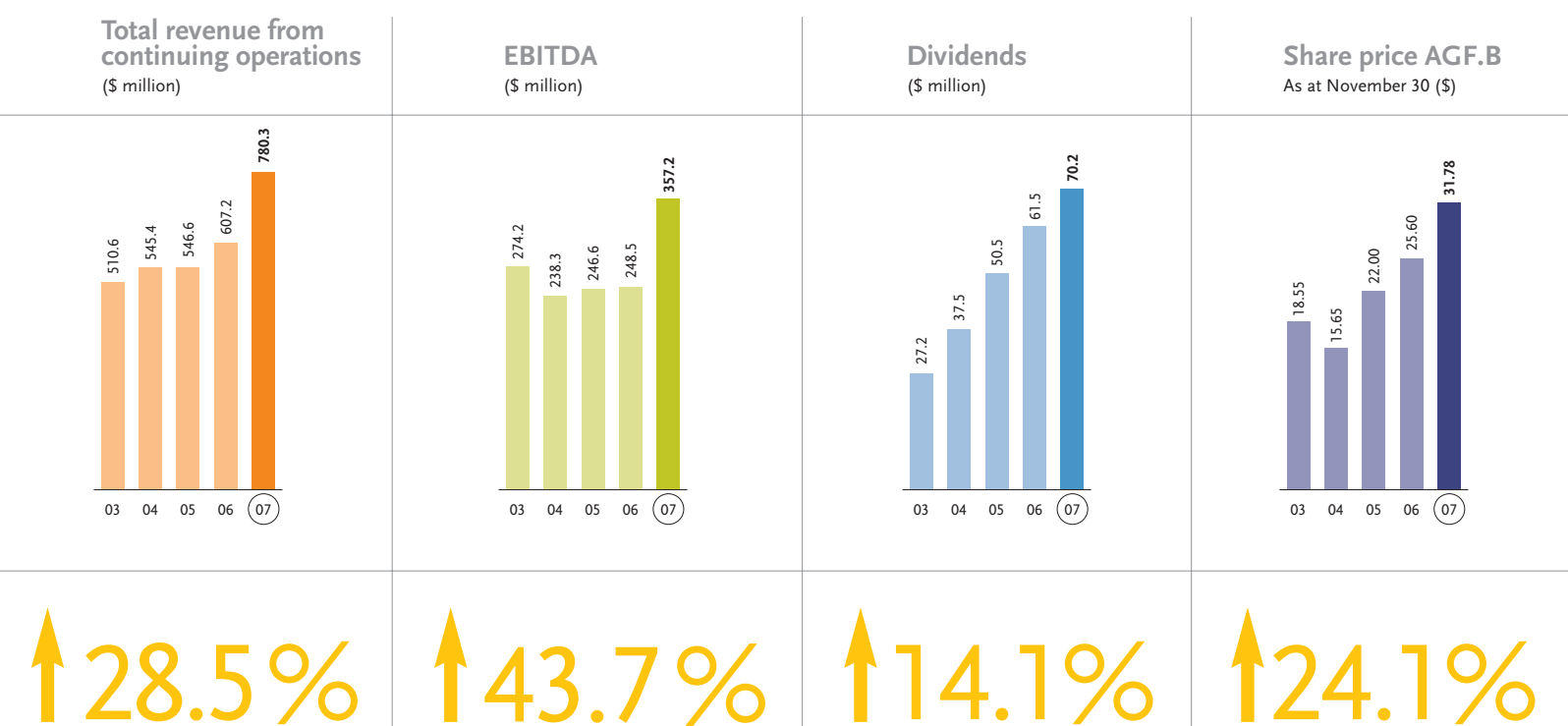
See inside back cover

TABLE OF CONTENTS

2	LETTER TO SHAREHOLDERS	58	CONSOLIDATED STATEMENTS OF INCOME
6	FINANCIAL MANAGEMENT	59	CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY
8	INVESTMENT MANAGEMENT EXPERTISE	60	CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
10	INVESTMENT MANAGEMENT – RETAIL	61	CONSOLIDATED STATEMENTS OF CASH FLOW
12	INVESTMENT MANAGEMENT – INSTITUTIONAL	62	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
14	AGF TRUST	82	CONSOLIDATED 10-YEAR REVIEW
16	SCORECARD	83	BOARD OF DIRECTORS EXECUTIVE OFFICERS PORTFOLIO MANAGERS
17	CHAIRMAN’S LETTER	84	AGF CORPORATE DIRECTORY SHAREHOLDER INFORMATION
18	AGF CORPORATE GOVERNANCE	IBC	A CELEBRATION OF 50 YEARS
21	MANAGEMENT’S DISCUSSION AND ANALYSIS		
55	MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING		
55	AUDITORS’ REPORT		
56	CONSOLIDATED BALANCE SHEETS		



- 2007 represented our fifth consecutive year of revenue growth, with total revenue for the fiscal year increasing by 28.5% over 2006
- Earnings before interest, taxes, depreciation and amortization (EBITDA) for fiscal 2007 increased by 43.7% over 2006, and related margins increased to 45.8% in 2007 compared with 40.9% in 2006
- Total dividends paid out in 2007 of \$70.2 million increased by 14.1% over the 2006 payout of \$61.5 million
- During the 2007 fiscal year, AGF Class B Shares, listed on the Toronto Stock Exchange, increased 24.1% over 2006



Building on a solid platform AGF's growth potential is based on demonstrated excellence in investment management, increasingly diversified revenue streams and strong advisor relationships, supported by a skilled management team and a respected brand with a 50-year history. We will build on this platform by adding new products and services – through organic growth and acquisitions – that meet the needs of our clients and provide returns to our shareholders.

Our business. AGF Management Limited is one of Canada's leading independent investment managers. Throughout its 50-year history, AGF has been committed to a client-centric approach of providing excellence in investment management.

AGF has three strong platforms for growth that generate significant opportunities for strategic synergies. This distinguishes AGF from its competitors in Canada. In addition, AGF has made strategic investments in operations such as Smith & Williams.

Through its focus on products and relationship and investment management, AGF has built sustainable momentum.

Products and services for our retail customers

AGF Trust provides financial products and services for the debt side of individual investors' balance sheets through mortgages, investment loans and other services. This capability distinguishes AGF from other investment management firms and enhances our overall value proposition to advisors, insurance agents and mortgage brokers who can now meet a greater proportion of their clients' financial services needs through a single, non-bank source.

An established solid network

By focusing on relationship management, investment management and product management, AGF has built a culture of predictable excellence in its retail business. The result is that our client advisors and their customers are well-positioned in both challenging and buoyant market conditions and have access to a range of investment products that meet their individual goals, styles and preferences. This strong foundation has resulted in excellent returns, with tremendous potential to leverage this dynamic base of business.



A solid platform



ment management companies, with offices across Canada and subsidiaries around the world.
ce in money management to meet and exceed the needs of its retail, institutional and high-net-worth clients.

This unique business model and seamless integration across platforms positions AGF well among its peers and
Williamson Holdings Limited, which allows AGF to partner with a strong owner-management team abroad.

momentum across each business unit and is poised to continue delivering solid returns to its shareholders.

Established and broad-based U.K. business

Including AGF's Dublin operations, AGF has a strong presence in Europe through its investment in Smith & Williamson, a company with 10 U.K. offices and 1,400 staff. Smith & Williamson is an independent provider of investment management, accountancy, tax, and corporate and financial advisory services to private clients, corporations, professional practices and non-profit organizations. As at November 30, 2007, Smith & Williamson managed investments of £8.8 billion for their clients.

A new initiative: leverage from our core expertise

We have restructured our institutional business to mirror the success of our retail operations and leverage our world class investment management team. With strong institutional portfolio managers and a wide and growing array of investment products and services, we have a unique market offering. We are putting in place a robust institutional sales engine to leverage this competitive advantage and increase our assets under management.

Smith & Williamson

Investment
Management
Institutional

Investment management expertise

AGF's business – and fundamental to maximizing growth – is our commitment to maintaining consistent, performance and continuity in the management of our funds. That means having the right people and the right products, to the highest standards of investment management. Investors know what to expect from AGF, and we deliver time and

22	Consolidated Performance	46	Liquidity and Capital Resources
22	Overview	47	Limited Partnership Financing
23	Corporate Strategy	47	Contractual Obligations
24	Key Performance Indicators and Non-GAAP Measures	47	Intercompany and Related Party Transactions
27	Risk Factors and Management	48	Dividends
29	Critical Accounting Policies	48	Outstanding Share Data
34	Controls and Procedures	48	Government Regulations
35	Consolidated Operating Results	50	Fourth Quarter Analysis
36	Outlook	51	Investment Management Operations
37	Business Segment Performance	52	Trust Company Operations
37	Investment Management Operations	53	Selected Quarterly Information
37	Business and Industry Profile	54	Selected Annual Information
37	Investment Management Operations Segment Strategy		
39	Assets Under Management		
40	Financial and Operational Results		
42	Segment Outlook		
42	Trust Company Operations		
42	Business and Industry Profile		
42	Trust Company Operation Segment Strategy		
44	Financial and Operational Results		
46	Segment Outlook		

Caution Regarding Forward-looking Statements

This Management's Discussion and Analysis (MD&A) includes forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. The forward-looking information is provided only as of the date of this MD&A. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action on our part is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations, business prospects, performance and opportunities. While we consider these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important risk factors such as level of assets under our management, volume of sales and redemption of our investment products, performance of our investment funds and of our investment managers and advisors, competitive fee levels for investment management products and administration and competitive dealer compensation levels, size and default experience on our loan portfolio and cost efficiency in our loan operations, as well as interest and foreign exchange rates, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, and our ability to complete strategic transactions and integrate acquisitions. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. We are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise. Please see the 'Risk Factors that May Affect Future Results' section for a further discussion of factors that may affect actual results.

Consolidated Performance

Overview

Management's Discussion and Analysis (MD&A) presents an analysis of the financial condition of AGF Management Limited (AGF) and its subsidiaries as at November 30, 2007, compared with November 30, 2006, and the results of operations for the year ended November 30, 2007, compared with the corresponding period of 2006. A discussion of the results for the three months ended November 30, 2007, compared with the three months ended November 30, 2006, is also included under the section 'Fourth Quarter Analysis'. This discussion should be read in conjunction with our audited Consolidated Financial Statements and Notes for the year ended November 30, 2007. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from our Consolidated Financial Statements prepared in accordance with Canadian generally accepted accounting principles (GAAP). We also utilize non-GAAP financial measures to assess each of our operating segments and our overall performance. Details of non-GAAP measures used are outlined in the 'Key Performance Indicators and Non-GAAP Measures' section, which provides calculations of the non-GAAP measures along with reconciliation of non-GAAP financial measures to GAAP financial statements. Certain prior-year data has been reclassified to conform to current-year presentation, including the reclassification arising from the sale of discontinued operations.

Throughout this discussion, percentage changes are calculated based on results rounded to the nearest thousand. Results, except per share information, are presented in millions of dollars.

AGF Management Limited is one of Canada's largest independent mutual fund and investment management companies with operations and investments in Canada, the U.K., Ireland and Asia. AGF finished the fiscal year with \$53.7 billion in assets under management (AUM). Fiscal 2007 represented our 50th anniversary. The American Growth Fund was launched in 1957, making it the first U.S. equities fund for Canadians. Fifty years later, as at November 30, 2007, we offered over 50 domestic and international mutual funds, as well as managed-asset programs (sold under our Elements and Harmony brands). We also have a substantial institutional investment management business, high-net-worth business, and a rapidly growing trust company.

For purposes of this discussion, the operations of AGF and our subsidiary companies are referred to as 'AGF', 'we', 'us', 'our' or 'the Company'. The financial results relating to the operations have been reported in three segments: Investment Management Operations, Trust Company Operations and Other.

The principal subsidiaries and associated companies included within each of our reportable segments, collectively referred to as the AGF Group of Companies (AGF), include:

Investment Management Operations Segment

The Investment Management Operations segment began in 1957. In the 50 years of operation, this segment has evolved from a Canadian-based mutual fund operation to a global investment platform with \$53.7 billion of AUM in the mutual fund, institutional, and high-net-worth markets. The operations within this segment are highly integrated and consist of the following legal entities:

AGF Funds Inc. (AGFFI) – provides investment management and advisory services and is responsible for the sales and marketing of AGF mutual funds. Based on AUM, AGFFI is one of the larger mutual fund organizations in Canada. AGFFI manages over 50 mutual funds, AGF Harmony managed-asset program and the evolutionary AGF Elements portfolios.

AGF Asset Management Group Limited (AMGL) – provides investment management and counselling services for institutions, corporations, endowments, estates, and high-net-worth clients. This group includes the operations of Cypress Capital Management Limited in Vancouver, Highstreet Asset Management Inc. in London, Ontario, Doherty & Associates Limited in Ottawa, and Magna Vista Investment Management Limited (formerly AGF Private Investment Management Limited) in Montreal.

AGF International Advisors Company Limited (AGFIA) – established in 1991, this Dublin-based operation provides investment research on advisory services for European and other international markets for a number of AGF mutual funds and other related clients. In addition, it also has global institutional investment management and advisory mandates.

AGF Asset Management Asia Limited (Asia) – established in 1996, this Singapore-based operation provides investment research and advisory services on Asian markets for AGF mutual funds and other clients.

Trust Company Operations Segment

AGF Trust Company (AGF Trust) – in operation since 1988, AGF Trust has \$3.7 billion in loan assets and offers a broad range of web-enabled products and services, including GICs, term deposits, real estate secured loans and investment loans, and Home Equity Lines of Credit (HELOC). AGF Trust is federally incorporated, licensed across Canada and a member of the Canadian Payments Association.

Other Segment

Smith & Williamson Holdings Limited (S&WHL) – is a leading, independent private client investment management, financial advisory and accounting group based in the U.K., with £8.8 billion of assets under management. We hold a 30.9% interest in this company as at November 30, 2007.

The following discussion provides details of our overall corporate business strategy and its achievements in fiscal 2007 as well as our key performance indicators, which are measures that we use to determine whether we have been successful in achieving our stated strategy.

It is also important to understand that significant risks and uncertainties related to our business exist, which may affect the achievement of our objectives and strategies. An overview of Risk Factors that May Affect Future Results related to our business and how we manage these risks has also been provided.

Finally, a discussion of Critical Accounting Policies follows. These accounting policies are an integral part of the preparation of our financial statements and require us to make estimates and assumptions that affect the amount of assets, liabilities, revenues and expenses reported in our financial statements.

With an understanding of our corporate strategy, relevant measures to determine success, the risk factors and our critical accounting policies, the discussion that follows should provide readers of this material with a management perspective of our operations.

Corporate Strategy

AGF Management Limited will foster the development of best-in-class operating segments to provide world-class financial services to clients in Canada and internationally. We will continue to identify opportunities within our business segments, ensuring that the appropriate resources are allocated to each of these segments so that shareholder value is maximized over the long term. In our 2006 MD&A, we indicated that our principal focus in fiscal 2007 would be to enhance our client-centric approach and promote our international investment management capabilities in multiple channels. In 2008, this continues to be our focus, which will translate into long-term improved financial results.

In terms of measuring long-term shareholder growth, we look to the following measures as indicators of achievement:

- > Revenue growth driven by new sales, market performance and client retention
- > Earnings before interest, taxes, depreciation, and amortization (EBITDA) growth
- > Improvement in EBITDA and pre-tax margins

Year-over-year improvement in these measures will result in improved cash flows as well as improved return on equity. Our objective is the return of a fair share of the annual cash flow to shareholders in the form of dividends and through share buybacks, with the remaining cash flow being invested in a manner intended to support future growth.

In 2007 we achieved the following with respect to our stated strategy and long-term value creation for shareholders:

- > Financial results for fiscal 2007 were the best in AGF's history, with EBITDA increasing by 43.7% over 2006 to \$357.2 million. Consolidated EBITDA margins improved to 45.8% in fiscal 2007 from 40.9% in fiscal 2006. These strong financial results contributed to our return on equity increasing to 17.4% in fiscal 2007 from 11.9% in fiscal 2006.
- > Within the Investment Management Operations segment, we better aligned our operations to the clients that we serve. As a result, we have realigned our sales and support efforts for retail clients, brokers, advisors, institutional and high-net-worth clients. The Investment Management Operations segment will leverage investment management capabilities and expertise for each of these client groups.
- > Our client-centric approach resulted in net sales improvement in our core mutual fund business. During fiscal year 2007, we recorded \$2.4 billion in net sales, a strong improvement over the \$0.4 billion recorded in the prior year.
- > At the 2007 annual Canadian Investment Awards, three funds were once again recognized for their success:
- > AGF European Equity Class: winner for a second consecutive year in the European Equity Fund category. It is now a five-time winner since 2001.
- > AGF Precious Metals Fund: winner for a second consecutive year in the Precious Metals Equity Fund category. It is now a three-time winner since 2001.
- > AGF Emerging Markets Fund: winner for the third consecutive year in the Emerging Markets Equity Fund category.

In addition, Blake C. Goldring, Chairman and Chief Executive Officer, was honoured with the industry's Person of Influence of the Year award. This award is presented to an individual who has proven superior performance and made an outstanding contribution to the financial community during the previous twelve months.

- > On December 1, 2006, we purchased 79.9% of Highstreet Partners Limited, which wholly owns Highstreet Asset Management Inc., an investment counsel firm based in London, Ontario, with \$4.8 billion in assets under management. Rob Badun, formerly Chief Executive Officer of Highstreet, was appointed the president of AMGL and is responsible for overseeing the strategic plan for growth in the institutional and high-net-worth businesses. The Highstreet acquisition expanded our presence and capabilities in the institutional market and the high-net-worth market. Highstreet's investment style is quantitative in nature, which complements our existing investment management expertise.
- > Total assets under management of \$53.7 billion as at November 30, 2007, increased by 25.7% over the \$42.8 billion of AUM as at November 30, 2006. Excluding the \$4.8 billion of AUM acquired with the acquisition of Highstreet Partners Limited as described above, organic growth in assets under management for the year was 14.4%.
- > We delivered value directly to our shareholders through dividend payments and our share buyback program.
 - i) Dividends paid on AGF Class A voting common shares and AGF Class B non-voting shares (AGF Class B shares) increased to \$70.2 million in 2007 as compared with \$61.5 million in fiscal 2006. The annual per share dividend rate increased to \$0.80 per share compared to \$0.72 per share a year earlier.
 - ii) We continued our share buyback program. We repurchased 1,437,800 AGF Class B shares during 2007 as compared with repurchases of 700,000 shares in fiscal 2006. Blackout restrictions and limited availability of large blocks of AGF Class B shares limited repurchase activity in 2007.

Including dividends and share repurchases, we returned 72.7% of our free cash flow to shareholders. We define free cash flow as cash flow from operations before net change in non-cash balances related to operations, less selling commissions paid. Starting with our dividend payment in March of 2008, our annual dividend rate will increase to \$1.00 per share.

- > AGF Management Limited has supported the growth of AGF Trust by investing \$86.5 million in 2007, bringing our total investment of debt and equity capital to \$221.3 million. AGF Trust real estate secured loans have grown 68.4% over the prior

year and investment loans have grown 52.1%. AGF Trust now has \$3.7 billion in loan assets and is a significant contributor to the financial results of AGF. The estimated value of AGF Trust is well in excess of the capital invested in the business.

- > In fiscal 2007, we concluded the sale of Investmaster, completing our initiative to sell non-core business operations.

We remain committed to our corporate strategy, which targets sustainability, profitability and value for our shareholders in the years to come. Further discussions of specific business segment strategies follow.

Key Performance Indicators and Non-GAAP Measures

We measure the success of our business strategies using a number of key performance indicators (KPIs), which are outlined below. With the exception of revenue, the following key performance indicators are not measurements in accordance with Canadian GAAP and should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP. Segment discussions include a review of key performance indicators that are relevant to each segment.

a) Consolidated Operations

Revenue

Revenue is a measurement defined by Canadian GAAP and is recorded net of fee rebates, sales taxes and distribution fees paid to limited partnerships. Revenue is indicative of the potential to deliver cash flow.

We derive our revenue principally from a combination of the following:

- > management and advisory fees based on AUM
- > deferred sales charges (DSC) earned from investors when mutual fund securities sold on a DSC basis are redeemed
- > net interest income earned on AGF Trust's loan portfolio

EBITDA

We define EBITDA as earnings before interest expense, income taxes, depreciation and amortization. EBITDA is a standard measure used in the mutual fund industry by management, investors and investment analysts in understanding and comparing results. We believe this is an important measure because it allows us to assess our investment management businesses without the impact of amortization. EBITDA for the Trust Company Operations segment includes interest expense related to deposits. These deposits fund our investment loan and real estate secured loan programs, and therefore are considered an operating cost directly related to generating interest revenue. We include this interest expense in Trust Company Operations EBITDA to provide a meaningful comparison to our other business segments and our competitors.

Please see the Consolidated Operating Results section on page 35 of this MD&A for a schedule showing how EBITDA reconciles to our GAAP financial statements.

Cash Flow from Operations

We report cash flow from operations before net changes in non-cash balances related to operations. Cash flow from operations helps to assess the ability of the business to generate cash, which is used to pay dividends, repurchase shares, pay down debt and fund other needs.

(\$ millions)		
Years ended November 30	2007	2006
Net cash provided by continuing operating activities	\$ 400.1	\$ 222.9
Less: net changes in non-cash balances related to operations	86.7	8.6
Cash flow from continuing operations	\$ 313.4	\$ 214.3

Free Cash Flow from Operations

We define free cash flow as cash flow from operations before net changes in non-cash balances related to operations less selling commissions paid. This is a relevant measure in the investment management business since a substantial amount of cash is spent on upfront commission payments. Free cash flow represents cash available for distribution to our shareholders and for general corporate purposes.

(\$ millions)		
Years ended November 30	2007	2006
Cash flow from continuing operations (defined above)	\$ 313.4	\$ 214.3
Less: selling commissions paid	154.3	101.4
Free cash flow	\$ 159.1	\$ 112.9

EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our overall operating performance. We believe EBITDA margin is a valuable measure because it assesses the extent to which we are able to earn profit from each dollar of revenue. We define EBITDA margin as the ratio of EBITDA to revenue.

(\$ millions)		
Years ended November 30	2007	2006
EBITDA	\$ 357.2	\$ 248.5
Divided by revenue	780.3	607.2
EBITDA margin	45.8%	40.9%

Pre-tax Profit Margin

Pre-tax profit margin provides useful information to management and investors as an indicator of our overall operating performance. We believe pre-tax profit margin is a valuable measure because it assesses the extent to which we are able to earn profit from each dollar of revenue. We define pre-tax profit margin as the ratio of income before taxes and non-segmented items to revenue.

(\$ millions)		
Years ended November 30	2007	2006
Income before taxes and non-segmented items	\$ 222.6	\$ 113.8
Divided by revenue	780.3	607.2
Pre-tax profit margin	28.5%	18.7%

Return on Equity (ROE)

We monitor ROE to assess the profitability of the consolidated company on an annual basis. We calculate ROE by dividing net income by average shareholders' equity. ROE is a KPI that we use to assess prospective investments and to monitor past investments.

(\$ millions)		
Years ended November 30	2007	2006
Net income	\$ 178.7	\$ 112.7
Divided by average shareholders' equity	1,024.4	949.0
Return on equity	17.4%	11.9%

b) Investment Management Operations

Assets Under Management (AUM)

The amount of AUM is critical to our business since it is from these assets that we generate fees from our mutual fund, institutional and high-net-worth relationships. AUM will fluctuate in value as a result of investment performance, sales and redemptions.

Mutual fund AUM determine a significant portion of our expenses because we pay upfront commissions and trailing commissions to financial advisors as well as investment advisory fees based on the value of AUM.

Investment Performance (Market Appreciation (Depreciation) of Investment Portfolios)

Investment performance, which is shown net of management fees received, is a key driver of the level of AUM and is central to the value proposition that we offer advisors and unitholders. Growth in AUM resulting from investment performance increases the wealth of our unitholders and, in turn, we benefit from higher revenues. Alternatively, poor relative investment performance may result in redemptions, which reduce our AUM levels and management fee revenues. Strong relative investment

performance may also contribute to gross sales growth or reduced levels of redemptions.

Net Sales

One of the goals of our mutual fund business is to generate positive net sales on an annual basis, which allows for increasing revenues. Gross sales and redemptions as a percentage of AUM are monitored separately, and the sum of these two amounts comprises net sales. Net sales, together with investment performance and fund expenses, determine the level of average daily mutual fund AUM, which is the basis on which management fees are charged. The average daily mutual fund AUM is equal to the aggregate average daily net asset value of the AGF mutual funds.

We monitor inflows and outflows in our high-net-worth and institutional businesses separately. Due to the reporting systems used in these businesses, we do not compute an average daily AUM figure for these businesses.

EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our operating performance in our Investment Management Operations segment. We believe EBITDA margin is a valuable measure since it assesses the extent to which we are able to earn profit from each dollar of revenue. We define EBITDA margin as the ratio of EBITDA to revenue.

(\$ millions)

Years ended November 30	2007	2006
EBITDA	\$ 298.9	\$ 210.9
Divided by revenue	674.6	537.0
EBITDA margin	44.3%	39.3%

Pre-tax Profit Margin

Pre-tax profit margin provides useful information to management and investors as an indicator of our operating performance in the Investment Management Operations segment. We believe pre-tax profit margin is a valuable measure since it assesses the extent to which we are able to earn profit from each dollar of revenue. We define pre-tax profit margin as the ratio of income before taxes and non-segmented items to revenue.

(\$ millions)

Years ended November 30	2007	2006
Income before taxes and non-segmented items	\$ 176.7	\$ 80.6
Divided by revenue	674.6	537.0
Pre-tax profit margin	26.2%	15.0%

c) Trust Company Operations

Loan Asset Growth

In the Trust Company Operations (AGF Trust) segment, we focus on growth in our investment and real estate secured loans. New originations net of repayments drive the outstanding balance of loans on which we charge interest. Loan asset growth increases our revenue and assists with our ability to improve our profits in AGF Trust.

Net Interest Income

Net interest income is a common lending industry performance indicator. We monitor this figure to evaluate the growth of the financial contribution of AGF Trust. The figure is calculated by subtracting interest expense from interest income earned from AGF Trust loan assets.

(\$ millions)

Years ended November 30	2007	2006
Interest income	\$ 236.7	\$ 131.4
Less: interest expense	158.5	84.0
Net interest income	\$ 78.2	\$ 47.4

Net Interest Margin

Net interest margin is equal to annualized net interest income divided by the average yearly total loan balance.

(\$ millions)

Years ended November 30	2007	2006
Net interest income	\$ 78.2	\$ 47.4
Divided by average yearly total loan balance	3,019.6	1,786.8
Net interest margin	2.59%	2.65%

Efficiency Ratio

The efficiency ratio is a standard lending-industry KPI which measures the efficiency of the organization. We use this ratio to ensure that expenses are contained as AGF Trust grows. The ratio is calculated from AGF Trust results by dividing non-interest expenses by the total of net interest income and non-interest income.

(\$ millions)		
Years ended November 30	2007	2006
Selling, general and administrative expense	\$ 36.4	\$ 24.1
Add: amortization expense	1.7	1.1
Non-interest expense	\$ 38.1	\$ 25.2
Other income	\$ 8.2	\$ 5.0
Gain from securitization and related items	10.8	12.6
Non-interest income	\$ 19.0	\$ 17.6
Net interest income	\$ 78.2	\$ 47.4
Add: non-interest income	19.0	17.6
Total of net interest income and non-interest income	\$ 97.2	\$ 65.0
Efficiency ratio	39.2%	38.8%

EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our operating performance in our Trust Company Operations segment. We believe EBITDA margin is a valuable measure since it assesses the extent to which we are able to earn profit from each dollar of revenue. We define EBITDA margin as the ratio of EBITDA to revenue.

(\$ millions)		
Years ended November 30	2007	2006
EBITDA	\$ 49.8	\$ 32.4
Divided by revenue	97.2	65.0
EBITDA margin	51.2%	49.8%

Pre-tax Profit Margin

Pre-tax profit margin provides useful information to management and investors as an indicator of the operating performance in our Trust Company Operations segment. We believe pre-tax profit margin is a valuable measure since it assesses the extent to which we are able to earn profit from each dollar of net interest income. We define pre-tax profit margin as the ratio of income before taxes and non-segmented items to total revenue.

(\$ millions)		
Years ended November 30	2007	2006
Income before taxes and non-segmented items	\$ 48.1	\$ 31.3
Divided by revenue	97.2	65.0
Pre-tax profit margin	49.5%	48.2%

Risk Factors and Management

Risk is the responsibility of the Executive Committee of AGF Management Limited (AGF). The group is made up of the Chairman and Chief Executive Officer (CEO) of AGF, the Senior Vice-President and Chief Financial Officer of AGF, the Senior Vice-President and General Counsel of AGF, as well as the presidents of each of AGF Funds Inc., AGF Asset Management Group Limited and AGF Trust Company.

The Chairman and CEO is directly accountable to the Board of Directors for all of AGF's risk-taking activities. The Executive Committee reviews and discusses significant risk action plans that arise in executing the enterprise-wide strategy and ensures that risk oversight and governance occur at the most senior levels of management. Each of the business units owns and assumes responsibility for managing its risk. They do this by ensuring that policies, processes and internal controls are in place and by reporting any significant risk identified in the business units to the Executive Committee.

AGF Management Limited also oversees or operates key functions for each of the business units on a shared services basis. These functions include Finance, Internal Audit, Human Resources, Compensation, Information Technology, Fund Oversight, Legal and Compliance. These functions also play a significant role in ensuring the consistency of risk management practices and standards across the company in areas that are common to the business units.

In addition, AGF Management Limited facilitates a disciplined approach to risk-taking through policy formation, reporting and oversight of the operational units.

AGF's risk governance structure is designed to balance risk and reward and promote business activities consistent with our standards and risk tolerance levels, with the objective of maximizing long-term shareholder value.

AGF Trust is also subject to the Basel 2 framework, which was developed by the Basel Committee on Banking Supervision, with the objectives of improving the consistency of capital requirements internationally and making required regulatory capital more risk sensitive. Basel 2 sets out several options which represent increasingly risk-sensitive approaches to calculating credit-, market- and operational-risk-based regulatory capital. AGF Trust will use the standardized approach for credit risk under the Basel 2 capital adequacy regime. It is the simplest approach, which uses supervisory determined risk weights to measure risk-weighted assets. The standardized approach under the Basel 2 is principally distinguished from the prior capital adequacy regime for AGF Trust. It provides some recognition of the credit risk mitigation provided by mutual funds as collateral for secured investment loans and

imposes a somewhat lower risk-weight for retail credit exposures than under the prior capital adequacy regime.

AGF Trust will use the basic indicators approach for determining capital required related to operational risk under the Basel 2 capital adequacy regime. The basic indicators approach uses gross income as a proxy for the institution's overall operational risk. The capital required related to operational risk is determined by multiplying the average of the trailing three years' gross income by a fixed percentage.

Risk Factors that May Affect Future Results

There are many factors that may affect our ability to execute against our strategy. Some of these factors are within our control and others, because of their nature, are beyond our control. These factors apply to our corporate strategy as well as the business-specific strategies, which are included in the segment discussions that follow.

Company-Specific Risk Factors

Investment Management Operations

Demand for our products depends on the ability of our investment management team to deliver value in the form of strong investment returns, as well as the demand for specific investment products. A specific fund manager's style may fall out of favour with the market, resulting in lower sales and/or higher redemptions.

Our future financial performance will be influenced by our ability to successfully execute our client-centric strategy and maintain our net sales. If sales do not materialize as planned or key personnel cannot be retained, margins may erode.

Our strategy includes strategic acquisitions. There is no assurance that we will be able to complete acquisitions on the terms and conditions that satisfy our investment criteria. After transactions are completed, meeting target return objectives is contingent upon many factors, including retaining key employees and growth in AUM of the acquired companies.

Most of our AUM are from financial advisors or strategic partners that offer our products along with competing products. AGF's brand and investment performance have contributed to our success in the past; however, our future success is dependent on access to distribution channels that are independent of our company.

Trust Company Operations

AGF Trust has experienced a substantial amount of growth in recent reporting periods. The success of this fast-growing business is dependent on our systems and processes being adequate to process increasing volumes of business. System or

process failures could result in financial losses or an inability to sustain high growth rates.

The Trust Operations' lending depends on a network of independent financial advisors, mortgage brokers and referral institutions. If service levels were to decline or if the Trust Operations products no longer met the needs of clients, it might become difficult to attract new lending business.

Non-Company Risk Factors

Investment Management Operations

The level of competition in the industry is high. Sales and redemptions of mutual funds may be influenced by relative service levels, management fees, attributes of specific products in the marketplace and actions taken by competitors.

We take all reasonable measures to ensure compliance with governing statutes, regulations or regulatory policies. A failure to comply with statutes, regulations or regulatory policies could result in sanctions or fines that could adversely affect earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could affect us by changing certain economic factors in our industry. See the 'Government Regulations' section for further details.

Revenues are generally not subject to significant seasonal swings. We experience somewhat higher sales during the Retirement Savings Plan (RSP) season; however, the immediate impact of the level of sales on total revenue is not significant. The Selected Quarterly Information table shows key performance statistics for the past eight quarters.

Our revenue is highly correlated to the value of AUM. As a result, we are exposed to general stock market fluctuations. A prolonged stock market decline would reduce revenue and therefore earnings in our Investment Management Operations segment.

Trust Company Operations

A general economic downturn and an increased unemployment rate could lead to reduced creditworthiness of the Trust segment borrowers. This could lead to increased default rates and an adverse impact on financial results. There is a risk that an increase in interest rates could slow the pace of housing sales and adversely affect growth in the residential mortgage market, which could adversely affect the ability to sustain present growth rates.

Credit and counterparty risk is the potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan, which is the most significant measurable risk that AGF Trust faces.

Credit risk, and the review of exposures to such, is the responsibility of the President and the Chief Financial Officer of AGF Trust, with overall review of results by the Chairman and CEO as well as the CFO of AGF Management Limited. Effective credit risk management begins with experienced professional lending staff who operate in an environment with clearly defined lending limits.

We monitor both performing and non-performing loan portfolios to assess credit risk. AGF Trust employs a disciplined approach to loan loss evaluation, with prompt identification of problem loans being a key management objective.

Recent disruptions to credit markets have affected the traditional spread relationship between the Banker's Acceptance rate (BA) and the Prime lending rate. A sustained compression in the spread between Prime and the BA rate will lead to a reduction in the net interest margin earned by AGF Trust.

Pricing pressures in the real estate secured or investment loan markets could potentially result in net interest margin compression for our Trust Company Operations segment. Net interest margin compression would adversely affect profitability.

Funding of the Trust Company's loan business is highly dependent upon the Trust Company's ability to access the Guaranteed Investment Certificate (GIC) market through intermediaries. Failure to access the market at reasonable interest rates may result in an inability to originate new loan assets and cause eventual erosion on existing business relationships since GICs, once they have matured, will likely not be renewed.

In addition, if access to GIC markets becomes restricted, it may result in higher interest rates being paid by the Trust Company to maintain its standing in the GIC market, which, in turn, will result in additional costs to AGF Trust.

Our Trust Company Operations segment is also exposed to stock market levels since collateral for secured investment loans consists of mutual fund assets, which are highly correlated to general stock market levels. In addition, the Trust Company Operations segment is exposed to the level of housing prices since collateral for real estate secured loans consists mainly of residential real estate.

Foreign Exchange Risk

Our main foreign exchange risk derives from the U.S. and international portfolio securities held in the mutual fund AUM. Changes in the value of the Canadian dollar relative to foreign currencies will cause fluctuations in the Canadian-dollar value of non-Canadian AUM upon which our management fees are calculated. We monitor this risk, since currency fluctuation may influence the financial results of AGF. However, it is the discretion

of the fund manager to decide whether to enter into foreign exchange contracts to hedge foreign exposure on U.S. and international securities held in funds.

We are subject to foreign exchange risk on our integrated foreign subsidiaries in Ireland and Singapore, which provide investment advisory services. These subsidiaries retain minimal monetary exposure to the local currency, their revenues are calculated in Canadian dollars and the local currency expenses are comparatively small.

We are subject to foreign exchange risk related to our 30.9% interest in S&WHL, which is denominated in U.K. pounds. On our balance sheet, the investment is presented in Canadian dollars using the exchange rate prevailing on the balance sheet date.

Interest Rate Risk

Excluding the AGF Trust operations, we have limited exposure to the risk related to changes in interest rates on floating rate debt as at November 30, 2007. Using average loan balances outstanding, the effect of a 1% change in variable interest rates on this debt in fiscal 2007 would have resulted in a change of approximately \$1.6 million in interest expense for the year ended November 30, 2007. As the amount of interest paid is small relative to our operating cash flow, such a change in interest rates would not have a material impact on the results of operations or the fair value of the related debt.

For the AGF Trust operations, the impact of a 1% change in interest rates either up or down would be a change of annual net interest income of approximately \$2.2 million.

The foregoing discussion is not an exhaustive list of all risks and uncertainties regarding our ability to execute against our strategy. Readers are cautioned to consider other potential risk factors when assessing our ability to execute against our strategy.

Critical Accounting Policies

Accounting policies are an integral part of the preparation of our financial statements in accordance with generally accepted accounting principles (GAAP) in Canada. Understanding these policies is a key factor in understanding our reported results of operations and financial position. For a discussion of all of our significant accounting policies, see Note 1 of the Notes to Consolidated Financial Statements. Certain critical accounting policies require us to make estimates and assumptions that affect the amount of assets, liabilities, revenues and expenses reported in the financial statements. Due to their nature, estimates involve judgement based on available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the consolidated financial statements.

Significant Accounting Changes

- (a) **Financial Instruments, Hedges and Comprehensive Income**
On December 1, 2006, the Company adopted four new accounting standards: CICA Handbook Section 1530 Comprehensive Income, Section 3855 Financial Instruments – Recognition and Measurement, Section 3861 Financial Instruments – Disclosures and Presentation, and Section 3865 Hedges. The adoption of these new standards resulted in changes in the accounting for financial instruments and hedges as well as the recognition of certain transitional adjustments that have been recorded in opening retained earnings or opening accumulated other comprehensive income as outlined below. Comparative amounts related to prior periods have not been restated.

Comprehensive Income

Section 1530 introduces Comprehensive Income, composed of the Company's net income and other comprehensive income (OCI). Other comprehensive income will include unrealized gains and losses on available-for-sale financial assets, foreign currency translation on net investments in self-sustaining foreign operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes. Accumulated other comprehensive income (AOCI) is a new component of shareholders' equity. The Consolidated Statements of Changes in Shareholders' Equity has replaced the Consolidated Statements of Retained Earnings in the Company's financial statements. The Consolidated Statements of Comprehensive Income has also been added to the Company's financial statements.

Financial Instruments – Recognition and Measurement

Under Section 3855, financial assets and financial liabilities are initially recognized at fair value. Measurement in subsequent periods is dependent upon the classification of each instrument. The standard requires that all financial assets be classified as either held for trading, available for sale (AFS), held to maturity (HTM) or loans and receivables. Financial liabilities are classified as either trading or other.

Financial assets and financial liabilities held for trading are measured at fair value, with the changes in fair value reported in earnings. Financial assets held to maturity, loans and receivables, and financial liabilities other than those held for trading are measured at amortized cost using the effective interest method. Available-for-sale financial assets are measured at fair value, with unrealized gains and losses, including changes in foreign exchange rates, recognized in OCI until the financial asset is disposed of or becomes impaired.

Derivative instruments are recorded on the balance sheet at fair value. Changes in the fair value of derivative instruments are recognized in earnings, except for derivatives that are designated as a cash flow hedge, the fair value change for which is recognized in OCI.

The categories of the Company's financial assets and liabilities and the related transitional adjustments are:

Available for sale:

- (i) Short-term investments, which partially consist of investments in mutual funds of AGF and securities that will form the basis for commercial products. On transition, investments totalling \$10.7 million were classified as available for sale on December 1, 2006, which gave rise to an adjustment to AOCI of \$3.2 million (\$2.7 million net of tax).
- (ii) Retained interests from securitization have been re-measured to reflect the fair value. On transition, retained interests of \$27.7 million were classified as available for sale on December 1, 2006, which gave rise to an adjustment to AOCI of \$1.4 million (\$1.0 million net of tax).

Loans and receivables and financial liabilities other than those held for trading:

- (i) The Company's financial assets include accounts receivable, real estate secured loans and investment loans, and its financial liabilities other than those held for trading are comprised of deposits. On December 1, 2006, as a result of the adoption of Section 3855, the Company reclassified \$15.9 million of related transaction costs from accounts receivable and \$1.9 million of related fees from accounts payable and accrued liabilities to real estate secured and investment loans and deposits.

Held for trading:

Certain derivative instruments that are held for economic hedging purposes, and do not meet the requirements of Section 3865, are also classified as non-trading derivatives, but the change in fair value of these derivatives is recognized in other income. All non-trading derivatives are recorded on the Consolidated Balance Sheet in other assets or liabilities.

Hedges

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies. Derivative instruments are used to manage the Company's exposure to interest rate risks and exposure to increases in compensation

costs arising from certain share-based compensation. The Company does not enter into derivative financial instruments for trading or speculative purposes. When derivative instruments are used, the Company determines whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a fair-value hedge or a cash-flow hedge. In accordance with Section 3865, the accumulated ineffectiveness of hedging relationships must be measured, and the ineffective portion of changes in fair

value must be recognized in the Consolidated Statement of Income. As a result, the opening balance of retained earnings was adjusted by \$0.025 million. For the Company's detailed accounting policy on hedge accounting, refer to the Derivatives section in Note 1 of the Consolidated Financial Statements.

Impact upon Adoption of Sections 3855, 3865 and 1530

A summary of transition adjustments recognized as at December 1, 2006, as outlined above is as follows:

(in thousands of dollars)	As at November 30, 2006	Adjustment upon adoption of Section 3855	As at December 1, 2006
Assets			
Short-term investments	\$ 10,723	\$ 3,271	\$ 13,994
Retained interest from securitization (current and long-term)	27,660	1,352	29,012
Accounts receivable	96,031	(15,928)	80,103
Real estate secured and investment loans (current and long-term)	2,306,623	3,183	2,309,806
Impact on totals assets		\$ (8,122)	
Liabilities and shareholders' equity			
Deposits	\$ 2,488,264	\$ (7,074)	\$ 2,481,190
Derivative instruments market valuation	–	(3,754)	(3,754)
Future income tax	230,305	998	231,303
Accounts payable and accrued liabilities	160,259	(1,900)	158,359
Impact on total liabilities		(11,730)	
Shareholders' equity			
Foreign currency translation adjustments	159	(159)	–
Retained earnings	565,576	(25)	565,551
Accumulated other comprehensive income			
Foreign currency translation adjustments related to net investments in self-sustaining operations	–	159	159
Unrealized gains on available-for-sale assets	–	3,633	3,633
Accumulated other comprehensive income	–	3,792	3,792
Impact on shareholders' equity		3,608	
Impact on liabilities and shareholders' equity		\$ (8,122)	

(b) Trust Company Operations Net Interest Income
Commencing December 1, 2006, the presentation of the Trust Operations income has been revised to present net deposit interest expense and other interest expense in net interest income, as detailed in Note 19 of the Consolidated Financial Statements. Comparative periods presented have been restated, with interest and investment income being reclassified from administration fees, interest and other revenue, and other interest expense being reclassified from interest on Trust Company deposits and selling, general and administrative expenses.

(c) Purchase Price Allocations and Amortization of Intangible Assets
On December 1, 2006, the Company acquired 79.9% of Highstreet Partners Limited (Highstreet). The allocation of the purchase price for this transaction involved significant judgements in determining the fair values assigned to the intangible assets acquired on acquisition. The determination of these fair values involved the use of discounted cash flow analysis, estimated future margins, estimated assets under management (AUM) and estimated market growth.

The determination of the estimated useful lives of the intangible assets that are customer contracts involves historical redemption rates of the AUM and judgements regarding the applicability of these rates going forward. Based on this, the estimated useful lives of customer contracts acquired is seven years. Accordingly, customer contracts will be amortized on a straight-line basis over seven years. Management contracts, trademarks and goodwill are not amortized but are subject to an annual impairment test. Refer to Note 4 of the Consolidated Financial Statements for the fair value allocation of the net assets acquired.

- (d) **Accounting Policy Choice for Transaction Costs**
On June 1, 2007, the Emerging Issues Committee (EIC) of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held for trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held for trading, but permits a different policy choice for financial instruments that are not similar. EIC-166 will be effective for the Company on November 30, 2007, and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. Our current recognition policy for transaction costs is consistent with this guidance.

Transaction costs related to trading securities are expensed as incurred. Transaction costs related to AFS are capitalized. Transaction costs related to HTM, loans and receivables, and deposits are generally capitalized and are then amortized using the effective interest method.

Income Taxes

The Company follows the liability method in accounting for income taxes whereby future income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates which are expected to be in effect when the future income tax assets or liabilities are expected to be realized or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Future income tax assets are recognized to the extent that realization is considered more likely than not.

Deferred Selling Commissions (DSC)

Selling commissions paid to brokers on mutual fund securities sold on a DSC basis are recorded at cost and are amortized on a straight-line basis over a period that corresponds with the applicable DSC schedule (which ranges from three to seven years). Unamortized deferred selling commissions are written down to the extent that the carrying value exceeds the expected future revenue on an undiscounted basis.

Property, Equipment and Computer Software

Property, equipment and computer software, which is comprised of furniture and equipment, computer hardware, computer software, leasehold improvements and equipment under capital lease, is stated at cost net of accumulated amortization. Amortization is computed using the following methods based on the estimated useful lives of these assets:

Furniture and equipment	20% declining balance
Computer hardware	30% declining balance
Leasehold improvements	straight-line over term of lease
Computer software	straight-line over 3 years

Finite Life Intangible Assets

Finite life intangible assets, which are comprised of customer contracts and relationships, are stated at cost net of accumulated amortization. Amortization is computed on a straight-line basis over 7 to 15 years based on the estimated useful lives of these assets.

Impairment of Long-lived Assets

Impairment of long-lived assets is recognized when an event or change in circumstance causes the assets' carrying value to exceed the total undiscounted cash flows expected from their use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset or group of assets from its carrying value.

Goodwill, Management Contracts and Trademarks

The purchase price of acquisitions accounted for under the purchase method and the purchase price of investments accounted for under the equity method are allocated based on the fair values of the net identifiable assets acquired, including management contracts and other identifiable intangible assets. The excess of the purchase price over the values of such assets is recorded as goodwill. Management contracts and trademarks have been determined to have an indefinite life.

Goodwill, management contracts and trademarks are not amortized, but are subject to impairment tests on at least an annual basis. Goodwill is allocated to the reporting units, and any impairment is identified by comparing the carrying value of a reporting unit with its fair value. If any impairment is indicated,

then it is quantified by comparing the carrying value of goodwill to its fair value, based on the fair value of the assets and liabilities of the reporting unit. As of November 30, 2007, and 2006, the Company has completed its annual impairment testing on the carrying values of goodwill, management contracts and trademarks. No impairment losses were required to be recognized as a result of this testing.

Real Estate Secured Loans and Investment Loans

Real estate secured loans and investment loans are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method and net of an allowance for loan losses. Interest income from loans is recorded on an accrual basis. Accrued but uncollected interest on uninsured real estate secured loans and investment loans is reversed when a loan is identified as impaired. Principal payments on the real estate secured loans and investment loans that are contractually due to the Company in the 12-month period from the balance sheet date are classified as current assets.

Fees that relate to the origination of loans are considered to be adjustments to loan yield and are deferred and amortized to interest income over the expected term of the loans.

Allowance for Loan Losses

The allowance for loan losses consists of both specific allowances on impaired loans and general allowances. General allowances are based on management's assessment of inherent, unidentified losses in the portfolio that have not been captured in the determination of specific allowances. The assessment includes portfolio-specific credit factors, general economic factors and geographic exposure. Specific allowances consist of provisions for losses on identifiable assets for which carrying values are higher than estimated realized values.

Impaired Loans

Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest, or when principal or interest is 90 days past due, except where the loan is both well-secured and in the process of collection. In any event, a loan that is insured by the federal government, an agency thereof or another third-party insurer is classified as impaired when interest or principal is 365 days past due, or in the case of other loans, when they are contractually in arrears for 180 days.

When a loan is identified as impaired, the carrying amount of the loan is reduced to its estimated realizable value. In subsequent periods, recoveries of amounts previously written off and any increase in the carrying value of the loan are credited to the provision for loan losses in the Consolidated Statements of

Income. Where a portion of the loan is written off and the remaining balance is restructured, the new loan is carried on an accrual basis when there is no longer any reasonable doubt regarding the collectability of principal or interest. Interest income is recognized on impaired loans on a cash basis only after the specific allowance for losses has been reversed and provided there is no further doubt as to the collectability of the principal.

Stock-based Compensation and Other Stock-based Payments

The Company has stock-based compensation plans as described in Note 14 of the Consolidated Financial Statements. The Company uses the fair-value-based method of accounting for stock-based compensation. The fair value of stock-based compensation, determined using an option pricing model, is recorded over the vesting period as a charge to net earnings with a corresponding credit to contributed surplus.

The Company also has a share purchase plan under which employees can have a portion of their annual earnings withheld to purchase AGF's Class B non-voting shares (Class B shares). The Company matches a portion of these amounts. The Company's contribution vests immediately and is recorded as a charge to net income in the period in which the cash contribution is made.

The Company has a Restricted Share Unit (RSU) plan for senior employees under which certain employees are granted RSUs of Class B shares. Compensation expense and the related liability are recorded equally over the vesting period, taking into account fluctuations in the market price of Class B shares, dividends paid and forfeitures.

The Company has a Performance Share Unit (PSU) plan for senior employees under which certain employees are granted PSUs of Class B shares. Compensation expense and the related liability are recorded equally over the vesting period, taking into account the likelihood of the performance criteria being met, fluctuations in the market price of Class B shares, dividends paid and forfeitures.

During the year, the Company established a Deferred Share Unit (DSU) plan for non-employee directors. The plan enables directors of the Company to elect to receive their remuneration in DSUs. These units vest immediately and compensation expense and the related liability are charged to net earnings in the period the DSUs are granted.

During 2007, the Company established a hedge program to fix the cost of compensation related to RSUs and PSUs. Refer to Note 14(c) of the Consolidated Financial Statements for more details.

Accounting for Securitizations

The Company has securitized certain registered Retirement Savings Plan (RSP) loans through the sale of these loans to a securitization trust. In order for a securitization to be treated as a sale, the Company must surrender control over those loans included in the securitization. To surrender control, the securitized assets must be isolated from the Company and its creditors, even in the case of bankruptcy or receivership, and the Company must receive consideration other than the beneficial interest in the transferred assets.

In determining the gain or loss on sale, management estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, expected credit losses, the cost of servicing the assets and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by management. If actual cash flows are different from management's estimate of future cash flows, then the gains or losses on the securitization recognized in income will be adjusted. Note 2 to the financial statements provides additional disclosure regarding the securitizations and related balance sheet and income statement impacts.

AGF Elements

In November 2005, the Company launched AGF Elements, which consists of five diversified fund-of-fund portfolios. If an AGF Elements portfolio does not match or outperform its customized benchmark over a three-year period, each individual investor will receive up to 90 basis points in additional units, calculated based on the value of such investment at the end of its related three-year period.

The Company records in other liabilities up to 30 basis points per year of each investor's AUM, adjusted for redemptions, until the end of the three-year measurement period of each investment made by such investor. At that time, if an individual investor's returns match or exceed the corresponding benchmark, the Company will recognize the entire amount as management fee revenue. If an individual investor's actual returns are below the customized benchmark, a corresponding amount will be distributed to the investor in the form of additional units. As of November 30, 2007, the Company has recorded a liability of \$6.1 million (2006 – \$1.6 million).

Future Accounting Changes

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures (Section 1535); Handbook Section 3862, Financial Instruments – Disclosures (Section 3862); and Handbook Section 3863,

Financial Instruments – Presentation (Section 3863). These new standards will be effective for the Company on December 1, 2007.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Controls and Procedures

Disclosure Controls and Procedures

Pursuant to Multilateral Instrument 52-109, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to ensure that material information with respect to AGF, including its consolidated subsidiaries, is made known to them and that they have evaluated the effectiveness of AGF's disclosure controls and procedures as of the end of the period covered by these annual filings. The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures, have found them to be effective.

Changes in Internal Controls over Financial Reporting

Pursuant to Multilateral Instrument 52-109, the Chief Executive Officer and Chief Financial Officer must also certify that they are responsible for the design of internal controls over financial reporting (or caused them to be designed under their supervision). Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. During the year ended November 30, 2007, there have been no changes in AGF's policies and procedures and other processes that comprise its internal control over financial reporting that have materially affected or are reasonably likely to materially affect AGF's internal control over financial reporting.

Changes in Information Technology Systems

Effective December 1, 2006, we converted our general ledger and financial reporting system to the Multiview Financials Software. The conversion was implemented successfully.

Consolidated Operating Results

The table below summarizes our Consolidated Operating Results for the years ended November 30, 2007 and 2006:

(\$ millions, except per share amounts)

Years ended November 30	2007	2006	% change
Revenue			
Investment Management Operations	\$ 674.6	\$ 537.0	25.6%
Trust Company operations	97.2	65.0	49.5%
Other	8.5	5.2	63.5%
	780.3	607.2	28.5%
Expenses			
Investment Management Operations	375.7	326.1	15.2%
Trust company operations	47.4	32.6	45.4%
	423.1	358.7	18.0%
EBITDA¹ (continuing operations)	357.2	248.5	43.7%
Amortization	123.8	131.4	(5.8%)
Interest expense	9.9	3.3	200.0%
Non-controlling interest	0.9	–	n/m
Income taxes	46.7	11.7	299.2%
Net income from continuing operations	\$ 175.9	\$ 102.1	72.3%
Gain on early retirement of debt, net of tax	–	13.3	
Loss on dissolution of Limited Partnerships, net of tax	(2.1)	–	
Gain (loss) on sale of discontinued operations, net of tax	4.7	(2.9)	
Net earnings from discontinued operations, net of tax ²	0.2	0.2	
Net income	\$ 178.7	\$ 112.7	58.6%
Earnings per share from continuing operations – diluted	\$ 1.93	\$ 1.14	69.3%

1 As previously defined, see the 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

2 On April 30, 2007, the Company sold 100% of Investmaster. Accordingly, Investmaster results have been reported as discontinued operations, and previously reported results have been reclassified to discontinued operations.

Results from Continuing Operations

Consolidated revenues increased by 28.5% for the year ended November 30, 2007, as compared with 2006. Investment Management Operations revenue increased by 25.6% primarily on the strength of average daily mutual fund AUM increasing by 22.7%. In addition, there was significant growth in institutional and high-net-worth AUM. These revenue increases were partially offset by lower deferred sales charge revenues related to declining redemptions of mutual funds sold on a deferred sales charge basis. Trust Company Operations revenues increased by 49.5% in fiscal 2007 over 2006 on the strength of increased real estate secured and investment loans. Other revenue, which represents our equity interest in Smith & Williamson Holdings Limited (S&WHL), was higher for the year ended 2007 as compared with 2006 due to strong performance at S&WHL.

Expenses increased by 18.0% in fiscal 2007 as compared with 2006 since both Investment Management Operations and the Trust Company Operations segments experienced year-over-year

expense growth. Investment management expenses were higher due to increased trailing commissions expense and compensation expense offset by lower investment advisory fees. The increase in the Trust Company Operations segment was attributable to higher volume of business and increases in expenses associated with supporting the growth.

The combined revenue and expense impacts contributed to EBITDA increasing by 43.7% for the year ended November 30, 2007, over the respective 2006 period, with all segments contributing to the year-over-year growth.

Amortization expense for the year ended November 30, 2007, decreased by 5.8% compared with the corresponding period in 2006. The decrease is attributable to the fact that certain customer contracts are now fully amortized as compared with 2006. Amortization of deferred selling commissions in the Investment Management Operations segment accounted for \$108.0 million (2006 – \$108.2 million) of the total amortization expense.

Interest expense increased to \$9.9 million for the year ended November 30, 2007, from \$3.3 million in the same period in 2006. The increase is primarily a result of higher average outstanding revolving term loan balances and higher interest rates in fiscal 2007 as compared with 2006. Our year-over-year increase in our revolving term loan of \$104.0 million is primarily attributable to our increased investment in the Trust business of \$86.5 million, the acquisition of Highstreet Partners Limited, the repurchase of AGF Class B shares and an increase in our dividend.

Our effective income tax rate for the year ended November 30, 2007, was 20.9% as compared with 10.2% in 2006. Income tax expense for the year ended November 30, 2007, was \$46.7 million as compared with \$11.7 million in 2006. Income tax expense in 2007 included a \$2.4 million recovery related to the impact of the Canadian federal income tax reduction to 18.5% from 19.0% by January 1, 2011, that was substantially enacted in June 2007. Income tax expense in 2006 included a \$15.9 million reduction related to the impact of the Canadian federal income tax reduction that was substantively enacted in June 2006.

The 2007 economic statement tabled by the Department of Finance on October 30, 2007, proposed to reduce the federal corporate income tax rate to 15% from 18.5% by January 1, 2012. On December 13, 2007, these tax rate changes were considered to be substantially enacted. As a result, our 2008 tax expense will be reduced by \$19.3 million to reflect this change.

The impact of the above revenue and expense items resulted in net income from continuing operations of \$175.9 million in 2007 as compared with \$102.1 million in the prior year. Basic earnings per share from continuing operations were \$1.96 per share in 2007 as compared with \$1.15 per share in 2006. Diluted earnings per share from continuing operations were \$1.93 per share in 2007 as compared with \$1.14 per share in 2006.

Results from Discontinued Operations

On April 30, 2007, the Company sold 100% of Investmaster for \$6.8 million and additional contingent consideration that is not determinable at this time. The purchase consideration included \$5.0 million in cash and two notes receivable from the buyer, totalling \$1.8 million, due on April 30, 2009, and April 30, 2010, respectively. The contingent consideration will be payable to the Company in 2009 and 2010 if certain working capital and revenue targets are reached by Investmaster. Accordingly, we have recorded a gain related to the sale of \$4.7 million and the results of Investmaster have been reported as discontinued operations in accordance with Canadian generally accepted accounting principles. Previously reported periods have been reclassified to reflect the current period's presentation of results.

During 2006, the Company recorded a \$2.9 million loss net of tax related to subsequent adjustments to the final purchase price on the sale of Unisen.

Net Earnings

Net income for the year ended November 30, 2007, was \$178.7 million as compared with \$112.7 million in 2006. On February 28, 2007, the unitholders and the respective boards of directors of the following limited partnerships (LPs) – AGF Limited Partnership 1990, AGF Limited Partnership 1991, 20/20 Group 1990 Private Limited Partnership, 20/20 Group 1990 Limited Partnership and 20/20 Group 1992 Limited Partnership – approved the dissolution of each respective LP. On March 1, 2007, as part of the LP dissolution process, the Company purchased the future distribution fees remaining payable by the Company to the LPs or purchased the outstanding units for total cash consideration of \$3.2 million (\$2.1 million net of taxes).

The year ended November 30, 2006 included a \$13.3 million non-cash gain on repayment of debt. During 2006, we reached an agreement with Multi-Fund to terminate our obligation for a cash payment of \$3.4 million.

For a more detailed discussion of revenue and expense items, please refer to the individual operating segment discussions. An analysis of the 2007 fourth-quarter results compared with the corresponding period in 2006 is included under the heading 'Fourth Quarter Analysis'.

Return on Equity

Return on equity of 17.4% in 2007 compared with 11.9% in 2006 represented an increase of 46.2% for the year ended November 30, 2007, over 2006 on the strength of increased income from continuing operations.

Outlook

Fiscal 2007 was a very successful year from a financial perspective and, more importantly, for the growth in our assets under management in our investment management segment and loan asset growth in our Trust segment. Entering into fiscal 2008, we are in a period of extreme market volatility. We have seen the Canadian dollar reach historic highs in relation to the U.S. dollar, and the world is facing tightening credit markets as a result of exposures to the U.S. sub-prime markets.

The fiscal 2007 growth positions us well to weather these issues. While these issues may temporarily postpone the growth we enjoyed in fiscal 2007, they also represent opportunities which each of our businesses will take advantage of to ensure continued growth.

Business-specific outlooks are included in the segment discussions.

Business Segment Performance

We report on three business segments: Investment Management Operations, Trust Company Operations and Other. The Investment Management Operations segment provides investment management and advisory services and is responsible for the management and distribution of AGF investment products and services, including retail mutual fund operations, institutional and high-net-worth client investment counselling services. The Trust Company Operations segment offers a wide range of trust services and products, including GICs, real estate secured loans and investment loans. The Other segment includes the results of S&WHL, which is accounted for by the equity method and the interest expense on our long-term debt. AGF's reportable segments are strategic business units that offer different products and services.

Investment Management Operations

Business and Industry Profile

AGF is an aggressive player within the highly competitive Canadian investment management business. We compete with numerous domestic as well as foreign players serving the market. We believe that although the Canadian mutual fund business is reaching the early stages of maturity, there are opportunities for growth. We believe our status as an independent fund manufacturer with no distribution channel conflict will benefit us as the industry continues to evolve.

AGF is also building a reputation internationally as an institutional investment management firm. Our success in this area has contributed to growth in institutional AUM of 56.0% during the 12 months ended November 30, 2007. Of this growth, 39.3% relates to the acquisition of Highstreet on December 1, 2006, with the remainder being attributable to organic growth through new mandates and investment performance. We believe that further developing our reputation and relationships with international institutions will be a future growth opportunity.

Our Investment Management Operations segment provides products and services across the wealth continuum, including mutual funds, wrap products, institutional investment services and high-net-worth investment management. Our products are delivered through multiple channels, including advisors, financial planners, brokers, banks, life insurance companies and consultants.

During AGF's 2007 fiscal year, international funds experienced strong inflows. The elimination of the foreign content restrictions on retirement accounts and the acceptance by investors of the

value of geographic diversification contributed to this trend. More recently, the Canadian dollar has risen and stock markets have been volatile due to challenges in the credit markets. This has caused a pause in the popularity of international funds. However, we believe that as markets stabilize, international investing will regain momentum, and AGF is in a position to benefit.

Investment Management Operations Segment Strategy

Over the past two years, we stated that our primary focus was to continue to enhance the client-centric model in our investment management business, which services the retail mutual fund, institutional and high-net-worth markets. In order to achieve this, we maintained a high level of contact with our clients and refined the way we deal with advisors. On the retail mutual fund side, we implemented a client engagement strategy that defines the way we interact with our clients and allows us to deliver services in a predictable manner. We implemented an advisor contact evaluation program, a method of reaching out to advisors to determine whether we are having a positive impact. We also utilized our activity management program and our customer relationship management system to ensure we were making the right number of contacts and engaging in the most effective activities. During 2007, this consistent effort resulted in the following:

- > Our net sales improved greatly. During 2007, we recorded \$2.4 billion in net sales, which is a strong improvement over the \$0.4 billion in net sales recorded in the prior-year period.
- > At the 2007 annual Canadian Investment Awards, three funds were recognized for their success. All of these funds were repeat award winners:
 - > AGF European Equity Class: winner for a second consecutive year in the European Equity Fund category. It is now a five-time winner since 2001.
 - > AGF Precious Metals Fund: winner for a second consecutive year in the Precious Metals Equity Fund category. It is now a three-time winner since 2001.
 - > AGF Emerging Markets Fund: winner for the third consecutive year in the Emerging Markets Equity Fund category.

- > Lipper, a mutual fund rating company, awarded the following AGF funds top honours for delivering consistently strong risk-adjusted performance:
 - > AGF Canadian Balanced Fund: best one-year returns in the Canadian Income Balanced category.
 - > AGF China Focus Class: best five-year returns in the Asia ex-Japan Equity category.
 - > AGF Global Financial Services Class: best five-year returns in the Financial Services category.
 - > AGF Precious Metals Fund: best five-year returns in the Precious Metals category.
 - > AGF Canadian Resources Fund: best ten-year returns in the Natural Resources category.
- > We successfully launched a number of products, such as the Global Dividend Fund and the new Harmony Balanced Portfolios, during the year and provided innovative offerings of our existing fund lineup through cash distributions on certain funds.

The strategic priorities for our investment management operations for 2008 are to:

- > Continue to focus on predictable excellence in three core activities: investment management, relationship management and product management.
- > Promote international investment management competency across multiple channels.
- > Pursue strategic acquisitions to supplement organic growth.

Focus on Three Core Activities

We are focused on building predictable excellence in three core areas: investment management, relationship management and product management.

Investment Management

We believe that our strong long-term investment performance record will be maintained by having the correct complement of people, with the right tools and a heavy focus on fund management through strong teams, as well as research and rigorous fundamental analysis.

Our investment performance is bolstered by our presence in international markets. In addition to investment professionals in various locations across Canada, we maintain investment management offices in Dublin and Singapore.

Relationship Management

We have chosen to utilize independent channels of distribution. We believe that supporting independent advice is an attractive distribution model.

We are committed to our effective multi-channel distribution approach. We now have tactical plans in place in three broad distribution categories: the advisor channel, national accounts and institutional. In each channel, we strive to make it simple and efficient to do business with AGF.

Product Management

Our client-centric approach includes listening to advisors and developing and marketing products in a way that meets advisors' needs. This approach was recognized at the 2006 Canadian Investment Awards where AGF was given Honourable Mention in the category of Canadian Investment Marketing Awards for its marketing of Elements. Launched in November 2005, Elements is an example of a product perfectly tailored to the needs of advisors. Elements has achieved more than \$2 billion in assets since inception, making it one of the most successful product launches in AGF's history.

In fiscal 2007, we provided innovative offerings by announcing the addition of Series T and V options on many of our funds, offering tax-deferral benefits and monthly cash payments targeted at 5% and 8% annually, respectively. The AGF Global Dividend Fund was launched based on feedback from advisors who sought to increase global diversification and reduce volatility in client portfolios. Finally, in early January 2008, we launched our initial quantitative fund offerings with three new funds to be managed by Highstreet.

Promote International Investment Management Competency

AGF has a strong product lineup and a diverse range of investment alternatives. We have a particular strength in the area of international investment management. We have had success marketing our international money management expertise to international institutional clients. Our success in this area has contributed to growth in institutional AUM of 56.0% during the 12 months ended November 30, 2007. Our product lineup includes some superior performers. The following international funds won awards at the 2007 Canadian Investment Awards (also noted on previous page):

- > AGF Emerging Markets Fund won the Emerging Markets Equity Fund Award, a winner for the third consecutive year.
- > AGF European Equity Class, won the European Equity Fund Award, a five-time winner since 2001.

The depth of our international investment management expertise creates opportunities; emerging markets are a prime example. As emerging economies continue to see structural improvements, we believe that Canadians will increasingly look to emerging markets as a way to diversify and seek suitable returns. AGF is well-positioned in this space with attractive products.

Pursue Strategic Acquisitions to Supplement Organic Growth

Our organic growth will be supplemented by acquisitions in the investment management segment. We have a disciplined acquisition approach. AGF targets long-term, after-tax return on investment in excess of 15% per annum. We look for acquisitions that have a financial as well as a strategic rationale, such as our transactions with Highstreet Partners Limited.

AGF Asset Management Group Limited

On December 1, 2006, AGF acquired 79.9% of Highstreet Partners Limited, which wholly owns Highstreet Asset Management Inc., an investment counsel firm based in London, Ontario, with \$4.8 billion in assets under management. Highstreet joined AMGL, and Highstreet's Chief Executive Officer, Rob Badun, became President of AMGL. Rob Badun is now working with the AGF group of companies to maximize growth strategies in both the institutional and high-net-worth businesses. Part of the strategy will include ensuring that AGF takes advantage of Highstreet's proprietary quantitative investment process that has proven to consistently outperform. The strategy will also leverage the unique offerings of AGF Asset Management Group Limited's other three platforms: Magna Vista Investment Management in Montreal, Doherty & Associates in Ottawa and Cypress Capital Management in Vancouver, and will also take advantage of the investment management capabilities of AGFFI, AGFIA and Asia in the institutional space. The strategic plan is being executed and includes items such as:

- > Realizing synergies with other AGF companies as evidenced by the early January 2008 launch of three new quantitative funds into the retail lineup that will be managed by Highstreet. These offerings include the AGF Canadian All Cap Equity Fund, the AGF Global High Income Fund and the AGF Global Balanced High Income Fund.
- > Delivering consistent investment performance harnessed to an international institutional sales force.

Assets Under Management

The primary sources of revenue for AGF's Investment Management Operations are management and advisory fees. The amount of management and advisory fees is dependent on the level and composition of AUM (AUM is equal to the net asset value of each fund). Under the management and investment advisory contracts between AGF and each of the mutual funds, we are entitled to monthly fees based on a specified percentage of the average daily net asset value of the respective fund. In addition, we earn fees on our institutional and high-net-worth AUM. As a result, the level of AUM has a significant influence on financial results. The following table illustrates the composition of the changes in total AUM during the years ended November 30, 2007, and 2006:

(\$ millions) Years ended November 30	2007	2006	% change
Mutual fund AUM, beginning of year	\$ 26,857	\$ 22,209	20.9%
Gross sales of mutual funds	6,802	4,686	45.2%
Redemptions of mutual funds	(4,392)	(4,249)	3.4%
Net mutual fund sales	2,410	437	
Market appreciation (depreciation) of fund portfolios	785	4,211	(81.4%)
Mutual fund AUM, end of year	\$ 30,052	\$ 26,857	11.9%
Institutional AUM ¹	19,822	12,704	56.0%
High-net-worth AUM ¹	3,869	3,210	20.5%
Total AUM, end of year	\$ 53,743	\$ 42,771	25.7%
Average daily mutual fund AUM for the year	\$ 29,606	\$ 24,129	22.7%

¹ Institutional and high-net-worth assets were previously grouped together.

Strong net sales of \$2.4 billion, combined with continued market appreciation in 2007, resulted in an 11.9% increase in mutual fund AUM over 2006. Institutional AUM increased \$7.1 billion or 56.0% as a result of investment performance, new mandates, and the acquisition of Highstreet. High-net-worth AUM increased 20.5%. These increases resulted in total AUM increasing \$11.0 billion or 25.7% over 2006.

Investment Performance

Stock market performance influences the level of AUM. During the year ended November 30, 2007, the Canadian-dollar-adjusted S&P 500 Index declined 5.6%, the Canadian-dollar-adjusted NASDAQ Index declined 4.1% and the S&P/TSX Composite Index rose 10.0%. The total market appreciation of our mutual fund assets net of fees for the year ended November 30, 2007, divided by the average daily mutual fund AUM for the year equals 2.7%.

The impact of the U.S. dollar decline relative to the Canadian dollar on the market value of AGF mutual funds since November 30, 2006, has been a reduction in AUM of approximately \$0.9 billion.

Consistent with the rise in the stock market, market appreciation net of management fees increased mutual fund AUM by

\$0.8 billion since November 30, 2006. For the two-year period ended November 30, 2007, 78% of ranked AUM performed above median. Over the five-year period ended November 30, 2007, 75% of ranked AUM performed above median.

The composition of our mutual fund AUM is summarized as follows:

Percentage of total mutual fund AUM at November 30	2007	2006
Domestic equity funds	37.1%	37.9%
U.S. and international equity funds	40.6%	39.0%
Domestic balanced funds	8.0%	9.4%
U.S. and international balanced funds	2.7%	2.3%
Domestic fixed income funds	9.3%	9.5%
International fixed income funds	2.3%	1.9%
	100.0%	100.0%

The composition of AUM has direct influence on our revenues. Generally, equity funds have higher management fees than fixed income funds and international funds have higher management fees than domestic funds.

Financial and Operational Results

The table below highlights the Investment Management Operations segment results for the years ended November 30, 2007, and 2006.

(\$ millions) Years ended November 30	2007	2006	% change
Revenue			
Management and advisory fees	\$ 646.5	\$ 507.5	27.4%
Deferred sales charges	20.4	25.5	(20.0%)
Investment income and other revenue	7.7	4.0	92.5%
	674.6	537.0	25.6%
Expenses			
Selling, general and administrative	190.2	173.2	9.8%
Trailing commissions	169.6	125.3	35.4%
Investment advisory fees	15.9	27.6	(42.4%)
	375.7	326.1	15.2%
EBITDA ¹	298.9	210.9	41.7%
Amortization	122.2	130.3	(6.2%)
Income before taxes and non-segmented items	\$ 176.7	\$ 80.6	119.2%

¹ As previously defined, see the 'Key Performance Indicators and Non GAAP Measures – EBITDA' section.

Revenue

Revenue for the Investment Management Operations segment increased by 25.6% over the previous year, with changes in the categories as follows:

Management and Advisory Fees

The increase in average daily mutual fund AUM in fiscal 2007 of 22.7% directly contributed to a 27.4% increase in net management and advisory fee revenue from the same period a year ago. In addition, the acquisition of Highstreet on December 1, 2006, contributed to the year-over-year increase, combined with a 56.0% increase in institutional AUM year over year.

Management and advisory fee revenue in fiscal 2007 is reported net of distribution fees paid to limited partnerships and other third-party financing entities of \$8.5 million (2006 – \$10.3 million).

Deferred Sales Charges

We receive deferred sales charges upon redemption of securities sold on the contingent DSC or 'back-end' commission basis for which we financed the selling commissions paid to the dealer. The DSC is generally 5.5% of the original subscription price of the funds purchased if the funds are redeemed within the first two years, and declines to zero after seven years. DSC revenue fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of back-end assets. DSC revenues decreased by 20.0% in 2007 as compared with 2006, reflecting lower retail mutual fund redemptions of DSC AUM that are less than seven years in age.

Investment Income and Other Revenue

Investment income and other revenue increased by 92.5% in fiscal 2007 over 2006 primarily as a result of increased interest income related to short-term deposits.

Expenses

Expenses for the Investment Management Operations segment increased 15.2% versus the previous year. Changes in specific categories are as follows.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses increased by \$17.0 million or 9.8% in 2007 compared with 2006. The increase is made up of the following amounts:

(\$ millions)	2007
Decrease in fund absorption expenses	\$ (4.2)
Increase in compensation-related expenses	11.3
Highstreet expenses (Highstreet was acquired December 1, 2006)	8.1
Increase in other expenses	1.8
	\$ 17.0

The following are explanations for expense changes in 2007 compared with the same period in the prior year:

- > Absorption expense is lower due to increases in our assets under management. A substantial portion of the fund expenses are fixed in nature. Accordingly, as our mutual funds grow, absorption should decline.
- > Compensation-related expenses increased due to performance-related bonuses and increases in stock options, RSUs and PSUs.
- > Highstreet was purchased on December 1, 2006, therefore there were no expenses recorded in fiscal 2006.
- > Other expenses increased primarily as a result of increased spending on sales and marketing initiatives.

Trailing Commissions

Trailing commissions paid to investment dealers are dependent on total AUM, the proportion of mutual fund AUM sold on a front-end versus back-end commission basis, and the proportion of equity fund AUM versus fixed-income fund AUM. Trailing commissions as a percentage of average daily mutual fund AUM increased to 0.573% for the 12 months ended November 30, 2007, from 0.520% in the comparable 2006 period. The increase is attributed to an increased proportion of mutual fund AUM sold on a front-end basis and a change in the mix of assets towards managed assets, such as Harmony and Elements, which have higher trailer fees.

Investment Advisory Fees

External investment advisory fees decreased by 42.4% since the average AUM managed by external sub-advisors decreased in 2007 because AGF International Advisors Company Limited assumed the role of portfolio advisor for AGF's International Value Fund and AGF International Value Class in September 2006.

EBITDA and EBITDA Margin

EBITDA for the Investment Management Operations segment was \$298.9 million for the year ended November 30, 2007, a 41.7% increase from \$210.9 million for the same period of fiscal 2006. The increase is directly attributable to growth in AUM.

EBITDA margin was 44.3% in fiscal 2007 compared with 39.3% in 2006. Strong AUM growth in fiscal 2007 compared with 2006 resulted in revenues increasing by \$137.6 million on a year-over-year basis, while overall expense growth on a year-over-year basis was \$49.6 million. Accordingly, the EBITDA margin on incremental business was 64.0%, resulting in an overall increase in EBITDA margin of 12.8%.

Amortization

The largest item in this category is amortization of deferred selling commissions. Amortization also includes amortization of property, equipment and other intangible assets, customer contracts, relationships and investment advisory contracts.

We internally finance all selling commissions paid. These selling commissions are capitalized and are amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule.

Amortization expense related to deferred selling commissions was \$108.0 million in 2007, relatively flat as compared with \$108.2 million in 2006.

During fiscal 2007, we paid \$154.3 million in selling commissions, compared with \$101.4 million in 2006. As at November 30, 2007, the unamortized balance of deferred selling commissions financed was \$315.3 million, an increase of \$47.1 million from the prior-year balance of \$268.2 million. The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at November 30, 2007 were estimated to be approximately \$417.8 million (2006 – \$357.4 million).

Pre-tax Profit Margin

Pre-tax profit margin of 26.2% for fiscal 2007 compared with 15.0% in 2006 was a direct result of improved year-over-year EBITDA margins and declining amortization expense as discussed above.

Segment Outlook

After a period of rapid growth and consolidation of industry players, we believe that the investment fund industry in Canada is now in the early stages of maturity. We expect that demand for investment products should remain strong due to factors such as Canada's projected population growth and its significant amount of unused registered Retirement Savings Plan contribution room. Mutual funds remain a very accessible and attractive investment solution for these retirement accounts. An aging and increasingly wealthy Canadian population will underpin demand for high-net-worth services. We also see growth opportunities in the institutional investment management space, both domestically and abroad.

AGF's strategy of focusing on client-centric activities has recently resulted in higher gross sales and declining redemptions resulting in strong net sales. A reduction in redemptions increases the value of our franchise in the long term, but in the short term, reduced redemptions can affect EBITDA as DSC revenue is reduced. The strength in net sales is positive for long-term value creation. Volatile markets combined with a strong

Canadian dollar may serve to temporarily reduce sales. In the longer term, we believe that our extensive product lineup in the retail, institutional and high-net-worth markets will serve to ensure future growth.

Trust Company Operations**Business and Industry Profile**

Through AGF Trust we offer financial solutions including GICs, real estate secured and investment loans, and Home Equity Lines of Credit.

AGF Trust investment loans consist of secured investment loans and RSP loans distributed through financial advisors. The market for these products is healthy and growing due to the efforts of financial advisors who continue to broaden their suite of products as they service the needs of their customers. AGF Trust has a competitive edge in the advisor channel as we leverage AGF's mutual fund wholesaler relationships. AGF mutual fund wholesalers have operated successfully in the advisor channel for 50 years.

We offer real estate secured loans to Canadians who have sound credit but in some cases have not met the requirements of Canada's large banks to qualify for their lowest rate real estate secured loan products. Real estate secured loan products are distributed primarily through mortgage brokers. The mortgage broker channel has experienced strong growth. Borrowers have chosen to deal with mortgage brokers to take advantage of independent advice and competitive rates, while lenders have provided real estate secured loans in this channel to reduce distribution costs.

Trust Company Operation Segment Strategy

AGF Trust is aligned very closely with the strategy of the investment management business. The AGF Trust sales team works collaboratively with AGF's mutual fund wholesalers and offers a compelling suite of products to advisors, including secured investment loans and RSP loans. The real estate secured loan business also holds promise in adding value to the advisor relationship. As advisors seek to manage both sides of their clients' balance sheets, AGF Trust's lending capabilities will be in increasing demand by advisors. We also know that as Canadians approach retirement, many will find that their home is their largest retirement asset. Knowing this, we may be able to assist advisors in future by leveraging our experience in the real estate secured loan business to help advisors' clients use their homes as a financial planning tool. We have already used our real estate secured loan business to help advisors' clients in this manner. We strive to earn a high financial return as well as maximize synergies

with the Investment Management Operations segment. Specific strategies include:

- > continuing to focus on organic growth in our real estate secured and investment loan portfolios;
- > introducing new products that directly serve the needs of advisors' clients;
- > developing effective sales strategies and targeted marketing; and
- > using disciplined loan-underwriting standards and enterprise risk-management measures.

In fiscal 2007, we continued to expand our dedicated sales staff to promote investment lending and mortgage products. AGF Trust also continued to support AGF investment management wholesalers with the aim to make it easier for AGF wholesalers to serve their clients and promote trust products to advisors.

AGF Trust will continue to maximize operational synergies with our investment management business through trust products that assist financial advisors in broadening and deepening their relationship with clients. In addition, we will focus on expanding returns by increasing our investment and real estate secured loan portfolios. We are constantly evaluating new opportunities, including deposit products.

We anticipate that the execution of AGF Trust's stated strategy will result in continued growth. Our growth plans require investing in product development initiatives, expanding our sales and administrative teams and investing in implementing future business improvement initiatives. As a result, non-interest expenses may rise more than the corresponding increase in total interest margin in 2008.

With the recent capital market volatility being experienced around the world, particularly in the U.S., and the related impacts of the asset-backed commercial paper (ABCP) markets, AGF Trust is prepared to continue to adapt to changing business conditions. As previously reported, AGF Trust holds no non-bank sponsored ABCP and has relied on the ABCP markets for only a small portion of funding in the current and prior fiscal year. The majority of the funding for the operations comes from the ability to sell wholesale GICs, which has been a stable source of funding in the past, and we expect this trend to continue.

In addition, the credit quality of our loan portfolio remains strong. Actual loan write-offs net of recoveries for the twelve months ended November 30, 2007, were \$4.8 million compared with \$2.2 million for the fiscal period ended November 30, 2006, with the percentage change being consistent with the growth in the loan portfolio. Impaired loans expressed as a percentage of loans outstanding were 0.7% as at November 30, 2007, which is consistent with the rate at November 30, 2006.

Securitization Transaction

On March 30, 2007, AGF Trust securitized \$263.6 million of RSP loans through the sale of these loans to a securitization trust. This represented the second securitization transaction completed by AGF Trust. As at November 30, 2007, the balance of all securitized loans outstanding was equal to \$291.1 million (2006 – \$161.3 million). When RSP loan receivables are securitized, the transaction is recognized as a sale. Based on assumptions such as prepayments, expected credit losses and the remaining term, a gain or loss on the sale of loan receivables is recognized immediately in income. The related loan assets are removed from the Consolidated Balance Sheet. As part of the securitization, certain financial assets are retained and a servicing liability is incurred. A gain of \$8.0 million was recognized upon the close of the securitization transaction on March 30, 2007. Each year, an amount will be included in the financial results of AGF Trust that relates to the amortization of retained interest and servicing liability as well as any change in assumptions. During the year ended November 30, 2007, as a result of the higher cost of funding in bank-sponsored securitization conduits, the excess spread earning on securitized assets was lower than anticipated, and the excess spread assumption for future periods was reduced in line with estimated asset-backed commercial paper rates over the remaining life of the securitized RSP loans. A writedown of approximately \$1.9 million was incurred as a result.

Financial and Operational Results

The table below highlights our operating segment results for the years ended November 30, 2007, and 2006:

(\$ millions) Years ended November 30	2007	2006	% change
Interest income			
Loan interest	\$ 213.6	\$ 119.3	79.0%
Investment interest	23.1	12.1	90.9%
	236.7	131.4	80.1%
Interest expense			
Deposit interest	135.5	74.2	82.6%
Other interest expense	23.0	9.8	134.7%
	158.5	84.0	88.7%
Net interest income	78.2	47.4	65.0%
Other revenue	8.2	5.0	64.0%
Securitization gains and related items	10.8	12.6	(14.3%)
Total revenue	97.2	65.0	49.5%
Expenses			
Selling, general and administrative	36.4	24.1	51.0%
Provision for loan losses	11.0	8.5	29.4%
	47.4	32.6	45.4%
EBITDA ¹	49.8	32.4	53.7%
Amortization	1.7	1.1	54.6%
Income before taxes and non-segmented items	\$ 48.1	\$ 31.3	53.7%

¹ As previously defined, see the 'Key Performance Indicators – EBITDA' section.

Revenue, Net Interest Income and Net Interest Margin

Net interest income, which is expressed net of interest on deposits and other interest expense, increased 65.0% over 2006, as the average loan balances were approximately 69.0% higher than average balances in 2006. Other revenue increased 64.0% due to higher loan balances. Securitization gains and related items decreased by \$1.8 million in 2007 as compared with 2006, as the Trust Company recognized a \$1.9 million writedown of its retained interest during 2007. These factors resulted in an overall revenue increase of 49.5% as compared with 2006.

The average net interest margin on lending products was 2.59% (2.65% in 2006). This spread decrease resulted principally from the impact of Prime-Canadian Deposit Offering Rate (Prime-CDOR) compression, as average Prime-CDOR spread was approximately 25 basis points lower than the historical average. The Trust Company manages interest rate risk through the use of interest rate swaps.

Selling, General and Administrative Expenses

The increase in SG&A expenses of 51.0% over 2006 was as a result of increased staffing levels to support the significant loan

growth during the past 12 months. New staff supported balance sheet growth, assisted with new product introductions and ensured the maintenance of high service levels. In addition, expenses increased due to higher variable compensation to salespeople and external brokers related to the high origination levels in 2007.

Provision for Loan Losses

The total provision for loan losses increased by 29.4% in 2007, as compared with the prior-year period, with the increase attributable to the increase in our loan portfolios. The increase in the loan loss provision was moderated by the change in the business mix to incorporate a higher proportion of relatively lower risk secured investment loans and HELOCs.

EBITDA and EBITDA Margin

Strong real estate secured and investment loan growth contributed to EBITDA of \$49.8 million in 2007. This represented a 53.7% increase as compared with 2006.

Pre-tax Profit Margin

Pre-tax margin of 49.5% in 2007 improved marginally from 48.2% in 2006.

Operational Performance

The table below highlights our key operational measures for the segment for the years ended November 30, 2007, and 2006:

(\$ millions) Years ended November 30	2007	2006	% change
Real estate secured loans ¹			
Insured mortgage loans	\$ 555.7	\$ 398.2	39.6%
Conventional mortgage loans	765.5	538.6	42.1%
HELOCs	452.4	116.2	289.3%
	1,773.6	1,053.0	68.4%
Investment loans ¹			
Secured investment loans	1,509.4	892.5	69.1%
RSP loans	381.8	346.3	10.3%
Other loans	15.6	14.9	4.7%
	1,906.8	1,253.7	52.1%
Other assets	868.4	453.4	91.5%
Total assets	\$ 4,548.8	\$ 2,760.1	64.8%
Net interest income	\$ 78.2	\$ 47.4	65.0%
Gain from securitization and related items	10.8	12.6	(14.3%)
Other revenue	8.2	5.0	64.0%
Non-interest expenses ²	38.1	25.2	51.2%
Provision for loan losses	11.0	8.5	29.4%
Income before taxes and non-segmented items	\$ 48.1	\$ 31.3	53.7%
Efficiency ratio ³	39.2%	38.8%	
Assets-to-capital multiple	15.6	15.8	

1 Net of loan provision and deferred sales commission.

2 Includes SG&A and amortization expense.

3 The efficiency ratio is calculated by dividing non-interest expense by the total of the net interest income and non-interest income.

Loan Asset Growth

Loan assets experienced continued growth during fiscal 2007. Real estate secured loan assets grew 68.4%, as sales efforts in the mortgage broker channel continued to be successful and were supplemented by steady originations of a HELOC product in the advisor channel.

New investment loan products and improved collaboration with AGF mutual fund wholesalers contributed to overall growth in loan advances, as secured investment loans increased 69.1% to \$1.5 billion as at November 30, 2007, over the respective period in 2006. RSP loan balances increased by \$35.5 million (\$216.1 million excluding the impact of the securitization) as at November 30, 2007, as a result of the strong RSP season and financial advisors' continued use of AGF Trust's Internet-based loan application system.

Efficiency Ratio

The efficiency ratio (non-interest expense divided by the total of net interest income and non-interest income) is a key performance indicator utilized to ensure that expenses are contained as the Trust business grows. The efficiency ratio remained relatively constant in 2007 as compared with 2006. The RSP loan securitization gains recorded each year are added to non-interest income for the purposes of calculating the efficiency ratio.

Balance Sheet

AGF Trust's balance sheet has grown significantly during the past year, with its financial position remaining solid. Total assets increased 64.8% to \$4.5 billion at November 30, 2007, as compared with the previous year-end. At November 30, 2007, AGF Trust's asset-to-capital multiple stood at 15.6 times compared with 15.8 times at the same time last year, which is below our authorized multiple of 17.5 times. AGF Trust's risk-based capital ratio was 10.7% at November 30, 2007. AGF Trust received \$86.5 million in debt and equity capital from AGF during

the year in order to support increased asset levels. Liquid assets were high, with \$791 million in cash and cash equivalents at November 30, 2007, excluding cash currently pledged to counterparties. On January 1, 2008, the Basel 2 capital adequacy regime will be implemented at AGF Trust Company. The Basel 2 regime is designed in part to improve the link between capital requirements and the level of risk embedded in the balance sheet of regulated financial institutions. It is anticipated that subsequent to the application of the Basel 2 rules, AGF Trust's risk-weighted capital adequacy ratios will improve.

Loan Portfolio Credit

Portfolio credit quality remains consistent as at November 30, 2007, compared with the prior year. The general allowance for conventional mortgage loan losses was increased during the year to \$7.0 million from \$4.9 million a year ago. The general allowance for secured investment loan losses was increased to \$3.8 million from \$2.2 million a year ago. The general allowance for RSP loans was increased to \$3.4 million from \$2.8 million a year ago. Some 31.3% of real estate secured loan assets (including HELOCs) are insured. We have strong security for secured investment loans, and loan losses during the history of the program have been minimal. For RSP loans, the expense for impaired loans, which consists of the increase in specific allowances plus write-offs (excluding securitized RSP loans), was \$2.0 million in fiscal 2007 (2006 – \$2.7 million). For the balance of our loan products, the expense for impaired loans was \$2.2 million (2006 – \$0.5 million).

Segment Outlook

We anticipate that the execution of AGF Trust's stated strategy will result in continued strong growth in 2008. A continuation of disruptions in money markets, including the associated compression in the Prime-BA spread and elevated levels of interest rates on asset-backed commercial paper relative to the BA rate, will negatively affect interest margins. A rise in interest rates or a softening of housing prices would negatively affect real estate secured loan growth, but even if these factors materialize, we believe the alternative real estate secured loan market would still sustain a high level of growth. Stock market levels influence investment loans. However, the 2008 RSP season has started strongly for AGF Trust Company, with lending volumes above last year's pace.

AGF Trust can accommodate this level of expansion due to scalable technology platforms and disciplined underwriting and risk analysis. Management believes the company is on track to solidify its position as a trusted alternative to traditional banks for the lending products that it distributes.

Liquidity and Capital Resources

Free cash flow from operations generated from continuing operating activities (before net change in non-cash balances related to operations) was \$313.4 million for the year ended November 30, 2007, compared with \$214.3 million in the prior year.

In fiscal 2007, we paid \$154.3 million in selling commissions, which were capitalized and amortized for accounting purposes, compared with \$101.4 million in 2006. Accordingly, our free cash flow (defined as cash flow from continuing operations less selling commissions paid) was \$159.1 million for the year ended November 30, 2007, compared with \$112.9 million in the prior year. Free cash flow from operations and our bank facility were used primarily to fund the following:

(\$ millions)		
Years ended November 30	2007	2006
Payment of dividends	\$ 70.2	\$ 61.5
Repurchase of AGF Class B non-voting shares for cancellation	45.5	15.9
Acquisitions of subsidiaries	27.7	3.2
Purchase of property, equipment and other intangible assets	8.3	14.0
Debt repayment (borrowing)	–	4.7
Investment in Trust Operations (eliminated on consolidation)	86.5	62.4
	\$ 238.2	\$ 161.7

Consolidated cash and cash equivalents related to continuing operations increased by \$422.0 million from November 30, 2006. The increase is primarily due to an increase in cash in the Trust Company Operations segment. The investment in Trust Company Operations is eliminated on consolidation; however, it represents a transfer of cash from our cash and cash equivalents balance shown as supplemental information on the Consolidated Statements of Cash Flow to the Trust Company Operations' cash and cash equivalents balance. In periods in which the Company has a free cash flow deficiency, these amounts will be financed by increasing our bank indebtedness.

During fiscal 2007, we used \$45.5 million of free cash flow to repurchase 1,437,800 AGF Class B shares at an average price of \$31.67 per share.

We have a six-year prime-rate-based revolving term loan facility to a maximum of \$300.0 million, of which \$140.0 million was available to be drawn as of November 30, 2007. Aside from cash held in the Trust Company Operations segment, which is held to fund loans to clients and GIC maturities, the Company had \$36.6 million of cash at November 30, 2007, some of which will

be used to repay bank debt in 2008. This facility will be available to meet future operational and investment needs. We anticipate that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement our business plan, finance selling commissions, satisfy regulatory requirements, service debt repayment obligations, meet capital spending needs and pay quarterly dividends.

Limited Partnership Financing

Selling commissions paid on certain sales of mutual fund securities of the AGF Funds made on the DSC basis (DSC securities) have been financed by limited partnerships held by third-party investors. Such limited partnerships have financed selling commissions of approximately \$440 million in respect of such DSC securities. The Company no longer finances selling commissions using limited partnerships. The Company is obligated to pay the relevant limited partnership an annual fee of 0.47% to 0.90% of the net asset value of DSC securities. The limited partnerships also receive any deferred sales charges resulting from the redemption of such securities. These

obligations continue as long as such DSC securities remain outstanding, except for certain of the limited partnerships, in which case the obligation terminates at various dates from December 31, 2007, to December 31, 2020. For certain limited partnerships the obligation is secured by the Company's mutual fund management contracts to the extent of the particular obligation.

The Company is responsible for the management and administration of the limited partnerships. These services are provided in the normal course of operations and are recorded at the amount of consideration agreed to by the parties. The amount of fees received in 2007 was \$0.4 million (2006 – \$0.6 million). As at November 30, 2007, the net asset value of DSC securities financed by the limited partnerships was \$1.2 billion (2006 – \$1.6 billion).

Contractual Obligations

The table below is a summary of our contractual obligations at November 30, 2007. See also Notes 9 & 21 of the Consolidated Financial Statements.

(\$ millions)	Total	2008	2009–2010	2011–2012	Thereafter
Long-term debt	\$ 210.1	\$ 25.6	\$ 184.5	\$ –	\$ –
Operating leases	33.6	4.6	8.8	7.6	12.6
Purchase obligations	19.3	11.4	6.2	1.7	–
Total contractual obligations	\$ 263.0	\$ 41.6	\$ 199.6	\$ 9.3	\$ 12.6

In addition to the contractual obligations detailed above, the following obligations exist that vary depending upon business volume and other factors:

- > The AGF Trust Company is required to pay depositors amounts representing principal and interest on funds on deposit.
- > A portion of our selling commissions paid on a DSC basis have been financed by limited partnerships held by third-party investors. As at November 30, 2007, the net asset value of DSC securities financed by the limited partnerships was \$1.2 billion and amounts paid to these partnerships in 2007 were \$8.5 million.
- > We pay trailing commissions to financial advisors based on AUM of their respective clients. This obligation varies based on fund performance, sales and redemptions, and in 2007 we paid \$169.6 million in trailing commissions.
- > In conjunction with the sale of Unisen, we capped the management expense ratio on all our funds until 2008 to the lower of the levels incurred in 2004 and 2005. This could result in increased absorption of fund expenses if the individual

mutual funds do not show growth in AUM in 2008 as compared with November 30, 2005, AUM. In addition, AGF is committed until October 2, 2015, to reimburse CitiFinancial Canada Inc. (CitiFinancial) should CitiFinancial's annual revenues derived from AGF fund administration services fall below a pre-determined level. To date, revenues have been above the pre-determined levels and are expected to stay so.

- > In conjunction with the launch of the Elements portfolios, AGF has guaranteed investors that if a portfolio does not match or outperform its customized benchmark over a three-year average annualized period, investors will receive up to 90 basis points in new units.

Intercompany and Related Party Transactions

The Company has entered into certain transactions with entities or senior officers who are directors of the Company. During 2007, total amounts paid by the Company to these related parties aggregated \$0.1 million (2006 – \$0.1 million).

Dividends

The holders of AGF Class B shares are entitled to receive cash dividends. Dividends are paid in equal amounts per share on all the Class B shares and all the Class A shares at the time outstanding without preference or priority of one share over another. No dividends may be declared in the event that there is a default of a condition of our loan facility or where such payment of dividends would create a default.

The following table sets forth dividends paid by AGF on the Class B shares and the Class A shares for the periods indicated:

Years ended November 30	2007	2006	2005	2004	2003
Per share	\$ 0.780	\$ 0.690	\$ 0.560	\$ 0.410	\$ 0.295
Percentage increase	13%	23%	37%	39%	16%

We review our dividend distribution policy on a quarterly basis, taking into consideration our financial position, profitability, cash flow and other factors considered relevant by our Board of Directors. The announced annual dividend rate effective for March 2008 will be \$1.00 per share.

Outstanding Share Data

Set out below is our outstanding share data as at November 30, 2007. For additional detail, see Notes 13 and 14 to the 2007 Consolidated Financial Statements.

Years ended November 30	2007	2006
Shares		
Class A voting common shares	57,600	57,600
Class B non-voting shares	88,922,157	89,171,997
Stock Options		
Outstanding options	4,268,765	4,324,084
Exercisable options	1,954,284	1,765,583

Government Regulations

AGF Management Limited

AGF Management Limited (AGF) is incorporated under the laws of the Province of Ontario and is a reporting issuer in each province and territory of Canada. Accordingly, AGF is subject to applicable securities laws in each jurisdiction. In addition, the Class B Non-Voting shares of AGF are listed for trading on the Toronto Stock Exchange under the trading symbol *AGF.B*. AGF is subject to oversight from other government and regulatory agencies, including, but not limited to, the Privacy Commissioner of Canada and the Financial Transactions and Reports Analysis Centre of Canada (FNTRAC).

Our Board of Directors may determine that the Class B shareholders shall have the right to elect to receive part or all of such dividend in the form of a stock dividend. In determining whether a dividend in Class B shares is substantially equal to a cash dividend, the Board of Directors may make a determination based on the weighted average price at which the Class B shares traded on the Toronto Stock Exchange during the 10 trading days immediately preceding the record date applicable to such dividend.

Investment Management Operations

AGF Funds Inc.

AGF Funds Inc. (AGFFI) is registered with the Ontario Securities Commission (OSC) as an investment counsel and portfolio manager and maintains equivalent registrations in each of the other provinces and territories of Canada in which AGFFI does business. AGFFI is also registered as a mutual fund dealer, limited market dealer and commodity trading manager in certain jurisdictions and is subject to oversight by the federal and provincial Privacy Commissioners and FNTRAC.

In its capacity as investment counsel and portfolio manager, AGFFI is subject to conflict of interest regulations made pursuant to the *Securities Act* (Ontario) and certain other provincial and territorial securities legislation. Amongst other things, these regulations impose limitations on the ability of AGFFI to advise or make recommendations with respect to its own securities or securities of a related or connected issuer. AGFFI is also subject to certain restrictions that are imposed by applicable provincial and territorial securities legislation on advertising and sales incentives.

AGF Mutual Funds

In order to qualify for continuous distribution, each of the mutual funds managed by AGFFI must file each year an annual information form and simplified prospectus in every province and territory of Canada in which it intends to distribute securities and obtain a receipt for the same from provincial and territorial securities regulatory authorities. Certain funds are offered in overseas jurisdictions, each of which has its own filing requirements.

Each mutual fund is managed by AGFFI, and, as such, AGFFI is liable for any misrepresentation in the offering documents of the fund. Pursuant to securities legislation in certain of the provinces and territories of Canada, none of the mutual funds managed by

AGFFI can make portfolio investments in substantial securityholders of the funds, in AGF or in corporations in which the directors or officers of the funds, or their substantial securityholders, have a significant interest.

AGF International Advisors Company Limited

AGF International Advisors Company Limited is a private limited company incorporated under the laws of the Republic of Ireland and is authorized by the Irish Financial Services Regulatory Authority (IFSRA), under Regulation 11 of the European Communities (Markets in Financial Instruments) Regulations 2007, to provide a range of financial services, including the provision of investment advice and the managing of portfolios. As an authorized entity, AGF International Advisors Company Limited is subject to a range of Irish and EU regulations. AGF International Advisors Company Limited also holds an Australian Financial Services Licence granted by the Australian Securities & Investments Commission (ASIC) and is subject to the relevant ongoing requirements of this licence.

AGFIA Limited

AGFIA Limited is a private limited company incorporated under the laws of the Republic of Ireland and is authorized by the Irish Financial Services Regulatory Authority (IFSRA), under Regulation 11 of the European Communities (Markets in Financial Instruments) Regulations 2007, to provide a range of financial services, including the provision of investment advice and the managing of portfolios, primarily to institutional accounts. As an authorized entity, AGFIA Limited is subject to a range of Irish and EU regulations. AGFIA Limited is also registered with the OSC as a non-Canadian investment counsel and portfolio manager and is subject to the oversight of the Ontario Privacy Commissioner and FNTRAC.

AGF Asset Management Asia Limited

Established in 1996, AGF Asset Management Asia Limited provides investment research and advisory services on Asian markets for AGF mutual funds and other clients. AGF Asset Management Asia Limited is regulated by the Monetary Authority of Singapore (MAS) under the *Securities and Futures Act*. The company holds a Capital Markets Services Licence, which permits it to offer fund management services to accredited investors. AGF Asset Management Asia Limited is required to obtain the prior approval of MAS for any significant change of its members or shareholdings of its members.

AGF Asset Management Group Limited

AGF Asset Management Group Limited (AMGL), through its subsidiaries, provides investment management and counselling services for institutions, corporations, endowments, estates, and high-net-worth clients. This group includes the operations of

Cypress Capital Management Limited, Highstreet Asset Management Inc., Doherty & Associates Limited, and Magna Vista Investment Management Limited.

Doherty & Associates Limited (formerly P.J. Doherty & Associates Co. Limited) (Doherty), Highstreet Asset Management Inc. (Highstreet) and Magna Vista Investment Management Limited (formerly AGF Private Investment Management Limited) (Magna) are each registered with the OSC as an investment counsel and portfolio manager and maintain equivalent registrations in each of the other provinces and territories of Canada in which they respectively do business. Cypress Capital Management Limited (Cypress) is registered with the British Columbia Securities Commission as a portfolio manager (Securities) and maintains equivalent registration in each of the other provinces and territories of Canada in which it does business. Cypress, Doherty, Highstreet and Magna are also registered with the OSC as limited market dealers for the purpose of facilitating the distribution of certain securities to their clients and are subject to oversight by federal and provincial Privacy Commissioners and FNTRAC. In addition, Highstreet is registered in Ontario as a Commodity Trading Manager.

AGF Private Investment Advisors Inc. (PIA), a wholly owned subsidiary of Magna Vista Investment Management Limited, is registered as an investment advisor with the U.S. Securities and Exchange Commission (SEC). Investment advisor firms registered with the SEC may be required to provide to state securities authorities a copy of their Form ADV and any accompanying amendments filed with the SEC. These filings are called 'notice filings'. Currently PIA makes no notice filings.

Cypress Capital Management U.S. Limited (Cypress U.S.), a wholly owned subsidiary of Cypress Capital Management Limited, is registered as an investment advisor with the SEC. Investment advisor firms registered with the SEC may be required to provide to state securities authorities a copy of their Form ADV and any accompanying amendments filed with the SEC. These filings are called 'notice filings'. Cypress U.S. makes notice filings in Washington State.

AGF Asset Management Group Limited U.S. (AMGUS), a wholly owned subsidiary of AMGL, is registered as an Investment Advisor with the SEC. Investment advisor firms registered with the SEC may be required to provide to state securities authorities a copy of their Form ADV and any accompanying amendments filed with the SEC. These filings are called 'notice filings'. Currently AMGUS makes no notice filings.

AGF Securities (Canada) Limited

AGF Securities (Canada) Limited is a member of the Investment Dealers Association and is registered as an investment dealer

with the securities regulatory authorities in each of Alberta, British Columbia, Ontario and Saskatchewan. AGF Securities (Canada) Limited is also a member of the Canadian Investor Protection Fund and is subject to oversight by the federal and provincial Privacy Commissioners and FNTRAC.

AGF Securities, Inc.

AGF Securities, Inc. is registered as a broker-dealer with the SEC.

Trust Company Operations

AGF Trust Company

AGF Trust Company (AGF Trust) is incorporated under and governed by the federal *Trust and Loan Companies Act* (Canada) and is extra-provincially licensed and registered under the applicable legislation in all provinces and territories of Canada. The *Trust and Loan Companies Act* (Canada) specifies the powers of and imposes investment restrictions on federally regulated trust companies. Most significantly, the legislation provides for regular reports to be filed on the financial condition of the trust company; periodic examinations of the trust company's affairs by

appropriate regulatory authorities; restrictions on transactions with related parties; corporate governance provisions; and minimum capital adequacy standards based on the total assets and risk-weighted assets of the trust company. As a federally regulated financial institution, AGF Trust is supervised by the federal Office of the Superintendent of Financial Institutions. AGF Trust is also subject to oversight from the Financial and Consumer Agency of Canada, the Privacy Commissioner of Canada, FNTRAC, and other government agencies, including provincial authorities.

AGF Trust is a member of Canadian Deposit Insurance Corporation (CDIC), which provides a statutory scheme for the insurance of certain qualifying deposits made and payable in Canada in Canadian currency. AGF Trust is also a member of the Canadian Payments Association, the Ombudsman for Banking Services and Investments and is an approved Canadian Mortgage and Housing Corporation (CMHC) lender.

Fourth Quarter Analysis

Summary of Consolidated Operating Results

The table below highlights our results for the three months ended November 30, 2007, and 2006:

(\$ millions, except per share amounts)

Three months ended November 30	2007	2006	% change
Revenue			
Investment management operations	\$ 172.9	\$ 140.9	22.7%
Trust company operations	23.8	16.5	44.2%
Other	2.4	1.1	118.2%
	199.1	158.5	25.6%
Expenses			
Investment management operations	98.3	89.2	10.2%
Trust company operations	13.3	9.0	47.8%
	111.6	98.2	13.7%
EBITDA¹ (continuing operations)	87.5	60.3	45.1%
Amortization	30.7	32.8	(6.4%)
Interest expense	2.9	1.3	123.1%
Non-controlling interest	0.2	–	n/m
Income taxes	4.3	5.4	(20.4%)
Net income from continuing operations	\$ 49.4	\$ 20.8	137.5%
Gain on early retirement of debt, net of tax	–	–	
Loss on dissolution of Limited Partnerships, net of tax	–	–	
Gain (loss) on sale of discontinued operations, net of tax	–	–	
Net earnings (loss) from discontinued operations, net of tax	–	0.2	
Net income	\$ 49.4	\$ 21.0	135.2%
Earnings per share from continuing operations – diluted	\$ 0.54	\$ 0.23	134.8%

¹ As previously defined, see 'Key Performance Indicators and Non-GAAP Measures – EBITDA'. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

Results from Continuing Operations

Revenue for the fourth quarter ended November 30, 2007, increased \$40.6 million, a 25.6% increase from the same period in 2006, with the Trust Company segment contributing \$7.3 million of the increase and the Investment Management segment contributing \$32.0 million, with each driven by respective AUM and loan asset growth. Revenues from the Other segment increased 118.2%.

Expenses in the fourth quarter ended November 30, 2007, increased by \$13.4 million over the same period a year ago. Expenses in Investment Management Operations increased by \$9.1 million or 10.2% due primarily to increased trailer fees resulting from higher AUM levels. Selling, general and administrative expenses were flat in the quarter on a year-over-year basis. Expenses in the Trust Company Operations segment increased by \$4.3 million primarily due to higher staff-related costs attributed to growth.

EBITDA for the quarter ended November 30, 2007, compared with the respective quarter in 2006, was higher predominantly due to increased revenue in both the Investment Management and Trust Company Operations segments.

Our income tax expense for the three months ended November 30, 2007, was \$4.3 million, as compared with an income tax expense of \$5.4 million in the three months ended November 30, 2006.

(\$ millions)

Three months ended November 30

	2007	2006	% change
Mutual fund AUM, beginning of period	\$ 30,024	\$ 24,429	22.9%
Gross sales of mutual funds	1,273	1,396	(8.8%)
Redemptions of mutual funds	(1,150)	(972)	18.3%
Net mutual fund sales	123	424	
Market appreciation (depreciation) of fund portfolios	(95)	2,004	(104.7%)
Mutual fund AUM, end of period	\$ 30,052	\$ 26,857	11.9%
Institutional AUM ¹	19,822	12,704	56.0%
Private client AUM ¹	3,869	3,210	20.5%
Total AUM, end of period	\$ 53,743	\$ 42,771	25.7%
Average daily mutual fund AUM for the period	\$ 29,995	\$ 25,251	18.8%

¹ Institutional and high-net-worth assets were previously grouped together.

During the three months ended November 30, 2007, the Canadian-dollar-adjusted S&P 500 Index declined 4.39%, the Canadian-dollar-adjusted NASDAQ Index declined 2.94% and the S&P/TSX Composite Index rose 0.82%.

The impact of the above revenue and expense items resulted in net income from continuing operations of \$49.4 million in the three months ended November 30, 2007, compared with a net income from continuing operations of \$20.8 million in fiscal 2006. Basic and fully diluted earnings per share from continuing operations were \$0.55 and \$0.54 per share, respectively, in the three months ended November 30, 2007, as compared with \$0.24 and \$0.23 per share in 2006.

On a diluted per share basis, cash flow from continuing operations for the three months ended November 30, 2007, was \$0.99 per share (2006 – \$0.59).

Net Earnings

Net income for the three months ended November 30, 2007, was \$49.4 million as compared with \$21.0 million in the prior year. The 135.2% increase in net income was a direct result of higher EBITDA quarter over quarter.

The details of the 2007 fourth-quarter results for each business segment follow.

Investment Management Operations

Assets Under Management

The following table illustrates the composition of the changes in mutual fund AUM during the three months ended November 30, 2007, and 2006:

The impact of the U.S. dollar decline relative to the Canadian dollar on the market value of AGF mutual funds since August 31, 2007, has been a reduction in AUM of approximately \$0.3 billion (2006 – increase of \$0.2 billion).

Financial and Operational Results

The table below highlights the Investment Management Operations segment results for the three months ended November 30, 2007 and 2006:

(\$ millions) Three months ended November 30	2007	2006	% change
Revenue			
Net management and advisory fees	\$ 163.6	\$ 133.5	22.6%
Deferred sales charges	5.4	5.6	(3.6%)
Investment income and other revenue	3.9	1.8	116.7%
	172.9	140.9	22.7%
Expenses			
Selling, general and administrative	48.1	48.9	(1.6%)
Trailing commissions	45.1	33.1	36.3%
Investment advisory fees	5.1	7.2	(29.2%)
	98.3	89.2	10.2%
EBITDA ¹	74.6	51.7	44.3%
Amortization	30.1	32.7	(8.0%)
Income before taxes and non-segmented items	\$ 44.5	\$ 19.0	134.2%

¹ As previously defined, see the 'Key Performance Indicators and non Non-GAAP Measures – EBITDA' section.

Trust Company Operations

Financial and Operational Results

The table below highlights the results for the three months ended November 30, 2007 and 2006:

(\$ millions) Three months ended November 30	2007	2006	% change
Interest income			
Loan interest	\$ 63.0	\$ 37.0	70.3%
Investment interest	8.9	3.6	147.2%
	71.9	40.6	77.1%
Interest expense			
Deposit interest	42.0	22.9	83.4%
Other interest expense	8.7	3.4	155.9%
	50.7	26.3	92.8%
Net interest income	21.2	14.3	48.3%
Other revenue	3.2	1.5	113.3%
Securitization gains and related items	(0.6)	0.7	(185.7%)
Total revenue	23.8	16.5	44.2%
Expenses			
Selling, general and administrative	9.9	6.6	50.0%
Provision for loan losses	3.4	2.4	41.7%
	13.3	9.0	47.8%
EBITDA ¹	10.5	7.5	40.0%
Amortization	0.7	0.3	133.3%
Income before taxes and non-segmented items	\$ 9.8	\$ 7.2	36.1%

¹ As previously defined, see the 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section.

Selected Quarterly Information

(\$ millions, except per share amounts) For the three-month period ended	Nov. 30, 2007	Aug. 31, 2007	May 31, 2007	Feb. 28, 2007
Revenue (continuing operations)	\$ 199.1	\$ 199.2	\$ 204.9	\$ 177.0
Cash flow from continuing operations ¹	90.7	69.7	84.4	68.7
EBITDA (continuing operations) ²	87.5	91.3	98.0	80.4
Pretax income (continuing operations)	53.9	57.3	63.3	49.1
Net income	49.4	39.4	53.6	36.3
Earnings per share				
Basic	\$ 0.55	\$ 0.44	\$ 0.60	\$ 0.41
Diluted	\$ 0.54	\$ 0.43	\$ 0.59	\$ 0.40
Weighted average basic shares	90,200,924	90,299,033	89,740,819	89,474,827
Weighted average fully diluted shares	91,566,659	91,847,103	91,012,708	90,640,734

(\$ millions, except per share amounts) For the three-month period ended	Nov. 30, 2006	Aug. 31, 2006	May 31, 2006	Feb. 28, 2006
Revenue (continuing operations)	\$ 158.5	\$ 146.9	\$ 152.2	\$ 149.5
Cash flow from continuing operations ¹	53.1	60.2	52.5	48.4
EBITDA (continuing operations) ²	60.3	56.2	64.6	67.3
Pretax income (continuing operations)	26.2	22.8	30.9	33.8
Net income	21.0	34.6	33.0	24.1
Earnings per share				
Basic	\$ 0.24	\$ 0.39	\$ 0.37	\$ 0.27
Diluted	\$ 0.23	\$ 0.39	\$ 0.37	\$ 0.27
Weighted average basic shares	89,174,064	89,055,124	89,006,146	89,190,007
Weighted average fully diluted shares	89,890,105	89,457,921	89,973,999	90,031,001

¹ Cash flow from operations before net change in non-cash balances related to operations.

² As previously defined, see 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section.

Selected Annual Information

(\$ millions, except per share amounts)

Years ended November 30	2007	2006	2005
Revenue (continuing operations)	\$ 780.3	\$ 607.2	\$ 546.6
Cash flow from continuing operations ¹	313.4	214.2	219.0
EBITDA (continuing operations) ²	357.2	248.5	246.6
Pre-tax income	222.6	113.7	105.8
Net income (continuing operations)	175.9	102.1	76.6
Earnings per share (continuing operations)			
Basic	\$ 1.96	\$ 1.15	\$ 0.85
Diluted	\$ 1.93	\$ 1.14	\$ 0.85
Cash flow per share from continuing operations			
Basic	\$ 3.48	\$ 2.40	\$ 2.43
Diluted	\$ 3.43	\$ 2.38	\$ 2.42
Dividends per share	\$ 0.78	\$ 0.69	\$ 0.56
Total assets	\$ 5,876.8	\$ 3,919.8	\$ 2,709.7
Total long-term debt	\$ 184.5	\$ 56.0	\$ 17.4

¹ Cash flow from operations before net change in non-cash balances related to operations.

² As previously defined, see 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section.

Additional Information

Additional information relating to the Company can be found in the Company's Consolidated Financial Statements and accompanying notes for year ended November 30, 2007, the Company's 2007 AIF and other documents filed with applicable securities regulators in Canada, which may be accessed at www.sedar.com.

Toronto, January 30, 2008

The accompanying consolidated financial statements of AGF Management Limited were prepared by management, which is responsible for the integrity and fairness of the information presented, including the amounts based on estimates and judgements. These consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles. Financial information appearing throughout this Annual Report is consistent with these consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, and for the accounting systems from which they are derived, management maintains internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal controls is supported by a compliance function, which ensures that the Company and its employees comply with securities legislation and conflict of interest rules, and by an internal audit staff, which conducts periodic audits of all aspects of the Company's operations.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit Committee, which is comprised entirely of independent directors. This Committee reviews the consolidated financial statements of the Company and recommends them to the Board for approval.

PricewaterhouseCoopers, independent auditors appointed by the shareholders of the Company upon the recommendation of the Audit Committee, have performed an independent audit of the consolidated financial statements, and their report follows. The shareholders' auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.



Blake C. Goldring, CFA
Chairman and Chief Executive Officer



Gregory J. Henderson, CA
Senior Vice-President and Chief Financial Officer

AUDITORS' REPORT

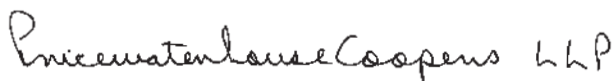
January 30, 2008

To the Shareholders of AGF Management Limited:

We have audited the consolidated balance sheets of **AGF Management Limited** as at November 30, 2007 and 2006 and the consolidated statements of income, changes in shareholders' equity, comprehensive income and cash flows for each of the years in the two-year period ended November 30, 2007. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the two-year period then ended in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Canada

November 30

(in thousands of dollars)

	2007	2006
		(note 3)
Assets		
Current assets		
Cash and cash equivalents	\$ 827,874	\$ 404,115
Short-term investments available for sale	26,149	10,723
Accounts receivable and prepaid expenses	93,141	96,031
Current portion of retained interest from securitization (note 2)	7,501	3,767
Real estate secured and investment loans due within one year (note 7(a))	492,756	309,329
Assets of discontinued operations (note 3)	–	4,527
	1,447,421	828,492
Retained interest from securitization (note 2)	43,424	23,893
Real estate secured and investment loans (note 7(a))	3,187,605	1,997,294
Investment in associated company	102,600	107,735
Management contracts (note 4)	504,269	478,259
Customer contracts, net of accumulated amortization (note 4)	65,805	59,583
Goodwill (note 4 & 5)	180,058	126,399
Trademarks (note 4)	1,935	–
Deferred selling commissions, net of accumulated amortization	315,275	268,243
Property, equipment, and computer software, net of accumulated amortization (note 8)	20,812	19,965
Other assets	7,608	6,307
Assets of discontinued operations (note 3)	–	3,598
Total assets	\$ 5,876,812	\$ 3,919,768

November 30

(in thousands of dollars)

	2007	2006
		(note 3)
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 261,115	\$ 160,259
Future income taxes (note 12)	48,304	45,396
Long-term debt due within one year (note 9)	25,611	–
Deposits due within one year (note 7(b))	1,847,494	1,022,774
Liabilities of discontinued operations (note 3)	–	4,286
	2,182,524	1,232,715
Deposits (note 7(b))	2,235,848	1,465,490
Long-term debt (note 9)	184,486	56,000
Future income taxes (note 12)	202,923	184,909
Other long-term liabilities	1,638	127
Liabilities of discontinued operations (note 3)	–	756
Total liabilities	4,807,419	2,939,997
Non-controlling interest (note 4)	391	–
Shareholders' equity		
Capital stock (note 13)	421,923	403,566
Contributed surplus	14,948	10,470
Retained earnings	635,369	565,576
Accumulated other comprehensive income (loss) (note 1(a))	(3,238)	159
Total shareholders' equity	1,069,002	979,771
Total liabilities and shareholders' equity	\$ 5,876,812	\$ 3,919,768
Commitments (note 21)		
Guarantees (note 22)		
Contingent liabilities (note 23)		

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

Approved by the Board:



Blake C. Goldring, CFA
Director



Douglas L. Derry, FCA
Director

For the years ended November 30
 (in thousands of dollars)

	2007	2006
		(note 3)
Revenue		
Management and advisory fees	\$ 646,462	\$ 507,531
Deferred sales charges	20,381	25,474
Gain on sale of RSP loan securitization and related income, net of impairment	10,769	12,583
Investment income and other	24,485	14,263
	702,097	559,851
Trust Company interest income (notes 1(b) and 19)	236,685	131,355
Trust Company interest expense (notes 1(b) and 19)	(158,462)	(84,004)
Trust company net interest income	78,223	47,351
Total revenue	780,320	607,202
Expenses		
Selling, general and administrative	226,730	197,219
Trailing commissions	169,587	125,331
Investment advisory fees	15,850	27,647
Amortization of deferred selling commissions	107,960	108,169
Amortization of customer contracts	7,837	14,863
Amortization of property, equipment, computer software and other intangible assets	8,030	8,409
Interest expense	9,895	3,346
Provision for Trust Company loan losses	10,995	8,501
	556,884	493,485
Income from continuing operations before income taxes and non-controlling interest	223,436	113,717
Income tax expense (reduction)		
Current	36,436	31,492
Future (note 12)	10,253	(19,841)
	46,689	11,651
Non-controlling interest (note 4)	881	–
Net income from continuing operations for the year	175,866	102,066
Gain on early retirement of debt, net of tax (note 9(b))	–	13,309
Loss on dissolution of Limited Partnerships, net of tax (note 6)	(2,128)	–
Gain (loss) on sale of discontinued operations, net of tax (note 3)	4,702	(2,887)
Net income from discontinued operations, net of tax (note 3(a))	247	169
Net income for the year	\$ 178,687	\$ 112,657
Earnings per share (note 15)		
Basic from continuing operations	\$ 1.96	\$ 1.15
Diluted from continuing operations	\$ 1.93	\$ 1.14
Basic	\$ 1.99	\$ 1.26
Diluted	\$ 1.96	\$ 1.25

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

For the years ended November 30
(in thousands of dollars)

	2007	2006
		(note 1)
Common shares		
Balance, beginning of year	\$ 403,566	\$ 394,154
Issued through dividend reinvestment plan	3,614	1,985
Stock options exercised	14,688	7,935
Issued on acquisition of Highstreet Partners Ltd. (note 4)	5,672	–
Issued for Cypress contingent consideration (note 5)	1,200	2,600
Purchased for cancellation	(6,817)	(3,108)
Balance, end of year	421,923	403,566
Contributed surplus		
Balance, beginning of year	10,470	5,900
Stock options	4,478	4,570
Balance, end of year	14,948	10,470
Retained earnings		
Balance, beginning of year	565,576	527,197
Transitional adjustment on adoption of new accounting policies (note 1(a))	(25)	–
Balance, beginning of year, as restated	565,551	527,197
Net income	178,687	112,657
Dividends on AGF Class A voting common shares and AGF Class B non-voting shares	(70,151)	(61,521)
Excess paid over book value of AGF Class B non-voting shares purchased for cancellation (note 13)	(38,718)	(12,757)
Balance, end of year	635,369	565,576
Accumulated other comprehensive income (loss)		
Balance, beginning of year (note 1(a))	159	(8,925)
Transitional adjustment on adoption of new accounting policies (note 1(a))	3,633	–
Other comprehensive income (loss)	(7,030)	9,084
Balance, end of year	(3,238)	159
Total shareholders' equity	\$ 1,069,002	\$ 979,771

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

For the years ended November 30
(in thousands of dollars)

	2007	2006
Net income	\$ 178,687	(note 1) \$ 112,657
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments related to net investments in self-sustaining foreign operations ¹	(9,157)	9,084
Net change in unrealized gain (loss) on available-for-sale securities ²	2,421	–
Reclassification of realized loss or other than temporary impairment to earnings with respect to available-for-sale securities	(12)	–
Net change in unrealized gains (losses) on cash flow hedges ³	(282)	–
Total other comprehensive income (loss), net of tax	(7,030)	9,084
Comprehensive income	\$ 171,657	\$ 121,741

1 Net of income tax reduction of \$0.6 million for the year ended November 30, 2007. Net of income tax expense of \$1.8 million for the year ended November 30, 2006.

2 Net of income tax of \$0.6 million for the year ended November 30, 2007.

3 Net of income tax reduction of \$0.1 million for the year ended November 30, 2007.

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

For the years ended November 30
 (in thousands of dollars)

	2007	2006 (note 3)
Operating Activities		
Net income	\$ 178,687	\$ 112,657
Gain on early retirement of debt, net of tax	–	(13,309)
Loss on dissolution of Limited Partnerships, net of tax	2,128	–
(Gain) loss on sale of discontinued operations, net of tax	(4,702)	2,887
Earnings from discontinued operations, net of tax	(247)	(169)
Net income from continuing operations	175,866	102,066
Items not affecting cash		
Amortization	123,827	131,441
Future income taxes	10,253	(19,841)
Gain on sale of RSP loan securitization and related income, net of impairment	(10,769)	(12,583)
Provision for Trust Company loan losses	10,995	8,501
Stock-based compensation (note 14)	6,737	4,808
Other	(3,474)	(152)
	313,435	214,240
Net increase in non-cash balances related to operations	86,676	8,629
Net cash provided by continuing operating activities	400,111	222,869
Net cash provided (used) in discontinued operating activities	(1,271)	(659)
Net cash provided by operating activities	398,840	222,210
Financing Activities		
Purchase of Class B non-voting shares for cancellation	(45,532)	(15,865)
Issuance of Class B non-voting shares	18,302	9,920
Dividends	(70,151)	(61,521)
Retirement of debt	–	(3,360)
Increase in bank loan	104,000	56,000
Decrease in other long-term debt	–	(1,324)
Net increase in Trust Company deposits	1,598,363	1,080,512
Net cash provided by continuing financing activities	1,604,982	1,064,362
Investing Activities		
Deferred selling commissions paid	(154,254)	(101,397)
Proceeds of RSP loan securitization	252,878	206,274
Acquisition of subsidiaries	(27,673)	(3,198)
Net proceeds of sale of discontinued operations	2,747	(7,767)
Purchase of property, equipment and other intangible assets	(8,328)	(14,042)
Other investment activities	(3,222)	15,966
Net increase in Trust Company mortgages and consumer loans	(1,644,003)	(1,136,475)
Net cash used in continuing investing activities	(1,581,855)	(1,040,639)
Increase in cash and cash equivalents during the period	421,967	245,933
Balance of cash and cash equivalents, beginning of year	405,907	159,974
Balance of cash and cash equivalents, end of year	\$ 827,874	\$ 405,907
Cash and cash equivalents related to:		
Continuing operations	\$ 827,874	\$ 404,115
Discontinued operations	–	1,792
	\$ 827,874	\$ 405,907
Represented by:		
Cash and cash equivalents	\$ 36,601	\$ 17,159
Trust Company cash and cash equivalents	791,273	388,748
	\$ 827,874	\$ 405,907

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

Description of Business

AGF Management Limited (the Company) is incorporated under the *Business Corporations Act* (Ontario). The Company is an integrated, global wealth management corporation whose principal subsidiaries provide investment management for mutual funds, institutions and corporations, as well as high-net-worth clients; and trust products and services (including real estate secured and investment lending and Guaranteed Investment Certificates (GICs)). The Company conducts the management and distribution of mutual funds in Canada under the brand names AGF, Elements and Harmony (collectively, 'AGF Funds'). The Company conducts its trust business under the name AGF Trust (the Trust Company).

Note 1: Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. The Consolidated Financial Statements include the accounts of the Company and its directly and indirectly owned subsidiaries. Intercompany transactions and balances are eliminated on consolidation. For subsidiaries where the Company does not own all of the equity, the minority shareholders' interest is disclosed in the Consolidated Balance Sheet as non-controlling interest, and the related income is disclosed as a separate line in the Consolidated Income Statement. Investments over which the Company is able to exercise significant influence are accounted for by the equity method. Certain comparative amounts in these financial statements have been reclassified to conform with the current year's presentation.

The principal subsidiaries of AGF Management Limited (AGF) are:

- AGF Funds Inc.
- AGF Asset Management Group Limited
- AGF International Advisors Company Limited
- AGF Asset Management Asia Limited
- Magna Vista Investment Management Limited
- Doherty & Associates Limited
- Cypress Capital Management Limited
- Highstreet Asset Management Inc.
- AGF Trust Company
- AGF Securities (Canada) Limited
- 20/20 Financial Corporation

In addition, the Company holds a 30.9% interest in Smith & Williamson Holdings Limited (S&WHL), an independent U.K.-based company providing private client investment management, financial advisory, tax and accounting services. This investment is accounted for using the equity method.

Significant Accounting Changes

- (a) **Financial Instruments, Hedges and Comprehensive Income**
On December 1, 2006, the Company adopted four new accounting standards: CICA Handbook Section 1530 Comprehensive Income; Section 3855 Financial Instruments – Recognition and Measurement; Section 3861 Financial Instruments – Disclosures and Presentation; and Section 3865 Hedges. The adoption of these new standards resulted in changes in the accounting for financial instruments and hedges as well as the recognition of certain transitional adjustments that have been recorded in opening retained earnings or opening accumulated other comprehensive income as outlined below. Comparative amounts related to prior periods have not been restated.

Comprehensive Income

Section 1530 introduces Comprehensive Income, composed of the Company's net income and other comprehensive income (OCI). OCI will include unrealized gains and losses on available-for-sale financial assets, foreign currency translation on net investments in self-sustaining foreign operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes. Accumulated other comprehensive income (AOCI) is a new component of shareholders' equity. The Consolidated Statements of Changes in Shareholders' Equity has replaced the Consolidated Statements of Retained Earnings in the Company's financial statements. The Consolidated Statements of Comprehensive Income has also been added to the Company's financial statements.

Financial Instruments – Recognition and Measurement

Under Section 3855, financial assets and financial liabilities are initially recognized at fair value. Measurement in subsequent periods is dependent upon the classification of each instrument. The standard requires that all financial assets be classified as either held for trading, available for sale (AFS), held to maturity (HTM) or loans and receivables. Financial liabilities are classified as either trading or other.

Financial assets and financial liabilities held for trading are measured at fair value, with the changes in fair value reported in earnings. Financial assets held to maturity, loans and receivables, and financial liabilities other than those held for trading are measured at amortized cost using the effective interest method. Available-for-sale financial assets are measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, recognized in OCI until the financial asset is disposed of or becomes impaired.

Derivative instruments are recorded on the balance sheet at fair value. Changes in the fair value of derivative instruments are recognized in earnings, except for derivatives that are designated as a cash flow hedge, the fair value change for which is recognized in OCI.

The categories of the Company's financial assets and liabilities and the related transitional adjustments are:

Available for sale:

- (i) Short-term investments, which partially consist of investments in mutual funds of AGF and securities that will form the basis for commercial products. On transition, investments totalling \$10.7 million were classified as available for sale on December 1, 2006, which gave rise to an adjustment to AOCI of \$3.2 million (\$2.7 million net of tax).
- (ii) Retained interests from securitization have been re-measured to reflect the fair value. On transition, retained interests of \$27.7 million were classified as available for sale on December 1, 2006, which gave rise to an adjustment to AOCI of \$1.4 million (\$1.0 million net of tax).

Loans and receivables and financial liabilities other than those held for trading:

- (i) The Company's financial assets include accounts receivable, real estate secured and investment loans, and its financial liabilities other than those held for trading are comprised of deposits. On December 1, 2006, as a result of the adoption of Section 3855, the Company reclassified \$15.9 million of related transaction costs from accounts receivable and \$1.9 million of related fees from accounts payable and accrued liabilities to real estate secured and investment loans and deposits.

Held for trading:

Certain derivative instruments that are held for economic hedging purposes, and do not meet the requirements of Section 3865, are also classified as non-trading derivatives, but the change in fair value of these derivatives is recognized in other income. All non-trading derivatives are recorded on the Consolidated Balance Sheet in other assets or liabilities.

Hedges

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies. Derivative instruments are used to manage the Company's exposure to interest rate risks and exposure to increases in compensation costs arising from certain share-based compensation. The Company does not enter into derivative financial instruments for trading or speculative purposes. When derivative instruments are used, the Company determines whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a fair value hedge or a cash flow hedge. In accordance with Section 3865, the accumulated ineffectiveness of hedging relationships must be measured, and the ineffective portion of changes in fair value must be recognized in the Consolidated Statement of Income. As a result, the opening balance of retained earnings was adjusted by \$0.025 million. For the Company's detailed accounting policy on hedge accounting, refer to the Derivatives section in Note 1.

Impact upon adoption of Sections 3855, 3865 and 1530

A summary of transition adjustments recognized as at December 1, 2006, as outlined above is as follows:

(in thousands of dollars)	As at November 30, 2006	Adjustment upon adoption of Section 3855	As at December 1, 2006
Assets			
Short-term investments	\$ 10,723	\$ 3,271	\$ 13,994
Retained interest from securitization (current and long-term)	27,660	1,352	29,012
Accounts receivable	96,031	(15,928)	80,103
Real estate secured and investment loans (current and long-term)	2,306,623	3,183	2,309,806
Impact on total assets		\$ (8,122)	
Liabilities and shareholders' equity			
Deposits	2,488,264	(7,074)	2,481,190
Derivative instruments market valuation	–	(3,754)	(3,754)
Future income tax	230,305	998	231,303
Accounts payable and accrued liabilities	160,259	(1,900)	158,359
Impact on total liabilities		\$ (11,730)	
Shareholders' equity			
Foreign currency translation adjustments	159	(159)	–
Retained earnings	565,576	(25)	565,551
Accumulated other comprehensive income			
Foreign currency translation adjustments related to net investments in self-sustaining operations	–	159	159
Unrealized gains on available-for-sale assets	–	3,633	3,633
Accumulated other comprehensive income	–	3,792	3,792
Impact on shareholders' equity		3,608	
Impact on liabilities and shareholders' equity		\$ (8,122)	

(b) Trust Company Operations Net Interest Income
Commencing December 1, 2006, the presentation of the Trust Operations income has been revised to present net deposit interest expense and other interest expense in net interest income, as detailed in Note 19. Comparative periods presented have been restated, with interest and investment income being reclassified from administration fees, interest and other revenue, and other interest expense being reclassified from interest on Trust Company deposits and selling, general and administrative expenses.

(c) Purchase Price Allocations and Amortization of Intangible Assets
On December 1, 2006, the Company acquired 79.9% of Highstreet Partners Ltd. (Highstreet). The allocation of the purchase price for this transaction involved significant judgements in determining the fair values assigned to the intangible assets acquired on acquisition. The determination of these fair values involved the use of discounted cash flow

analysis, estimated future margins, estimated assets under management (AUM) and estimated market growth.

The determination of the estimated useful lives of the intangible assets that are customer contracts involves historical redemption rates of the AUM and judgements regarding the applicability of these rates going forward. Based on this, the estimated useful lives of customer contracts acquired is seven years; accordingly, customer contracts will be amortized on a straight-line basis over seven years. Management contracts, trademarks and goodwill are not amortized, but are subject to an annual impairment test. Refer to Note 4 for the fair value allocation of the net assets acquired.

(d) Accounting Policy Choice for Transaction Costs
On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction

costs related to the acquisition of financial assets and financial liabilities that are classified as other than held for trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held for trading, but permits a different policy choice for financial instruments that are not similar. EIC-166 will be effective for the Company on November 30, 2007, and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. Our current recognition policy for transaction costs is consistent with this guidance.

Transaction costs related to trading securities are expensed as incurred. Transaction costs related to AFS are capitalized. Transaction costs related to HTM, loans and receivables, and deposits are generally capitalized and are then amortized using the effective interest method.

Revenue Recognition

Management and advisory fees are based on the net asset value of funds under management and are recognized on an accrual basis. These fees are shown net of management fee rebates and distribution fees payable to third-party, selling-commission financing entities.

Deferred sales charge (DSC) revenue is received from investors when mutual fund securities sold on a DSC basis are redeemed. DSC revenue is recognized on the trade date of redemption of the applicable mutual fund securities.

Net interest income on real estate secured and investment loans, dividends and other investment income earned are recognized on an accrual basis in the period earned.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and other highly liquid investments with short-term maturities.

Income Taxes

The Company follows the liability method in accounting for income taxes whereby future income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates that are expected to be in effect when the future income tax assets or liabilities are expected to be realized or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Future income tax assets are recognized to the extent that realization is considered more likely than not.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the balance sheet date, and non-monetary assets and liabilities are translated at historical exchange rates. Foreign currency income and expenses are translated at average exchange rates prevailing throughout the year. Unrealized translation gains and losses and all realized gains and losses are included in other non-operating expenses, except for available-for-sale securities where unrealized translation gains and losses are recorded in other comprehensive income until the asset is sold or becomes impaired.

Financial statements of integrated foreign subsidiaries are translated using the temporal method. Under this method, monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets are translated at historical exchange rates. Revenue and expenses are translated at average exchange rates for the period, except for amortization, which is translated on the same basis as the related asset. Translation gains and losses are included in net income.

Investments in foreign associated companies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Unrealized translation gains and losses are reported in other comprehensive income.

Deferred Selling Commissions

Selling commissions paid to brokers on mutual fund securities sold on a DSC basis are recorded at cost and are amortized on a straight-line basis over a period that corresponds with the applicable DSC schedule (which ranges from three to seven years). Unamortized deferred selling commissions are written down to the extent that the carrying value exceeds the expected future revenue on an undiscounted basis.

Property, Equipment and Computer Software

Property, equipment and computer software, which is comprised of furniture and equipment, computer hardware, computer software, leasehold improvements and equipment under capital lease, is stated at cost, net of accumulated amortization. Amortization is computed using the following methods based on the estimated useful lives of these assets:

Furniture and equipment	20% declining balance
Computer hardware	30% declining balance
Leasehold improvements	straight-line over term of lease
Computer software	straight-line over 3 years

Finite Life Intangible Assets

Finite life intangible assets, comprised of customer contracts and relationships, are stated at cost, net of accumulated amortization. Amortization is computed on a straight-line basis over 7 to 15 years, based on the estimated useful lives of these assets.

Impairment of Long-lived Assets

Impairment of long-lived assets is recognized when an event or change in circumstance causes the assets' carrying value to exceed the total undiscounted cash flows expected from their use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset or group of assets from its carrying value.

Goodwill, Management Contracts and Trademarks

The purchase price of acquisitions accounted for under the purchase method and the purchase price of investments accounted for under the equity method are allocated based on the fair values of the net identifiable assets acquired, including management contracts and other identifiable intangible assets. The excess of the purchase price over the values of such assets is recorded as goodwill. Management contracts and trademarks have been determined to have an indefinite life.

Goodwill, management contracts and trademarks are not amortized, but are subject to impairment tests on at least an annual basis. Goodwill is allocated to the reporting units, and any impairment is identified by comparing the carrying value of a reporting unit with its fair value. If any impairment is indicated, then it is quantified by comparing the carrying value of goodwill to its fair value, based on the fair value of the assets and liabilities of the reporting unit. As of November 30, 2007 and 2006, the Company has completed its annual impairment testing on the carrying values of goodwill, management contracts and trademarks. No impairment losses were required to be recognized as a result of this testing.

Real Estate Secured Loans and Investment Loans

Real estate secured loans and investment loans are classified as loans and receivables, which are recorded at amortized cost using the effective interest rate method and net of an allowance for loan losses. Interest income from loans is recorded on an accrual basis. Accrued but uncollected interest on uninsured real estate secured loans and investment loans is reversed when a loan is identified as impaired. Principal payments on the real estate secured loans and investment loans that are contractually due to the Company in the 12-month period from the balance sheet date are classified as current assets.

Fees that relate to the origination of loans are considered to be adjustments to loan yield and are deferred and amortized to interest income over the expected term of the loans.

Allowance for Loan Losses

The allowance for loan losses consists of both specific allowances on impaired loans and general allowances. General allowances are based on management's assessment of inherent, unidentified losses in the portfolio that have not been captured in the determination of specific allowances. The assessment includes portfolio-specific credit factors, general economic factors and geographic exposure. Specific allowances consist of provisions for losses on identifiable assets for which carrying values are higher than estimated realized values.

Impaired Loans

Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest, or when principal or interest is 90 days past due, except where the loan is both well-secured and in the process of collection. In any event, a loan that is insured by the federal government, an agency thereof or another third-party insurer is classified as impaired when interest or principal is 365 days past due, or in the case of other loans, when they are contractually in arrears for 180 days.

When a loan is identified as impaired, the carrying amount of the loan is reduced to its estimated realizable value. In subsequent periods, recoveries of amounts previously written off and any increase in the carrying value of the loan are credited to the provision for loan losses in the consolidated statements of income. Where a portion of the loan is written off and the remaining balance is restructured, the new loan is carried on an accrual basis when there is no longer any reasonable doubt regarding the collectability of principal or interest. Interest income is recognized on impaired loans on a cash basis only after the specific allowance for losses has been reversed and provided there is no further doubt as to the collectability of the principal.

Deposits

Deposits are primarily comprised of GICs that require the Company to pay a fixed interest rate until the maturity date of the certificate. Deposits are classified as current liabilities and other liabilities, depending on the time to maturity, and are carried at amortized cost using the effective interest method.

GICs that mature in the 12-month period following the balance sheet date are classified as current liabilities.

Stock-based Compensation and Other Stock-based Payments

The Company has stock-based compensation plans as described in Note 14. The Company uses the fair-value-based method of accounting for stock-based compensation. The fair value of stock-based compensation, determined using an option pricing model, is recorded over the vesting period as a charge to net earnings with a corresponding credit to contributed surplus.

The Company also has a share purchase plan under which employees can have a portion of their annual earnings withheld to purchase AGF's Class B non-voting shares (Class B shares). The Company matches a portion of these amounts. The Company's contribution vests immediately and is recorded as a charge to net income in the period in which the cash contribution is made.

The Company has a Restricted Share Unit (RSU) plan for senior employees under which certain employees are granted RSUs of Class B shares. Compensation expense and the related liability are recorded equally over the vesting period, taking into account fluctuations in the market price of Class B shares, dividends paid and forfeitures.

The Company has a Performance Share Unit (PSU) plan for senior employees under which certain employees are granted PSUs of Class B shares. Compensation expense and the related liability are recorded equally over the vesting period, taking into account the likelihood of the performance criteria being met, fluctuations in the market price of Class B shares, dividends paid and forfeitures.

During the year, the Company established a Deferred Share Unit (DSU) plan for non-employee directors. The plan enables directors of the Company to elect to receive their remuneration in DSUs. These units vest immediately and compensation expense and the related liability are charged to net earnings in the period the DSUs are granted.

During 2007, the Company established a hedge program to fix the cost of compensation related to RSUs and PSUs. Refer to Note 14(c) for more details.

Assets Under Management

The Company manages and provides advisory services in respect of mutual fund and other investment assets owned by clients and third parties that are not reflected on the Consolidated Balance Sheet.

Earnings Per Share

Basic earnings per share are calculated by dividing net income applicable to common shares by the daily weighted average number of shares outstanding. Diluted earnings per share are

calculated using the daily weighted average number of shares that would have been outstanding during the year had all potential common shares been issued at the beginning of the year, or when other potentially dilutive instruments were granted or issued, if later.

The treasury stock method is used to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of options to acquire shares.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual amounts could differ from these estimates.

Key areas of estimation where management has made difficult, complex or subjective judgements – often regarding matters that are inherently uncertain – are the useful lives of depreciable assets, commitments and contingencies, loan loss provisions, income tax provisions, valuation of retained interest from securitization, stock-based compensation, performance share unit plan expense and the recoverability of property, equipment, goodwill and intangible assets using estimates of future cash flows. In addition, the Company has made investments in companies or businesses, some of which have experienced operating losses. Significant changes in the assumptions, including those regarding future business plans and cash flows, could change the recorded amounts by a material amount. In addition, further operating losses of certain investees could result in impairment of these investments.

Disposal of Long-lived Assets and Discontinued Operations

Long-lived assets to be disposed of by sale are measured at the lower of their carrying amount or fair value less cost to sell, and are not depreciated while classified as held for sale.

During 2007, the Company concluded the sale of its wholly-owned subsidiary Investmaster Holdings Limited (Investmaster). Investmaster's assets and liabilities have been reclassified as discontinued operations, and its operations for the 2006 period are reported as discontinued operations as discussed in Note 3.

Accounting for Securitizations

The Company has securitized certain registered Retirement Savings Plan (RSP) loans through the sale of these loans to a securitization trust. In order for a securitization to be treated as a

sale, the Company must surrender control over those loans included in the securitization. To surrender control, the securitized assets must be isolated from the Company and its creditors, even in the case of bankruptcy or receivership, and the Company must receive consideration other than the beneficial interest in the transferred assets.

In determining the gain or loss on sale, management estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, expected credit losses, the cost of servicing the assets and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by management. If actual cash flows are different from management's estimate of future cash flows, then the gains or losses on the securitization recognized in income will be adjusted. Note 2 to the financial statements provides additional disclosure regarding the securitizations and related balance sheet and income statement impacts.

AGF Elements

In November 2005, the Company launched AGF Elements, which consists of five diversified fund-of-fund portfolios. If an AGF Elements portfolio does not match or outperform its customized benchmark over a three-year period, each individual investor will receive up to 90 basis points in additional units, calculated based on the value of such investment at the end of its related three-year period.

The Company records in other liabilities up to 30 basis points per year of each investor's AUM, adjusted for redemptions, until the end of the three-year measurement period of each investment made by such investor. At that time, if an individual investor's returns match or exceed the corresponding benchmark, the Company will recognize the entire amount as management fee revenue. If an individual investor's actual returns are below the customized benchmark, a corresponding amount will be distributed to the investor in the form of additional units. As of November 30, 2007, the Company has recorded a liability of \$6.1 million (2006 – \$1.6 million).

Consolidation of Variable Interest Entities

CICA AcG 15, Consolidation of Variable Interest Entities (VIE), provides guidance for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests.

An entity is a VIE when, by design, one or both of the following conditions exist: (a) total equity investment at risk is insufficient to permit the entity to finance its activities without additional

subordinated support from others; (b) as a group, the holders of the equity investment at risk lack certain essential characteristics of a controlling financial interest.

The Company has reviewed its relationships and determined that there are no entities whose financial results would be required to be included or disclosed in the consolidated results for the years ended November 30, 2007, and 2006.

Derivatives

Derivative instruments are used to manage the Company's exposure to interest rate risks and exposure to increases in compensation costs arising from certain share-based compensation. The Company does not enter into derivative financial instruments for trading or speculative purposes. When derivative instruments are used, the Company determines whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a fair value hedge or a cash flow hedge. The hedge is documented at inception, detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the specific asset or liability being hedged, the risk that is being hedged, the type of derivative used and how effectiveness will be assessed. The derivative instrument must be highly effective in accomplishing the objective of offsetting either changes in the fair value or forecasted cash flows attributable to the risk being hedged both at inception and over the life of the hedge.

Fair Value Hedges

Fair value hedge transactions predominantly use interest rate swaps to hedge the changes in the fair value of an asset, liability or firm commitment. Derivative financial instruments held for fair value hedging purposes are recognized at fair value and the changes in the fair value are recognized in the Consolidated Statement of Income under investment income and other. Changes in the fair value of the hedged items attributable to the hedged risk are also recognized in the Consolidated Statement of Income under investment income and other, with a corresponding adjustment to the carrying amount of the hedged items in the Consolidated Balance Sheet. When the derivative instrument no longer qualifies as an effective hedge or the hedging instrument is sold or terminated prior to maturity, hedge accounting is discontinued prospectively. The cumulative adjustment of the carrying amount of the hedged item related to a hedging relationship that ceases to be effective is recognized in income over the remaining period to maturity on an effective yield basis. Furthermore, if the hedged item is sold or terminated prior to maturity, hedge accounting is discontinued, and the cumulative adjustment of the carrying amount of the hedged

item is then immediately recognized in investment income and other. During the twelve months ended November 30, 2007, the ineffective portion of accumulated changes in fair value of hedging relationships recognized in the income statement amounted to a gain of less than \$0.1 million.

Cash Flow Hedges

Cash flow hedges are used to hedge the changes in fair value related to certain compensation costs (Note 14). The effective portion of the change in fair value of the derivative instruments, net of taxes, is recognized in OCI, while the ineffective portion is recognized in net income.

In accordance with Section 3865, the accumulated ineffectiveness of hedging relationships must be measured, and the ineffective portion of changes in fair value must be recognized in the Consolidated Statement of Income. During the twelve months ended November 30, 2007, the ineffective portion of accumulated changes in the fair value of hedging relationships recognized in the income statement amounted to a gain of less than \$0.1 million.

Future Accounting Changes

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures (Section 1535); Handbook Section 3862, Financial Instruments – Disclosures (Section 3862); and Handbook Section 3863, Financial Instruments – Presentation (Section 3863). These new standards will be effective for the Company on December 1, 2007.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Note 2: Securitization of AGF Trust Loans

On March 30, 2007, the Company, through its wholly owned subsidiary AGF Trust Company (Trust Company), securitized \$263.6 million of RSP loans through the sale of these loans to a securitization trust. Cash flows of \$252.9 million were received on the securitization and a gain of \$8.0 million was recorded, net of transaction fees and servicing liabilities. On February 28, 2006, \$218.4 million of RSP loans was securitized through the sale of these loans to a securitization trust. Cash flows of \$206.3 million were received on the securitization and a gain, net of transaction fees and expenses, of \$9.9 million was recorded. As at November 30, 2007, \$291.1 million (\$2006 – \$161.3 million) of securitized loans related to these two securitization transactions were outstanding.

When RSP loan receivables are sold in a securitization to a securitization trust under terms that transfer control to third parties, the transaction is recognized as a sale and the related loan assets are removed from the Consolidated Balance Sheet. As part of the securitization, certain financial assets are retained. The retained interests are carried at fair value and are determined using the present value of future expected cash flows. A gain or loss on the sale of loan receivables is recognized immediately in income. The amount of the gain or loss is determined by estimating the fair value of future expected cash flows using management's best estimates of key assumptions: excess spread, discount rate on the interest-only strip, expected credit losses, prepayment rates and the expected weighted average life of RSP loans that are commensurate with the risks involved. The current fair value of retained interests is determined using the present value of future expected cash flows as discussed above. During the year ended November 30, 2007, as a result of the extended disruption in the market for asset-backed commercial paper (ABCP) issued by securitization trusts, the Trust Company revised its assumptions regarding the excess spread it will earn on its retained interests in securitization. The Trust Company is exposed to the increased costs of ABCP, as the interest expense incurred by the securitization trust on commercial paper issued to fund the purchase of assets directly impacts the amount of residual interest earned by the retained interests. As a result of decreasing the Trust Company's estimate of the future difference between the rates on ABCP and the rates on the related RSP loans, and due to the higher actual rates paid to ABCP holders during the year, the Trust Company wrote down the value of the retained interest-only strip by approximately \$1.9 million as an other-than-temporary impairment.

The Company has recorded retained interests of \$50.9 million (2006 – \$27.7 million) made up of i) the rights to future excess interest on these RSP loans after investors in the securitization trust have received the return for which they contracted, valued at \$20.4 million (2006 – \$13.7 million), ii) cash collateral of \$11.3 million (2006 – \$5.7 million) and iii) over-collateralization of \$19.2 million (2006 – \$8.3 million).

As at November 30, 2007, the impaired loans included in the securitized balances were equal to \$0.7 million (2006 – \$0.3 million), and during the 12 months ended November 30, 2007, \$2.1 million (2006 – \$0.8 million) of securitized RSP loans were written off.

The Company's claim on the retained interests is subordinate to investors' interests. Recourse available to investors and the securitization trust is limited to the retained interests. For the twelve months ended November 30, 2007, cash flows of \$18.0 million (2006 – \$9.9 million) were received on the securitized loans, of which \$6.7 million (2006 – \$4.1 million) related to the over-collateralization and \$11.3 million (2006 – \$5.8 million) related to the interest-only strip. The total other income recognized from securitization during the twelve months ended November 30, 2007, was \$4.6 million (2006 – \$2.2 million).

The significant assumptions used to value the sold and retained interests at the date of securitization for securitizations completed during the year and at year-end were as follows:

Excess spread ¹	2.7% – 3.8%
Discount rate on interest-only strip	7.5%
Expected credit losses	0.8%
Prepayment rate	16.3%
Expected weighted average life of RSP loans	23 – 27 months

¹ The excess spread at year-end is expected to fluctuate over these ranges over the life of the retained interests.

The Trust Company retained servicing responsibilities for the securitized loans. A servicing liability of \$1.8 million was recorded as at November 30, 2007 (2006 – \$1.1 million). This amount represents the estimated future cost of servicing the securitized loans and has been offset against the gain on the sale of the RSP loans. The amount amortized related to the servicing liability during the twelve months ended November 30, 2007, was \$0.9 million (2006 – \$0.5 million).

The following table presents key economic assumptions and the sensitivity of the current fair value of retained interests to two adverse changes in each key assumption as at November 30, 2007. Since the sensitivity is hypothetical, it should be used with

caution. The impact of changes in the fair value of retained interests was calculated using a discounted cash flow analysis.

(in thousands of dollars)

Discount rate		
+10%	\$	(225)
+20%		(448)
Prepayment rate		
+10%	\$	(365)
+20%		(737)
Expected credit losses		
+10%	\$	(423)
+20%		(846)
Excess spread		
-10%	\$	(1,681)
-20%		(3,354)

Note 3: Discontinued Operations and Assets Held for Sale

(a) On April 30, 2007, the Company sold 100% of Investmaster Group Limited for \$6.8 million and additional contingent consideration. The purchase consideration includes \$5.0 million in cash and two notes receivable from the buyer, totalling \$1.8 million, due on April 30, 2009, and April 30, 2010, respectively. The contingent consideration will be payable to the Company in 2009 and 2010 if certain working capital and revenue targets are reached by Investmaster.

Accordingly, Investmaster's operations for the 2007 and 2006 periods have been reported as discontinued operations, and previously reported financial statements have been reclassified to reflect the following:

(in thousands of dollars, except per share amounts)

Years ended November 30	2007	2006
Revenue	\$ 4,342	\$ 14,457
Net earnings from discontinued operations, net of tax	\$ 247	\$ 169
Basic net earnings per share	\$ –	\$ –
Diluted net earnings per share	\$ –	\$ –

The carrying values of the assets and liabilities related to the discontinued operations are as follows:

(in thousands of dollars)	November 30, 2006
Current assets of discontinued operations	
Cash and term deposits	\$ 1,792
Accounts receivable and prepaid expenses	2,735
	\$ 4,527
Long-term assets of discontinued operations	
Property, equipment and other assets, net	\$ 3,598
	\$ 3,598
Current liabilities of discontinued operations	
Accounts payable and accrued liabilities	\$ 4,286
	\$ 4,286
Long-term liabilities of discontinued operations	
Future income tax	\$ 756
	\$ 756

Details of the gain on the sale of Investmaster are as follows:

(in thousands of dollars)	November 30, 2007
Proceeds on sale	\$ 6,821
Expenses related to transaction	(2,303)
Carrying cost of investment	(3,916)
Gain on sale before income taxes	602
Income tax reduction	4,100
Gain on sale of discontinued operations	\$ 4,702

- (b) During the year ended November 30, 2006, the Company recorded a loss on the sale of discontinued operations of \$2.9 million, net of tax of \$0.6 million, in relation to certain purchase price adjustments and a potential tax liability with respect to the sale of Unisen Holdings Inc. (Unisen). There is no contingent payment remaining for this transaction.

Note 4: Acquisition of Highstreet Partners Ltd.

On December 1, 2006, the Company acquired 79.9% of Highstreet Partners Ltd. (Highstreet), which wholly owns Highstreet Asset Management Inc., an investment counsel firm based in London, Ontario. The purchase consideration is payable in a combination of cash and the issuance of Class B shares. For the year ended November 30, 2007, the Company has made payments of \$20.2 million in cash and \$5.7 million through the issuance of 225,116 AGF Class B shares, which approximates

33.3% of the purchase price. Additional payments aggregating \$51.8 million (principal and imputed interest) are due on February 28, 2008, and February 28, 2009, for total minimum consideration, including acquisition costs, of \$74.4 million. In addition, a contingent consideration will be paid in 2010 if certain financial profitability targets are achieved by Highstreet. At this time, the amount of the contingent consideration is not determinable. The 21.1% held by the former principals of Highstreet, who are also current employees of Highstreet, is shown as non-controlling interest.

The fair value of the net assets acquired and consideration paid are summarized as follows:

(in thousands of dollars)	
Net assets acquired	
Cash	\$ 354
Other assets	3,011
Management contracts	26,010
Customer contracts	14,160
Goodwill	45,895
Trademarks	1,935
Current liabilities	(2,955)
Future income taxes	(14,014)
	\$ 74,396
Consideration paid (including acquisition costs)	
Cash	\$ 20,228
Issuance of Class B shares (note 13)	5,672
Payments subsequent to acquisition date (note 9 (c))	47,896
Acquisition costs	600
	\$ 74,396

Note 5: Acquisition of Cypress Capital Management Ltd.

On June 30, 2004, the Company acquired 100% of the shares of Cypress. At the time of purchase, contingent consideration of up to \$9.0 million was due to the vendors, subject to Cypress achieving certain revenue levels over the three-year period ended June 30, 2007. The Company determined that these revenue levels were exceeded, and, accordingly, the consideration of \$9.0 million was paid during the year and recorded as an increase in goodwill. The payment consisted of \$7.8 million in cash and the issuance of 33,367 Class B shares valued at \$1.2 million (Note 13).

Note 6: Dissolution of Partnerships

On February 28, 2007, the unitholders and the respective boards of directors of the following limited partnerships (LPs) – AGF Limited Partnership 1990, AGF Limited Partnership 1991, 20/20 Group 1990 Private Limited Partnership, 20/20 Group 1990 Limited Partnership and 20/20 Group 1992 Limited Partnership – approved the dissolution of each respective LP. On March 1, 2007, as part of the LP dissolution process, the Company purchased the future distribution fees that remain payable by the Company to the LPs or purchased the outstanding units for total cash

consideration of \$3.2 million (\$2.1 million net of taxes). In fiscal 2006, distributions of approximately \$1.0 million were made to these partnerships. As a result of the aforementioned transaction, no further distribution will be made to these specific LPs.

Note 7: Trust Company

The Trust Company's principal business activities are originating real estate secured loans, investment loans and deposit taking. Details relating to these activities are as follows:

(in thousands of dollars)	Term to contractual repricing			As of November 30	
	Variable rate	1 year or less	1 to 5 years	2007	2006
Mortgage loans	\$ 1,653	\$ 549,855	\$ 774,819	\$ 1,326,327	\$ 941,962
Home equity lines of credit (HELOCs)	449,151	–	–	449,151	116,194
Total real estate secured loans	450,804	549,855	774,819	1,775,478	1,058,156
Investment loans	1,898,987	5,463	10,236	1,914,686	1,261,166
	\$ 2,349,791	\$ 555,318	\$ 785,055	3,690,164	2,319,322
Less: allowance for loan losses				(17,137)	(12,699)
Add: net deferred sales commissions and commitment fees				7,334	–
				3,680,361	2,306,623
Less: current portion				(492,756)	(309,329)
				\$ 3,187,605	\$ 1,997,294
Impaired loans included in above				\$ 25,821	\$ 16,368
Less: specific allowance for loan losses				(1,860)	(2,448)
				\$ 23,961	\$ 13,920

(in thousands of dollars)	Years ended November 30	
	2007	2006
The change in the allowance for loan losses is as follows:		
Balance, beginning of year	\$ 12,699	\$ 8,200
Amounts written off	(5,899)	(2,697)
Recoveries	1,110	465
Reduction due to RSP loan securitization	(1,486)	(1,770)
Provision for loan losses	10,713	8,501
Balance, end of year	\$ 17,137	\$ 12,699

(a) Real Estate Secured and Investment Loans

The table represents the period of contractual repricing of interest rates on outstanding amounts. Principal repayments on real estate and investment loans due within one year as at November 30, 2007, were \$492.8 million (2006 – \$309.3 million).

As at November 30, 2007, the Company's mortgage portfolio was comprised of a combination of fixed rate and variable rate residential mortgages, of which \$563.5 million

(2006 – \$403.4 million) is insured, with a weighted average term to maturity of 2.0 years (2006 – 1.8 years) and a weighted average yield of 7.20% (2006 – 6.81%). Investment loans have interest rates based on prime. For the year ended November 30, 2007, the average interest rate on HELOCs was 6.30% (2006 – 6.08%) and on investment loans was 7.60% (2006 – 7.39%). Mortgage and HELOC loans are secured primarily by residential real estate. Investment loans are secured by the investment made using the initial loan proceeds.

(b) Trust Company Deposits

(in thousands of dollars)	Term to maturity				2007	2006
	Demand	1 year or less	1 to 5 years			
Deposits	\$ 7,813	\$ 1,839,680	\$ 2,252,170	\$ 4,099,663	\$ 2,488,264	
Less: deferred sales commissions				(16,321)	–	
Less: current portion				(1,847,494)	(1,022,774)	
Long-term deposits				\$ 2,235,848	\$ 1,465,490	

As at November 30, 2007, deposits were comprised substantially of GICs with a weighted average term-to-maturity of 1.8 years (2006 – 1.9 years) and a weighted average interest rate of 4.38% (2006 – 4.05%).

(c) Interest Rate Swaps

To hedge its exposure to fluctuating interest rates, the Trust Company has entered into interest rate swap transactions with four Canadian chartered banks as noted below. The swap transactions expire between December 2007 and July 2012 and involve the exchange of either the one-month bankers' acceptance rate or the three-month bankers' acceptance rate to receive fixed interest rates. The swap contracts designated as fair value hedging instruments for deposits are used by the Trust Company for balance sheet matching purposes and to mitigate net interest revenue volatility. As at November 30, 2007, the aggregate notional amount of the swap transactions was \$2.8 billion (2006 – \$1.7 billion). The aggregate fair value of the swap transactions, which represents the amount that would be received by the Trust Company if the transactions were terminated at November 30, 2007, was \$6.7 million (2006 – \$3.8 million).

(in thousands of dollars)		Fair value	Maturity date	Fixed interest rate received
Notional amount of swap				
\$ 100,000	\$	(60)	2007	3.92% – 4.20%
1,262,000		417	2008	3.17% – 4.83%
567,000		1,927	2009	3.47% – 4.97%
495,000		1,670	2010	3.62% – 5.05%
340,000		2,551	2011	4.07% – 5.08%
70,000		143	2012	4.25% – 5.01%

(d) Interest Rate Sensitivity

For the Trust Company, the impact of a 1% change in interest rates either up or down would be an increase or decrease in annual net interest income of approximately \$2.2 million.

Note 8: Property, Equipment and Computer Software

(in thousands of dollars)

November 30, 2007	Cost	Accumulated Amortization	Net
Furniture and equipment	\$ 8,306	\$ 4,711	\$ 3,595
Leasehold improvements	15,592	9,191	6,401
Computer hardware	8,391	3,408	4,983
Computer software	15,976	10,143	5,833
	\$ 48,265	\$ 27,453	\$ 20,812

(in thousands of dollars)

November 30, 2006	Cost	Accumulated Amortization	Net
Furniture and equipment	\$ 19,753	\$ 16,532	\$ 3,221
Leasehold improvements	20,430	12,792	7,638
Computer hardware	6,957	2,541	4,416
Computer software	42,243	37,553	4,690
	\$ 89,383	\$ 69,418	\$ 19,965

Note 9: Long-term Debt

(in thousands of dollars)

Years ended November 30	2007	2006
Revolving term loan	\$ 160,000	\$ 56,000
Payment related to acquisition of Highstreet Partners Ltd. (note 4)		
February 28, 2008	25,611	–
February 28, 2009	24,486	–
	210,097	56,000
Less: amount included in current liabilities	25,611	–
	\$ 184,486	\$ 56,000

(a) Revolving Term Loan

The Company has arranged a six-year, prime-rate-based revolving term loan to a maximum of \$300.0 million (2006 – \$200.0 million) with a Canadian chartered bank. Under the loan agreement, the Company is permitted to draw down the revolving term loan by direct advances and/or bankers' acceptances (BAs). The revolving term loan is available at any time for a period of 364 days from commencement of the loan (the commitment period). The expiration of the current commitment period is June 30, 2008. However, the Company may request by April 15, 2008, and prior to April 15 in any calendar year thereafter, a recommencement of the six-year term at the expiry of the then-current commitment period. No repayment of the principal amount outstanding pursuant to the revolving term loan is required during the first three years of the then applicable term. Thereafter, the loan balance shall be repaid in minimum monthly instalments of at least one-36th of the amount of principal outstanding.

As at November 30, 2007, the Company has drawn \$160.0 million (2006 – \$56.0 million) against the available loan amount at an effective average interest rate of 4.48% (2006 – 4.60%) per annum.

Security for the bank loan includes a specific claim over the management fees owing from the mutual funds (subject to the existing claims of related limited partnerships) for which the Company acts as manager and, depending upon the amount of the loan outstanding, an assignment of AGF's investments in 20/20 Financial Corporation and AGF International Company Limited.

- (b) Notes Payable Due April 30, 2013, and Participation Units**
During the twelve months ended November 30, 2006, the Company reached an agreement with Multi-Fund Management Inc., the manager of Multi-Fund Income Trust (Trust), to terminate its obligations to the Trust for a cash payment of \$3.4 million.

Details of the gain recorded on repayment of debt are as follows:

(in thousands of dollars)

Notes payable due April 30, 2013	\$ 17,817
Participation Units	6,157
	23,974
Cash consideration paid, June 12, 2006	(3,360)
Gain on early repayment of debt	20,614
Income taxes	7,305
Gain on early repayment of debt, net of tax	\$ 13,309

(c) **Payments Due Related to Acquisition of Highstreet Partners Limited**

On December 1, 2006, the Company acquired 79.9% of Highstreet (Note 4). Additional payments of \$25.9 million, which includes principal and imputed interest at the rate of 4.5% per annum, are due to the vendors on February 28, 2008, and February 28, 2009, and will be satisfied through a combination of cash and Class B shares.

(d) **Interest Rate Sensitivity**

The impact of a 1% change in interest rates either up or down will increase or decrease annual interest expense on the Company's debt by \$1.6 million (2006 – \$0.2 million).

Note 10: Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, retained interest from securitization, real estate secured and investment loans, accounts payable and accrued liabilities, deposits, long-term debt, interest rate swap contracts and share-based compensation cost hedges.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and long-term debt approximates fair value.

The carrying value of short-term investments and retained interest from securitization represents their fair value because they are classified as available for sale. Short-term investments are valued based on quoted market values and include \$16.4 million (2006 – \$10.1 million) invested in AGF mutual funds. These investments have an expected maturity of less than one year. Real estate secured loans are classified as loans and receivables and are measured using the amortized cost method. As at November 30, 2007, the fair value of loans and receivables was \$3.7 billion (2006 – \$2.3 billion). Deposits are classified as liabilities and are measured using the amortized cost method. As at November 30, 2007, the fair value of deposits was \$4.1 billion (2006 – \$2.5 billion).

The fair values of the Company's derivative financial instruments that are used to manage exposure to interest rate risks and the fair values used to manage exposure to increases in compensation costs related to certain RSUs and PSUs represent the amount that would be paid if the transaction were terminated at November 30, 2007.

To fix the interest rate paid on a portion of its revolving term loan, the Company has entered into two interest rate swap transactions with Canadian chartered banks. The swaps mature January 2008 and the fair value as at November 30, 2007, is not significant.

The following details the Company's derivative instruments:

				2007		2006
(in thousands of dollars)	Interest rate	Hedging item maximum maturity date	Notional amount	Fair value	Notional amount	Fair value
Derivatives used to manage interest rate exposure:	3.17% – 5.08%	2007 – 2012	\$ 2,834,000	\$ 6,700	\$ 1,712,700	\$ 3,800
Derivatives used to manage changes in share-based compensation:		2009 – 2010	10,275	(681.8)	–	–

The Company did not hedge its currency exposure in connection with its investment in S&WHL in 2007 and 2006.

Note 11: Limited Partnership Financings

Selling commissions paid on certain sales of mutual fund securities of the AGF Funds made on the DSC basis (DSC securities) have been financed by limited partnerships held by third-party investors. Such limited partnerships have financed selling commissions of approximately \$440 million in respect of such DSC securities. The Company no longer finances selling commissions using limited partnerships. The Company is obligated to pay the relevant limited partnership an annual fee of 0.47% to 0.90% of the net asset value of DSC securities. The

limited partnerships also receive any deferred sales charges resulting from the redemption of such securities, although no further amounts will be received because the DSC redemption schedules for these financings have all ended. These obligations continue as long as such DSC securities remain outstanding, except for certain of the limited partnerships, in which case the obligation terminates at various dates from December 31, 2007, to December 31, 2020. For certain limited partnerships, the obligation is secured by the Company's mutual fund management contracts to the extent of the particular obligation.

The Company is responsible for the management and administration of the limited partnerships. These services are provided in the normal course of operations and are recorded at the amount of consideration agreed to by the parties. The amount of fees received in 2007 was \$0.4 million (2006 – \$0.6 million). As at November 30, 2007, the net asset value of DSC securities financed by the limited partnerships was \$1.2 billion (2006 – \$1.6 billion).

Note 12: Income Taxes

(a) The Company's effective income tax rate for continuing operations is comprised as follows:

Years ended November 30	2007	2006
Canadian corporate tax rate	35.9%	35.9%
Changes in future federal and provincial income tax rates	(1.1)	(14.0)
Rate differential on earnings of subsidiaries	(10.3)	(10.8)
Acquisition of tax related benefits (net)	(2.5)	–
Amortization of customer contracts and relationships	0.1	1.1
Tax exempt investment income	(1.2)	(0.9)
Other	–	(1.1)
Effective income tax rate	20.9%	10.2%

(b) The tax effects of temporary differences which gave rise to future tax liabilities and assets are as follows:

(in thousands of dollars)

Years ended November 30	2007	2006
Future income tax liability		
Deferred sales commissions	\$(105,270)	\$ (92,405)
Deferred revenue	1,110	518
Undepreciated capital cost in excess of carrying values	3,467	2,799
Loss carryforwards	6,603	1,484
Expenses deductible or gain to be recognized in future periods	3,025	542
Provision for loan losses	5,154	3,057
Securitization of RSP loans	(10,239)	(5,046)
Deferred charges	(9,289)	(4,430)
Goodwill and management contracts	(145,395)	(136,259)
Investments	(982)	(6)
Other	589	(559)
	(251,227)	(230,305)
Less: current portion	48,304	45,396
Future income tax liability – long-term portion	\$(202,923)	\$(184,909)

(c) As at November 30, 2007, certain subsidiaries of the Company have accumulated aggregate non-capital losses of approximately \$8.2 million (2006 – \$4.7 million) and \$22.6 million of capital loss that may be used to reduce taxable income in the future. These tax loss carryforwards expire as follows:

\$8.2 million non-capital loss	2014 to 2027
\$22.6 million capital loss	no expiry date

(d) The 2007 federal budget announced on March 19, 2007, proposed to reduce the federal corporate income tax rate to 18.5% from 19% by January 1, 2011. On June 12, 2007, this tax rate change was considered to be substantively enacted. Consequently during the year, the Company recognized a \$2.4 million reduction in future income tax liabilities. The 2006 federal budget announced on May 2, 2006, proposed to reduce the federal corporate income tax rate to 19% from 21% by January 1, 2010, and to eliminate the federal corporate surtax rate of 1.12% effective January 1, 2008. On June 6, 2006, these tax rate changes were considered to be substantively enacted. Consequently, during 2006, the Company recognized a \$15.9 million reduction in future income tax liabilities.

Note 13: Capital Stock

(a) Authorized Capital

The authorized capital of AGF consists of an unlimited number of Class B shares and an unlimited number of Class A voting common shares (Class A shares). The Class B shares are listed for trading on the Toronto Stock Exchange.

(b) Changes During the Year

The change in capital stock is summarized as follows:

(in thousands of dollars, except share amounts) Years ended November 30	2007		2006	
	Shares	Stated value	Shares	Stated value
Class A shares	57,600	\$ –	57,600	\$ –
Class B shares				
Balance, beginning of the year	89,171,997	\$ 403,566	89,123,205	\$ 394,154
Issued through dividend reinvestment plan	110,627	3,614	87,891	1,985
Stock options exercised	818,850	14,688	531,300	7,935
Issued on acquisition of a subsidiary (note 4)	225,116	5,672	–	–
Issued for Cypress contingent consideration (note 5)	33,367	1,200	129,601	2,600
Purchased for cancellation	(1,437,800)	(6,817)	(700,000)	(3,108)
Balance, end of the year	88,922,157	\$ 421,923	89,171,997	\$ 403,566

(c) Class B Shares Purchased for Cancellation

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B shares through the facilities of the Toronto Stock Exchange. Present approval for such purchases extends through to February 25, 2008. Under this issuer bid, the Company may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,303,844 shares. During the year ended November 30, 2007, 1,437,800 (2006 – 700,000) Class B shares were purchased at a cost of \$45.5 million (2006 – \$15.9 million), and the excess paid of \$38.7 million (\$12.8 million) over the book value of the shares purchased for cancellation was charged to retained earnings.

Note 14: Stock-based Compensation and Other Stock-based Payments

(a) Stock Option Plans

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 6,532,335 Class B shares could have been granted as at November 30, 2007 (2006 – 5,421,773). The stock options are issued at a price not less than the market price of the Class B shares immediately prior to the grant date. Stock options are vested to the extent of 25% to 33% of the individual's entitlement per annum or, in some instances, 100% vest at the end of the term of the option.

The change in stock options during 2007 and 2006 is summarized as follows:

(in thousands of dollars, except share amounts) Years ended November 30	2007		2006	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Class B share options				
Balance, beginning of the year	4,324,084	\$ 19.91	4,781,876	\$ 18.72
Options granted	781,981	31.96	730,000	25.14
Options cancelled	(18,450)	19.93	(656,492)	20.88
Options exercised	(818,850)	17.94	(531,300)	14.98
Balance, end of the year	4,268,765	\$ 22.50	4,324,084	\$ 19.91

The following summarizes information about stock options outstanding as at November 30, 2007:

Range of exercise prices	Number of options outstanding	Weighted average remaining life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
\$11.27 to \$16.87	274,500	2.7 years	\$ 15.35	241,167	\$ 15.15
\$17.06 to \$17.36	697,900	4.2	17.14	318,150	17.14
\$17.87 to \$18.94	424,884	5.3	18.85	337,967	18.90
\$18.95 to \$19.38	920,000	4.9	19.38	435,000	19.38
\$19.39 to \$27.73	1,169,500	4.1	24.83	622,000	24.56
\$30.00 to \$35.72	781,981	7.0	31.96	–	–
	4,268,765	4.9	\$ 22.50	1,954,284	\$ 20.06

The outstanding stock options have expiry dates ranging from June 2008 to November 2014. Options granted prior to 2005 require the Company or employee to meet performance criteria for certain of the options to vest.

During 2007, the Company granted 781,981 options (2006 – 730,000) and recorded \$4.5 million (2006 – \$4.6 million) in compensation expense and contributed surplus in respect of the options granted since December 31, 2002. The fair value of options granted during 2007 has been estimated at between \$6.80 and \$8.46 per share (2006 – between \$5.63 and \$7.16 per share) using the Black-Scholes option-pricing model. The following ranges of assumptions were used to determine the fair value of the options on the date of grant:

Risk-free interest rate	3.81% – 4.04%
Expected dividend yield	2.24% – 2.51%
Expected share price volatility	24.75% – 26.58%
Option term	4.9 years

(b) Share Purchase Plan

Under the Company's share purchase plan, eligible employees can have a percentage of their annual earnings withheld, subject to a maximum of 6%, to purchase Class B shares. The Company matches up to 60% of the amounts contributed by employees. All contributions are used by the plan trustee to purchase Class B shares on the open market. Shares purchased with Company contributions vest immediately. The Company's contributions are recorded in payroll costs and amounted to \$1.1 million for the year ended November 30, 2007 (2006 – \$0.7 million).

(c) Restricted Share Unit (RSU) and Performance Share Unit (PSU) Plans

Under the Company's RSU and PSU plans, certain senior employees are issued either RSUs or PSUs. These units vest three years from the grant date provided the employee meets certain performance criteria. On the vesting date, the Company will redeem all of the participants' share units in cash equal to the value of one Class B share for each RSU or PSU, as applicable.

The change in share units during 2007 and 2006 is as follows:

	2007		Weighted average grant date fair value	2006		Weighted average grant date fair value
	Number of share units	Non-vested		Vested	Number of share units	
Outstanding, beginning of the year						
Non-vested	142,992	–	\$ 23.30	–	–	
Vested	–	–		–	–	
Issued						
Initial allocation	210,330	–	\$ 33.48	143,316	–	\$ 23.30
In lieu of dividends	4,205	–		917	–	
Vested	–	–		–	–	
Settled in cash	(4,400)	–		–	–	
Forfeited and cancelled	(7,870)	–		(1,241)	–	
Outstanding, end of the year	345,257	–		142,992	–	

Compensation expense for the year ended November 30, 2007, related to these share units was \$2.2 million (2006 – \$0.2 million). During 2007, the Company entered into swap agreements to fix the cost of compensation related to certain RSUs and PSUs. As of November 30, 2007, the Company has hedged 350,872 share units at a fixed cost between \$31.28 and \$35.07.

(d) Deferred Share Unit (DSU) Plan

During 2007, the Company established a DSU plan for non-employee directors. The plan enables directors of the

Company to elect to receive their remuneration in DSUs. On termination, the Company will redeem all of the participants' DSUs in cash or shares equal to the value of one Class B share at the termination date for each DSU. There is no unrecognized compensation related to directors' DSUs since these awards vest immediately when granted. As at November 30, 2007, 9,035 DSUs were outstanding. Compensation expense related to these DSUs for the year ended November 30, 2007, was \$0.1 million.

Note 15: Earnings Per Share

The following table sets forth the calculation of both basic and diluted earnings per share as well as basic earnings per share and diluted earnings per share from continuing operations:

(in thousands of dollars, except per share amounts)

Years ended November 30

	2007	2006
Numerator		
Net income from continuing operations for the year	\$ 175,866	\$ 102,066
Gain on early retirement of debt, net of tax	–	13,309
Loss on dissolution of partnerships, net of tax (note 6)	(2,128)	–
Gain (loss) on sale of discontinued operations, net of tax	4,702	(2,887)
Net earnings from discontinued operations, net of tax (note 3(a))	247	169
Net income for the year	\$ 178,687	\$ 112,657
Denominator		
Weighted average number of shares – basic	89,945,162	89,105,541
Dilutive effect of employee stock options	1,350,249	734,510
Weighted average number of shares – diluted	91,295,411	89,840,051
Earnings per share		
Basic from continuing operations	\$ 1.96	\$ 1.15
Diluted from continuing operations	\$ 1.93	\$ 1.14
Basic	\$ 1.99	\$ 1.26
Diluted	\$ 1.96	\$ 1.25

Note 16: Agreements with Mutual Funds

The Company acts as manager for the AGF Funds and receives management and advisory fees from the AGF Funds in accordance with the respective agreements between the funds and the Company. In return, the Company is responsible for management and investment advisory services and all costs connected with the distribution of securities of the funds. Substantially all the management and advisory fees the Company earned in 2007 and 2006 were from the AGF Funds. As at November 30, 2007, the Company had \$49.7 million (2006 – \$35.7 million) receivable from the AGF Funds. The Company also acts as trustee for the AGF Funds that are mutual fund trusts.

Up until the sale of Unisen to CitiFinancial Canada Inc. (CitiFinancial) in 2005, the Company directly provided unitholder

services to the funds and was compensated for such services. These services were provided in the normal course of operations and were recorded at the amount of consideration agreed to by the parties. Concurrent with the sale of Unisen, the Company entered into a new 10-year services agreement with Citigroup Global Transaction Services. The aggregate unitholder services costs absorbed and management and advisory fees waived by the Company during the year on behalf of the funds were approximately \$14.6 million (2006 – \$15.7 million).

Note 17: Related Party Transactions

The Company has entered into certain transactions with entities or senior officers who are directors of the Company. During 2007, total amounts paid by the Company to these related parties aggregated \$0.1 million (2006 – \$0.1 million).

Note 18: Supplemental Disclosure of Cash Flow Information

Interest payments in 2007 were \$150.1 million (2006 – \$79.4 million). Income tax payments in 2007 were \$32.2 million (2006 – \$48.1 million).

Note 19: Trust Company Net Interest Income

The breakdown of net interest income is as follows:

(in thousands of dollars)			
Years ended November 30			
	2007	2006	
Trust Company interest income			
Loan interest	\$ 213,553	\$ 119,254	
Investment interest	23,132	12,101	
	236,685	131,355	
Trust Company interest expense			
Deposit interest	135,493	74,211	
Other interest expense	22,969	9,793	
	158,462	84,004	
Trust Company net interest income	\$ 78,223	\$ 47,351	

Note 20: Segment Information

AGF has three reportable segments: Investment Management Operations, Trust Company Operations and Other. The Investment Management Operations segment provides investment management and advisory services and is responsible for the management and distribution of AGF investment products. AGF Trust Company offers a wide range of trust services including GICs, term deposits, real estate secured loans, investment loans and HELOC loans. The results of S&WHL have been included in Other. The reportable segments are strategic business units that offer different products and services.

The results of the reportable segments are based upon the internal financial reporting systems of AGF. The accounting policies used in these segments are generally consistent with those described in the summary of significant accounting policies detailed in Note 1.

(in thousands of dollars)
For the year ended November 30, 2007

	Investment Management Operations	Trust Company Operations	Other	Total
Revenue	\$ 674,647	\$ 97,217	\$ 8,456	\$ 780,320
Operating expenses	375,730	47,432	–	423,162
Amortization and other	122,171	1,656	9,895	133,722
Segment income (loss) from continuing operations before taxes	\$ 176,746	\$ 48,129	\$ (1,439)	\$ 223,436
Total assets	\$ 1,328,056	\$ 4,548,756	\$ –	\$ 5,876,812

(in thousands of dollars)
For the year ended November 30, 2006

	Investment Management Operations	Trust Company Operations	Other	Total
Revenue	\$ 537,007	\$ 64,968	\$ 5,227	\$ 607,202
Operating expenses	326,094	32,604	–	358,698
Amortization and other	130,324	1,117	3,346	134,787
Segment income from continuing operations before taxes	\$ 80,589	\$ 31,247	\$ 1,881	\$ 113,717
Total assets	\$ 1,159,697	\$ 2,760,071	\$ –	\$ 3,919,768

Note 21: Commitments

The Company is committed under operating leases for office premises and equipment, which require approximate minimum annual cash rental payments as follows:

(in thousands of dollars)

2008	4,594
2009	4,517
2010	4,309
2011	4,022
2012	3,556
Thereafter	12,634

AGF Trust Company has outstanding mortgage commitments at rates of interest prevailing at the time the commitments were issued of \$180.3 million as at November 30, 2007 (2006 – \$144.7 million). Any interest rate commitment has a term of less than 60 days.

Concurrent with the sale of Unisen to CitiFinancial, AGF has capped the management expense ratio on all of the AGF funds for three years at the lower of the actual levels reported in 2004 and 2005.

Note 22: Guarantees

The Company, under an indemnification agreement with each of the directors of the Company, as well as directors of the mutual fund corporations, has agreed to indemnify the directors against any costs in respect of any action or suit brought against them in respect of the proper execution of their duties. To date, there have been no claims under these indemnities and the Company does not anticipate that any will occur.

The Company is committed for a ten-year period, expiring October 2, 2015, to reimburse CitiFinancial should its annual revenues derived from AGF fund administration services fall below a pre-determined level. To date, CitiFinancial's annual revenues derived from AGF have been well above the pre-determined level. The Company is not able to reasonably estimate this future amount, if any, that may be due to CitiFinancial under the terms of this agreement.

Note 23: Contingent Liabilities

There are certain claims and potential claims against the Company. None of these claims or potential claims are expected to have a material adverse effect on the consolidated financial position of the Company.

(in thousands of dollars, except per share amounts)

Years ended November 30	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Operations										
Total revenue										
(continuing operations)	\$ 780,320	\$607,202	\$546,567	\$545,393	\$510,571	\$637,660	\$630,525	\$500,377	\$349,652	\$282,422
Net income	178,687	112,657	91,872	77,287	44,016	119,839	163,754	95,931	61,710	48,777
Dividends	70,151	61,521	50,522	37,474	27,150	22,967	19,577	14,092	11,642	9,970
Financial position										
Working capital (deficit)	\$ (735,103)	\$(404,223)	\$(31,958)	\$ 56,363	\$ 62,490	\$ 95,287	\$ (9,950)	\$ (86,692)	\$ 55,348	\$ 40,186
Long-term debt	184,486	56,000	17,364	68,292	112,192	225,403	165,481	278,051	72,048	81,422
Shareholders' equity	1,069,002	979,771	918,326	914,366	903,360	887,566	764,707	480,091	284,244	233,383
Return on equity	17.4%	11.9%	10.0%	8.5%	4.9%	14.5%	26.3%	25.1%	23.8%	22.9%
Per share										
Net income – basic	\$ 1.99	\$ 1.26	\$ 1.02	\$ 0.85	\$ 0.48	\$ 1.34	\$ 1.84	\$ 1.12	\$ 0.80	\$ 0.64
Dividends	0.78	0.69	0.56	0.41	0.30	0.26	0.22	0.18	0.15	0.13
Book value										
(continuing operations)	12.02	10.99	10.30	10.08	9.79	9.74	8.56	5.78	3.64	3.03

**AGF Management Limited
and AGF Trust Company**

Douglas L. Derry, FCA⁴
 W. Robert Farquharson, CFA
 Blake C. Goldring, CFA^{1,2}
 Judy G. Goldring, LL.B.
 Walter A. Keyser
 Donald G. Lang^{6,7}
 William Morneau, MBA⁸
 John F. Schucht
 Winthrop H. Smith, Jr., MBA⁹

**Mutual Fund Corporations
and Trusts**

Philippe Casgrain, Q.C., Ad.E.
 W. Robert Farquharson, CFA
 David Hale
 Paul Hogan
 Martin Hubbes, CFA
 H. Ian Macdonald
 Joseph E. Martin
 Louise Morwick, MBA, FSA, CFA
 John B. Newman^{3,4,5}

**AGF Asset Management
Asia Ltd.**

W. Robert Farquharson, CFA³
 Blake C. Goldring, CFA
 Dr. Soo Ann Lee
 Yong Siang Lee
 Eng Hock Ong, CFA

**AGF International Advisors
Company Limited**

John L. Arnold
 Joseph D. Casey
 Viscount Cobham
 W. Robert Farquharson, CFA³
 Blake C. Goldring, CFA
 Kenneth John Peare
 Ian S. Steers

Blake C. Goldring, CFA
 Chairman & Chief Executive Officer

W. Robert Farquharson, CFA
 Vice-Chairman

Randy G. Ambrosie
 President, AGF Funds Inc.

Robert Badun, MBA
 President, AGF Asset Management
 Group Limited

Mario Causarano, CA
 President & Chief Operating
 Officer, AGF Trust Company

Judy G. Goldring, LL.B.
 Senior Vice-President &
 General Counsel

Greg J. Henderson, CA
 Senior Vice-President &
 Chief Financial Officer

Martin Hubbes, CFA
 Executive Vice-President &
 Chief Investment Officer, AGF Funds Inc.

W. Robert Farquharson, CFA
 Vice-Chairman

Martin Hubbes, CFA
 Executive Vice-President &
 Chief Investment Officer

Jean L. Charbonneau, MBA
 Senior Vice-President

Anthony Genua, CFA
 Senior Vice-President

M. Christine Hughes, CFA
 Senior Vice-President

Stephen W. Way, CFA
 Senior Vice-President

A. Patricia Perez-Coutts, CFA
 Senior Vice-President

Tristan M. Sones, CFA
 Vice-President

Caterina Prato, MBA, CFA
 Portfolio Manager

Coulter Wright, MBA, CFA
 Portfolio Manager

1 Chairman of the Board of AGF Management Limited

2 Chairman of the Board of AGF Trust Company

3 Chairman of the Board

4 Chairman of the Audit Committee

5 Chair of the Audit Advisory Committee

6 Chairman of the Nominating and Corporate Governance Committee of AGF Management Limited

7 Chairman of the Conduct Review Committee of AGF Trust Company

8 Chairman of the Compensation Committee of AGF Management Limited

9 Lead Director

AGF Management Limited

P.O. Box 50
 Toronto-Dominion Centre
 Toronto ON M5K 1E9
 Website: AGF.com
 E-mail: tiger@AGF.com
Tel: 416 367-1900

China Representative Office

Suite 18-2, CITIC Building
 19 Jianguomenwai Street
 Beijing 100004, P.R. China

Japan Branch Office

Level 11, Akasaka Tokyu Building
 2-14-3 Nagata-cho, Chiyoda-ku
 Tokyo 100-0014 Japan

Subsidiaries

AGF Funds Inc.

P.O. Box 50
 Toronto-Dominion Centre
 Toronto ON M5K 1E9

AGF Trust Company

P.O. Box 331
 Toronto-Dominion Centre
 Toronto ON M5K 1E9

**AGF Asset Management
 Group Limited**

P.O. Box 331
 Toronto-Dominion Centre
 Toronto ON M5K 1E9

Montreal

Magna Vista Investment
 Management Limited
 1200 McGill College Avenue
 Suite 1200
 Montreal QC H3B 4G7

Vancouver

Cypress Capital Management Ltd.
 Suite 1700
 1055 West Georgia Street
 P.O. Box 11136
 Vancouver BC V6E 3P3

Ottawa

Doherty & Associates Ltd.
 56 Sparks Street, Suite 700
 Ottawa ON K1P 5A9

London

Highstreet Asset Management Inc.
 244 Pall Mall Street, Suite 350
 London ON N6A 5P6

**AGF International Advisors
 Company Limited**

34 Molesworth Street
 Dublin, 2, Ireland

**AGF Asset Management
 Asia Ltd.**

80 Raffles Place
 #44-03, UOB Plaza 1
 Singapore 048624

SHAREHOLDER INFORMATION

Auditors

PricewaterhouseCoopers LLP

Registrar and Transfer Agents

Computershare Trust
 Company of Canada
 1 800 564-6253

Stock Exchange Listing

Toronto Stock Exchange
 AGF.B

This marks the 50th anniversary of AGF

1957
2007

...1954...1955...1956...

...1958...1959...1960...1961...1962...1963...1964...1965...1966...1967...1968...1969...1970...

...2004...2005...2006...

Celebrate

AGF's history has been as exciting as it has been successful. The Company began as a solitary bright idea – that an American growth fund would be sure to prosper. It has since grown into a multifaceted international wealth management organization with over \$50 billion in assets under management. Along the way, it experienced all the vicissitudes and triumphs of a company dependent on financial markets and world events. Throughout one of the most remarkable half centuries on record, AGF has demonstrated modern thinking and classic performance. It has innovated consistently but always preferred long-term performance to short-term gain.



AGF CELEBRATES 50 YEARS

MODERN THINKING
CLASSIC PERFORMANCE™

Five decades of firsts

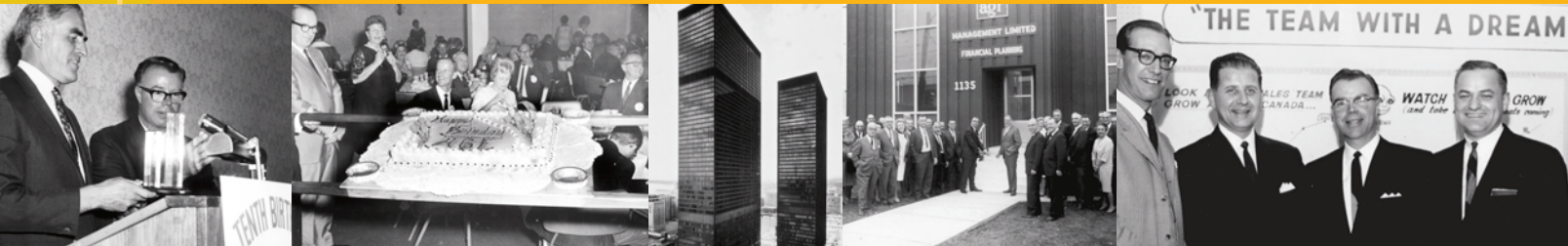
This year marks the 50th anniversary of AGF American Growth Fund.

Celebrate

In 1957, C. Warren Goldring and Allan Manford had a unique and revolutionary vision to pool the funds of Canadian investors giving them greater access to the U.S. market through the New York Stock Exchange.

Using the initials from the name of the first fund, American Growth Fund, our co-founders set out to build a company that was innovative, focused on clients and driven by superior investment management. These are characteristics that continue to drive AGF five decades later.

Today, AGF is one of the largest independent Canadian investment management firms with approximately \$54 billion in total assets under management. We are in the business to deliver



firsts

1957

1964

1969

1976

1986

Launch of American Growth Fund

Launch of AGF Canadian Growth Equity Fund

The industry's first Japanese equity fund is launched

AGF launches AGF Money Market Fund

AGF launches the first global government bond fund for Canadians

Five principles anchor AGF's multi-style approach to investing.

1. Rigorous Fundamental Analysis
This is the cornerstone of all investment decisions. Our research uses multiple valuation techniques and draws heavily on our proprietary research database.

2. Global Perspective
The globetrotting of our investment specialists is reinforced by a network of global contacts and the world view from our Toronto, Dublin and Singapore offices.

3. Focus On Longer-Term Trends
We invest in durable businesses with a strategic grasp of the future, that can generate reliable and growing long-term investment returns.

4. Innovative Thinking
Our corporate culture encourages every investment professional to excel on his or her own terms – individuality in a supportive collegial environment.

5. Risk Controls
An independent team of risk-control analysts monitors performance and compliance with investment objectives and policies.

predictable excellence in money management, a wide spectrum of products and outstanding client service.

AGF remains independent and proudly Canadian. This independence is a business strength that has allowed AGF to survive a consolidating industry, grow stronger, build partnerships with leading financial institutions and achieve success.

The theme of AGF's 50th anniversary – modern thinking, classic performance – captures what the company is all about. Innovative thinking has carried AGF through five decades and will continue to carry it well into the future.



1990

AGF launches its Canadian Asset Allocation Service

1994

AGF launches the first Chinese equity fund in Canada

1997

AGF launches Harmony, the first fee based wrap program to come from a fund company in Canada

2005

AGF launches Elements, an evolutionary fund-of-fund product

2007

AGF celebrates the 50th anniversary of American Growth Fund

AGF CELEBRATES **50** YEARS

MODERN THINKING
CLASSIC PERFORMANCE™

What's past is prelude... Now, one of Canada's largest independent financial services and investment management firms. AGF is beginning the next chapter in its history with exciting growth opportunities. Like before, a commitment to realizing our potential will ensure our success by applying proven investment principles in a growing range of products and services with a global perspective.



What are you doing after work?

Registered trademark of AGF Management Limited and used under licence.

AGF Management Limited
P.O. Box 50
Toronto-Dominion Centre
Toronto, ON M5K 1E9
Website > www.AGF.com
Email > tiger@AGF.com
Tel > 416.367.1900