AGF MANAGEMENT LIMITED
ANNUAL REPORT 2001

after...

AGF

What are you doing after work?

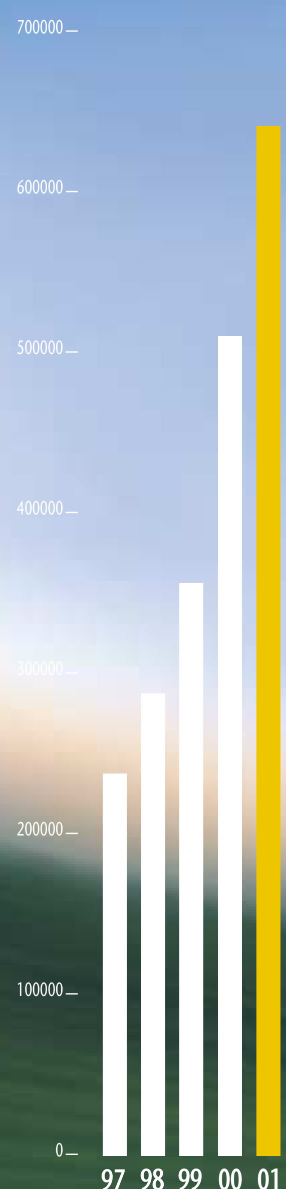
financial highlights

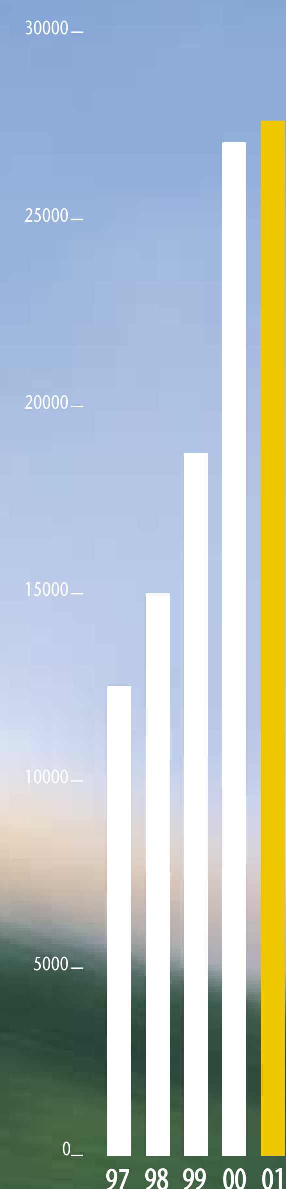
27,482

mutual fund assets under management
millions of dollars

639,994

total revenue
thousands of dollars





3.20

cash flow from operations per share

dollars

1.84

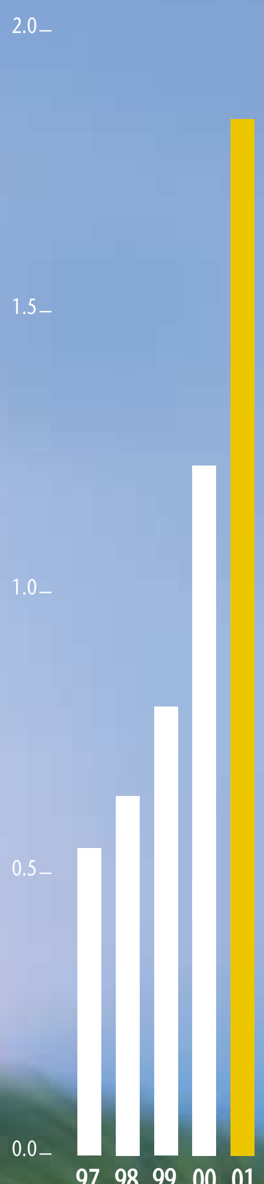
net income per share

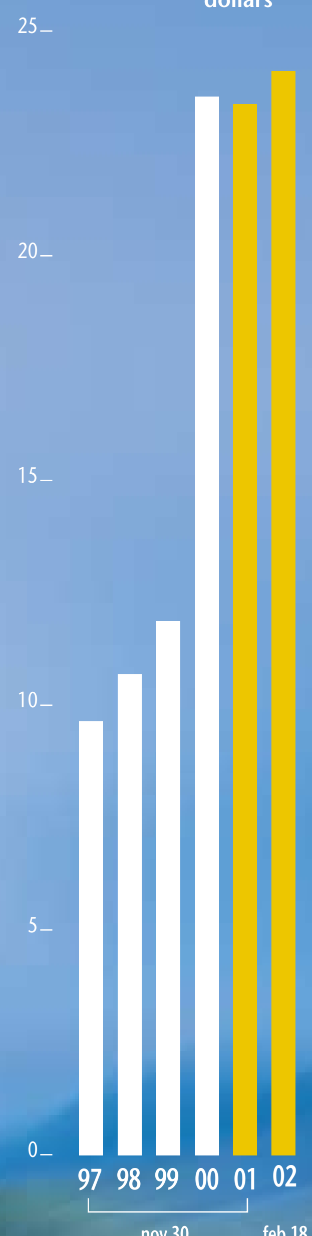
dollars

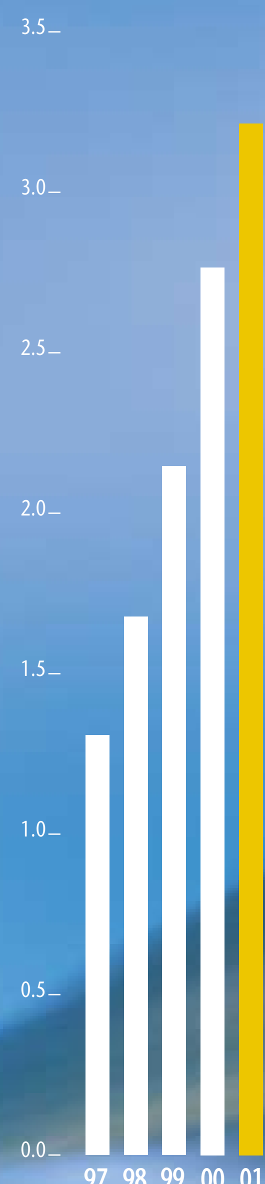
24.25

share price performance

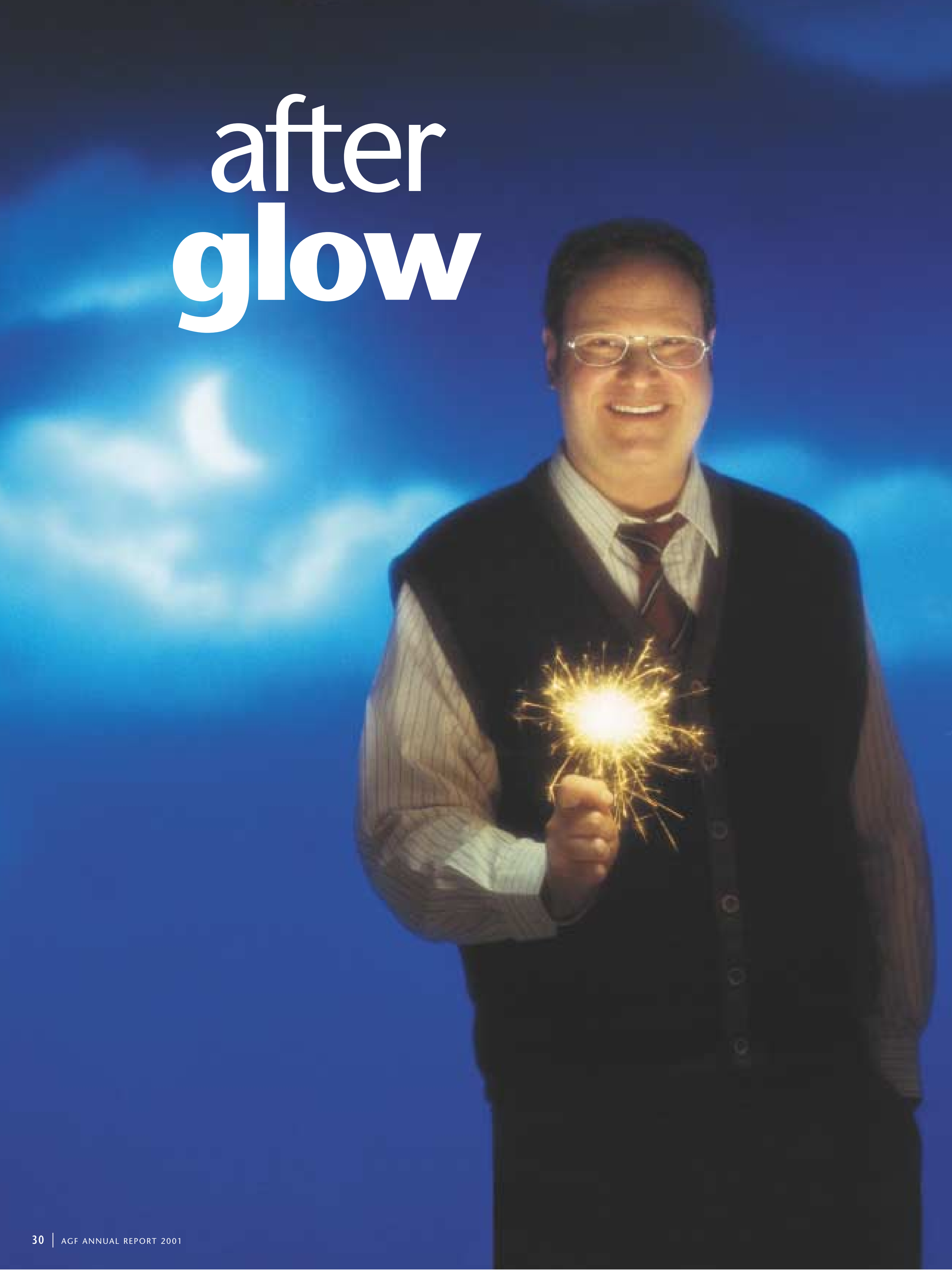
dollars







after glow



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management's discussion and analysis of financial condition and results of operations

AGF Management Limited ("AGF") is one of Canada's largest independent mutual fund and wealth management companies with operations on a global basis. In this Management's Discussion and Analysis ("MD & A"), AGF and its subsidiaries are collectively referred to as the "Corporation."

The Corporation's principal business is managing a broad range of mutual funds, which are currently distributed through independent financial advisors and investment dealers under the brand names AGF and Harmony. The Corporation also offers private investment management, trust products, deposits and loans to individual investors, as well as investment advisory and third-party administration services to institutional clients.

Consolidated Operating Results

Consolidated net income increased 70.7% to a record $163.8 million for the year ended November 30, 2001 as compared to $95.9 million a year ago. Fully diluted earnings per share were $1.77, an increase of 51.3% from the prior year. These results include the impact of the adoption of the new accounting standard for income taxes together with declining federal and provincial income tax rates as detailed later in this MD & A.

The tables below highlight the Corporation's quarterly results for the years ended November 30, 2001 and 2000.

(IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

Year ended November 30, 2001	Q1	Q2	Q3	Q4	Total
Revenue	$ 162.5	$ 163.2	$ 163.2	$ 151.1	$ 640.0
Net income	62.2	57.6	25.9	18.1	163.8
Cash flow from operations (before net change in non-cash balances related to operations)	76.3	75.8	71.5	60.8	284.4
Per share amounts					
Earnings – basic	$ 0.70	$ 0.65	$ 0.29	$ 0.20	$ 1.84
– fully diluted	$ 0.67	$ 0.63	$ 0.28	$ 0.19	$ 1.77
Cash flow from operations					
– basic	$ 0.86	$ 0.85	$ 0.81	$ 0.68	$ 3.20
– fully diluted	$ 0.82	$ 0.82	$ 0.78	$ 0.65	$ 3.07

(IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

Year ended November 30, 2000	Q1	Q2	Q3	Q4	Total
Revenue	$ 111.3	$ 123.9	$ 128.3	$ 145.2	$ 508.7
Net income	23.9	30.0	26.7	15.3	95.9
Cash flow from operations (before net change in non-cash balances related to operations)	52.8	58.1	57.5	47.0	215.4
Per share amounts					
Earnings – basic	$ 0.31	$ 0.38	$ 0.34	$ 0.20	$ 1.23
– fully diluted	$ 0.29	$ 0.37	$ 0.33	$ 0.18	$ 1.17
Cash flow from operations					
– basic	$ 0.68	$ 0.74	$ 0.74	$ 0.59	$ 2.75
– fully diluted	$ 0.64	$ 0.71	$ 0.71	$ 0.56	$ 2.62

The Corporation completed two significant acquisitions in the year ended November 30, 2000. On November 20, 2000, the Corporation completed the acquisition of Global Strategy Holdings Inc. ("Global Strategy"), a mutual fund management company with $5.6 billion in assets under management on the date of acquisition, for a purchase price of $442.2 million. On August 29, 2000, the Corporation purchased AGF Private Investment Management Limited (formerly known as Magna Vista Capital Management Inc.) ("Magna Vista"), an investment management firm with $1.6 billion in assets under management on the date of acquisition, for $34.7 million. These financial results include the operations of Global Strategy and Magna Vista from their respective date of acquisition. In addition, in the fourth quarter of 2000, the Corporation expensed a one-time pre-tax charge of $22.0 million in respect of Global Strategy integration costs.

Effective December 1, 2000, the Corporation changed its method of accounting for income taxes from the deferral method to the liability method as required by Canadian accounting standards (Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3465). The change was applied retroactively and the financial statements for the prior periods have been restated. The adoption of Section 3465, together with declining federal and provincial income tax rates, impacted the Corporation's net income as follows:

(IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

Year ended November 30, 2001	Q1	Q2	Q3	Q4	Total
Increase in net income	$ 34.7	$ 36.1	$ 2.7	$ 5.7	$ 79.2
Increase in earnings per share – fully diluted	$ 0.37	$ 0.39	$ 0.03	$ 0.07	$ 0.86

(IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

Year ended November 30, 2000	Q1	Q2	Q3	Q4	Total
Increase in net income	$ 2.7	$ 5.0	$ 0.0	$ 0.3	$ 8.0
Increase in earnings per share – fully diluted	$ 0.03	$ 0.06	$ 0.00	$ 0.01	$ 0.10

Wealth Management Operations

Revenue

Revenue of the wealth management operations comprised the following:

(IN MILLIONS OF DOLLARS)

Years ended November 30	2001		2000	
	Amount	% of Total	Amount	% of Total
Net management and advisory fees	$ 527.6	84.5	$ 420.4	84.7
Administration fees and other revenue	65.6	10.5	47.4	9.6
Deferred sales charges	30.0	4.8	25.9	5.2
Investment income	1.5	0.2	2.4	0.5
Total	$ 624.7	100.0	$ 496.1	100.0

Net management and advisory fees

Management and advisory fee revenue, net of distribution fees paid to limited partnerships and other third-party financing entities of $31.9 million ($21.4 million in 2000), increased 25.5% to $527.6 million in 2001 and accounted for 84.5% of the revenue of the wealth management operations. The amount of management and advisory fees is dependent on the level and composition of assets under management. Under the management and investment advisory contracts between the Corporation and each of the mutual funds it manages, the Corporation is entitled to monthly fees based on a specified percentage of the average daily net asset value of the respective fund.

The following table illustrates the composition of the changes in mutual fund assets during the past two fiscal years:

(IN MILLIONS OF DOLLARS)

Years ended November 30	2001	2000◆
Mutual fund assets under management, beginning of year	$ 26,979	$ 18,705
Gross sales of mutual funds	5,896	5,398
Redemption of mutual funds	(3,259)	(2,981)
Net mutual fund sales	2,637	2,417
Market appreciation (depreciation) of fund portfolios	(2,134)	1,891
Mutual fund assets from Global Strategy acquisition	—	3,966
Mutual fund assets under management, end of year	$ 27,482	$ 26,979

◆ The 2000 amounts have been adjusted to exclude the Rothschild Select Funds (due to a change in the Corporation's role in respect of these funds) and the Harmony Pools (due to a reclassification of fund industry statistics). These assets are now included as assets under management for high-net-worth and institutional clients.

Although mutual fund assets under management increased only 1.88% between November 30, 2000 and 2001, the change in average mutual fund assets under management was more significant, increasing 23.4% from $22.2 billion in 2000 to $27.4 billion in 2001.

During 2001, the Corporation streamlined its mutual fund product lineup by merging a number of Global Strategy funds with AGF funds which have similar investment objectives. As at November 30, 2001, the Corporation managed 66 mutual funds in Canada and had a 6.62% market share of the Canadian mutual fund industry, compared with 72 mutual funds and a 6.59% market share a year ago.

Gross mutual fund sales increased 9.23% to $5.90 billion in 2001, as compared to $5.40 billion in 2000. With a well-diversified group of funds, the strong AGF brand, high-quality client service and above-median investment performance (based on three- and five-year rates of return as of November 30, 2001), the Corporation continued to attract more financial advisors to sell the AGF funds to investors. At approximately 11.9% of year-end mutual fund assets, the Corporation has one of the lowest redemption rates in the industry.

Reflecting weak global economic conditions, world equity markets were volatile and declined on balance during fiscal 2001, despite a low interest rate environment. Market volatility was amplified by the September 11, 2001 tragic events, which dampened the Corporation's management and advisory fee revenue in the fourth quarter of 2001. However, the impact of investor fear appears to have been short-lived as many equity markets have since recovered above their pre-September 11 levels.

The Corporation's equity mutual funds were not immune from the global market declines, and suffered an aggregate loss of $2.13 billion in assets under management from market depreciation during the year ended November 30, 2001. This loss contrasts with a $1.89 billion gain in assets from market appreciation in 2000.

The composition of the Corporation's mutual fund assets under management is summarized as follows:

PERCENTAGE OF TOTAL ASSETS UNDER MANAGEMENT

November 30	2001	2000
Domestic equity funds	21.0%	21.6%
U.S. and international equity funds	53.2%	51.5%
Domestic balanced funds	12.4%	13.8%
U.S. and international balanced funds	4.2%	4.4%
Domestic fixed income funds	7.3%	6.9%
International fixed income funds	1.9%	1.8%

The change in the composition of assets in 2001 was largely due to strong net sales of U.S. and international equity funds relative to other types of funds.

Administration fees and other revenue

Administration fees and other revenue increased 38.5% to $65.6 million for the year ended November 30, 2001, from $47.4 million a year ago reflecting the Corporation's success in positioning itself in the third-party administration and high-net-worth and institutional client markets. These revenues were generated from the following sources:

PERCENTAGE OF TOTAL ADMINISTRATION FEES AND OTHER REVENUE

Years ended November 30	2001	2000
Third-party administration	45.7%	42.8%
Investment advisory fees	33.2%	27.9%
Other revenue	21.1%	29.3%

The Corporation's third-party administration business continued to expand in 2001. In Canada, clients of this business segment, operated through AdminSource Inc., include some of the largest domestic financial institutions as well as international wealth management companies. With approximately $10 billion in assets under administration in more than 730,000 investor accounts as of November 30, 2001, AdminSource Inc. achieved a 44.7% increase in revenue in 2001 despite a difficult year for the investment industry.

During its second full year of operation, AdminSource (UK) Limited, a company engaged in the development and licensing of customized investment industry software in the United Kingdom, underwent a number of changes, including rebranding its services under the names of Investmaster and i2. These changes contributed to a 53.3% growth in revenue in 2001, as compared to the prior year.

Investment advisory fees revenue increased 64.5% in 2001 as compared to 2000, as a result of growth in average assets managed for high-net-worth individuals and institutional clients. The change in such assets during the past two years is summarized as follows:

	Amount (in millions)	% Change
Assets under management, November 30, 1999	$ 1,242	
Increase in assets during fiscal 2000	5,071	408.3%
Assets under management, November 30, 2000	6,313	
Decrease in assets during fiscal 2001	(199)	(3.2%)
Assets under management, November 30, 2001	$ 6,114	

The growth in assets in 2000 included assets in the Rothschild Select Funds (acquired as part of the Global Strategy acquisition) and assets managed by Magna Vista. The decrease in assets in 2001 was largely attributable to the decline in equity markets.

Other revenue included the Corporation's share of the results of its 40.3% equity investment in NCL (Securities) Limited ("NCL"), a United Kingdom-based private client asset management and institutional fund management company with approximately $7.5 billion in assets under management as of November 30, 2001. During 2001, NCL incurred certain non-recurring expenses in connection with its acquisition of investment manager Panmure Gordon Investments Limited, which adversely impacted the financial performance of NCL.

Deferred Sales Charges

Deferred sales charges increased 15.6% from $25.9 million for the year ended November 30, 2000, to $30.0 million for the year ended November 30, 2001. The Corporation receives deferred sales charges upon redemption of securities sold on the contingent deferred sales charge ("DSC") basis for which the Corporation financed the selling commissions paid to the dealer. The DSC schedule generally starts at 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.

Expenses

Selling, general and administrative

Selling, general and administrative expenses ("SG & A"), net of unitholder servicing costs recovered from the mutual funds, increased by 21.2% to $115.3 million for the year ended November 30, 2001, as compared to 2000. The increase was attributable to higher costs incurred to grow the mutual fund business and to expand the private investment management and third-party administration operations. During the past two years, the Corporation has established a sales office in Calgary and a branch office in Tokyo, Japan. In addition, the Corporation maintained its spending to build strong brand awareness through media advertising and other marketing programs.

During 2001, the Corporation successfully completed the integration and rationalization of the AGF and Global Strategy funds and incurred $1.3 million less than the $22.0 million integration cost provision recorded in 2000. The significant cost savings realized from the integration, together with stringent cost control measures, reduced SG & A in respect of the mutual fund operations expressed as a percentage of average assets under management by three basis points for the year ended November 30, 2001, as compared to the prior year.

Trailing commissions

Trailing commissions paid to investment dealers increased 28.6% from $102.3 million in 2000 to $131.5 million in 2001 as a result of the growth in mutual fund assets under management and the higher equity component of those assets. Trailing commissions as a percentage of average mutual fund assets increased from 0.46% in 2000 to 0.48% in 2001.

Investment advisory fees

Investment advisory fees increased 37.1% from $35.3 million in 2000 to $48.4 million in 2001 due to the growth in mutual fund assets advised by external investment advisors. Investment advisory fees as a percentage of average mutual fund assets rose to 0.18% in 2001 from 0.16% a year ago.

Amortization of deferred selling commissions

Amortization of deferred selling commissions increased by 29.5% to $101.4 million for the year ended November 30, 2001, from $78.3 for the year ended November 30, 2000. During 2001, approximately 63% of the Corporation's mutual fund sales were sold on a DSC basis. Since December 1, 1997, the Corporation has internally financed $612.1 million of selling commissions. These selling commissions have been capitalized and amortized on a straight-line basis over a period that corresponds with the applicable DSC schedule.

As at November 30, 2001, the unamortized balance of deferred selling commissions financed by the Corporation stood at $479.4 million, an increase of $84.8 million over the prior year. The contingent deferred sales charges that would be received by the Corporation if all of the DSC securities were redeemed were estimated to be approximately $629 million as at November 30, 2001.

Amortization of management contracts, goodwill and capital assets

Total amortization of management contracts and goodwill amounted to $50.5 million for the year ended November 30, 2001, as compared with $9.2 million a year ago. The increase reflects a full year of amortization of management contracts and goodwill resulting from the acquisitions of Global Strategy and Magna Vista. Furthermore, the adoption of CICA Handbook Section 3465 generated additional amortization expenses of $13.3 million in 2001 and $2.4 million in 2000.

Amortization of capital assets increased from $7.1 million in 2000 to $13.8 million in 2001 as in recent years the Corporation has incurred the necessary capital spending to expand its facilities and implement information technology initiatives, including computer hardware upgrades and the replacement of older versions of software applications.

Interest expense

Interest expense increased from $3.5 million in 2000 to $15.5 million in 2001 as a result of the increase in bank loans and notes payable issued to finance the acquisitions of Global Strategy and Magna Vista. Except for the interest rate swap arrangements which fixed the interest rates on approximately $64 million (average in 2001) of the outstanding loan balance at 5.47% to 5.56% per annum, interest rates on the bank loans were floating based on prevailing bankers' acceptance rates.

Writedown of short-term investments

Short-term investments, including the seed capital for certain mutual funds launched by the Corporation, were recorded at the lower of cost and market value. As a result of the decline in equity markets, the Corporation recorded a loss of $2.7 million during the year ended November 30, 2001, to reduce the carrying value of its short-term investments to their market value at November 30, 2001.

Trust Company Operations

The past year was one of great change at AGF Trust Company (the "Trust Company") as a major reorganization of senior management took place in March 2001. Since then, the Trust Company has refocused and launched new initiatives that will significantly affect the Trust Company in coming years. One of these initiatives was the successful launch on December 3, 2001, of an RSP Loan program for AGF funds.

Net income of the Trust Company for the year ended November 30, 2001, declined 18.7% to $1.3 million. Non-interest expenses increased substantially to $3.5 million, an increase of $1.5 million, largely as a result of one-time restructuring costs as well as additional salaries related to the new loan program. Net investment income increased by 23.3% to $4.4 million for the year due to strong asset growth. While the significant decline in interest rates during the year created pressure on margins, the Trust Company's policy of matching interest rate maturities reduced the risk related to changes in interest rates.

The real estate lending market remained strong with mortgage assets increasing by 23.4% to $179.7 million of which 64.9% were insured. Net conventional non-accrual loans were $1.0 million or 0.56% of the mortgage portfolio. General allowances for mortgages were augmented by $140,000 and stood at $630,000 or 0.7% of risk-adjusted assets at November 30, 2001.

The Trust Company continues to offer nationally an Investment Loan Program to independent financial advisors for their clients wishing to borrow in order to invest in AGF and third-party mutual funds. The program has been well received and investment loans outstanding have more than doubled to $23.9 million at November 30, 2001, from $11.6 million a year ago.

The Trust Company's balance sheet and financial position remained sound. Total assets grew by 36.0% to $243.6 million. This asset growth has resulted in a higher assets to capital multiple, which stood at 13.1 times at November 30, 2001, representing 87.3% of the Trust Company's authorized multiple. In anticipation of future growth and higher asset levels, the Trust Company has increased its equity capital by $7.67 million subsequent to November 30, 2001. The Trust Company has also received permission from the Office of the Superintendent of Financial Institutions for an increase in the Trust Company's authorized assets to capital multiple to 17.5 times. Capital ratios were strong with the risk-based capital ratio at 20.7% at November 30, 2001. Liquid assets were high at year end, ensuring that the Trust Company can easily honour all of its financial commitments.

Income Taxes

The Corporation recorded a net recovery of income taxes of $14.9 million for the year ended November 30, 2001, as compared to an income tax expense of $49.5 million in 2000. During 2001, in addition to the decline in statutory corporate tax rate from 44.0% to 42.0%, the reduction in future federal and provincial income tax rates lowered future income taxes by $73.4 million and were reflected as credits to income tax expense for the year.

As at November 30, 2001, the future income taxes liability stood at $266.8 million, as compared with $316.5 million as at November 30, 2000. Approximately 55% (46% in 2000) of the balance arose from the deduction for income tax purposes of the full amount of selling commissions paid in a year as compared with the amortization of such selling commissions for accounting purposes over six to eight years. The remaining future income tax liability balance related primarily to the impact of business combinations where the accounting values of the assets and liabilities acquired were different from their tax values.

Liquidity and Capital Resources

Cash generated from operating activities (before net change in non-cash balances related to operations) was $284.4 million for the year ended November 30, 2001, an increase of $68.9 million or 32.0% from 2000.

During 2001, the Corporation issued a total of 6,237,133 Class B shares, including 5,500,000 Class B shares sold to public investors on December 6, 2000, for $134.5 million in cash consideration.

Strong operating cash flow, together with the cash raised from the issuance of Class B shares, allowed the Corporation in 2001 to:

- repay in full the $100.0 million bridge loan and $35.4 million of the fully amortizing term loan, both of which were drawn in 2000 from a Canadian chartered bank to finance the Global Strategy acquisition;
- reduce the outstanding balance of the revolving term bank loan from $76.6 million as at November 30, 2000, to $18.8 million as at November 30, 2001;
- make the required payments on various notes and instalment payable aggregating $16.0 million;
- finance internally $186.2 million of selling commissions paid on the sales of DSC securities;
- increase its ownership interest in NCL by 8.8% for total consideration of $11.2 million;
- invest $24.2 million in computer hardware and other capital assets;
- invest in Maruhachi Securities Company Limited, a brokerage firm located in Nagoya, Japan; and
- pay quarterly dividends to shareholders totalling $19.6 million for the year.

The Corporation's long-term debt to equity ratio improved significantly from 0.58 to 1 as at November 30, 2000, to 0.22 to 1 as at November 30, 2001.

Consolidated cash and short-term investments amounted to $52.8 million as at November 30, 2001, as compared with $107.1 million a year ago. In addition, the Corporation has a ten-year prime-rate-based revolving term loan facility to a maximum of $150.0 million, of which $131.2 million was undrawn as at November 30, 2001, and will be available to meet operational or investment needs. The Corporation anticipates that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement its business plan, to finance selling commissions, to satisfy regulatory requirements, to service its debt repayment obligations, to meet capital spending needs and to pay quarterly dividends.

Hedging Activities

The Corporation has entered into three interest rate swap transactions which expire between October 28, 2007, and January 27, 2008. These swap transactions convert the floating interest rates paid by the Corporation on $59.1 million of its outstanding bank loans into fixed interest rates of 5.47% to 5.56% per annum. The Corporation would have had to pay approximately $2.4 million to the counter-party if these swap transactions were terminated at November 30, 2001.

The Corporation has also entered into the following derivative contracts to hedge its foreign investments:

- a foreign exchange forward contract to sell U.K. Pound Sterling 14,500,000 on April 17, 2002, at an exchange rate of 2.2308 for Canadian $32,347,000; and
- a cross currency swap transaction expiring November 29, 2004, that involves the exchange of three-month bankers' acceptance floating interest rates on Canadian $3,293,000 for a fixed interest rate of 0.67% per annum on Japanese yen 256,000,000.

Outlook

The Corporation sees both challenges and opportunities in 2002. Financial markets are expected to be volatile in the near term until there are clearer signs of economic recovery, especially in North America. Until the stock markets can establish sustained upward momentum, investors will likely favour short-term income or money market funds. However, later in 2002, as confidence in economic recovery builds, investors should gradually move back into long-term financial assets. These factors will impact mutual fund sales and the Corporation's assets under management which, in turn, affect its revenue and earnings.

The trend of industry consolidation is anticipated to continue as financial services companies look to achieve greater economies of scale or to access additional distribution channels. The Corporation believes it is well positioned to meet the challenges of a changing marketplace as it has embraced the concept of the wealth continuum and taken steps to provide the services and products to meet evolving investor preferences. At the same time, the Corporation will maintain its commitment to build the AGF brand, to keep stringent control over costs, to deliver solid fund performance and to provide a high level of client service. Lastly, the Corporation's investments in Ireland, the U.K., Singapore and Japan are building the platform for future expansion in markets that are believed to have above average-growth potential.

Recent Accounting Pronouncements

In December 2000, the CICA issued a new accounting standard for the calculation of earnings per share, effective for the Corporation's fiscal year 2002. Under the new standard, the Corporation will be required to use the treasury stock method to compute the dilutive effects of stock options and similar instruments as opposed to the currently used imputed earnings approach. The impact of this change on the Corporation's fully diluted earnings and cash flow from operations per share is not expected to be significant.

In August 2001, the CICA issued a new accounting standard for business combinations, including the accounting treatment of goodwill and other intangible assets. Under the new standard, which is effective for the Corporation's fiscal year 2003 unless adopted earlier, goodwill and indefinite useful life intangible assets will no longer be amortized. Instead, the new accounting standard requires goodwill and intangible assets to be subject to an annual impairment test, with an initial impairment review required within six months of adoption. The Corporation has not finalized a decision on whether to adopt the new standard in fiscal year 2002. Amortization of goodwill and management contracts amounted to $8.7 million and $41.8 million, respectively, in 2001.

In November 2001, the CICA issued a new guideline on hedging relationships and a new accounting standard for stock-based compensation, both of which apply to the Corporation in its fiscal year 2003. The hedging guideline establishes a new standard for the application of hedge accounting and requires the discontinuance of hedge accounting if specified conditions are not met at the time the guideline is first applied. The impact of the Corporation implementing this guideline depends on the nature and fair value of any non-qualifying hedging relationships. The new standard for stock-based compensation requires the use of a fair value-based method to account for certain stock-based compensation arrangements. However, stock options granted by the Corporation to employees are not required under the new standard to be accounted for using the fair value-based method. Therefore, the Corporation does not expect that there will be any change to its accounting policies for these options.

Forward Looking Statements

The preceding MD & A contains certain "forward-looking" statements that are made based on management's judgement and expectations but are inherently subject to risks and uncertainties beyond the Corporation's control. These risks and uncertainties include economic conditions, market fluctuations, interest rate and foreign exchange movements, political events, regulatory change and competitive developments. Actual results may differ materially from those anticipated in the forward-looking statements.

rules we follow. values we preserve.

Governing Bodies

The Corporation and its operating subsidiaries are each registered with one or more of various regulatory authorities. The primary governance obligation of the Corporation and these subsidiaries is to abide by the spirit and the letter of the regulations and rules formulated by these authorities, which range from specific rules and regulations to strong statements of general principles based on a commitment to ethical behavior. These regulatory authorities include:

- Provincial Securities Commissions;
- The Toronto Stock Exchange;
- Investment Dealers Association of Canada;
- The Office of the Superintendent of Financial Institutions;
- The Securities and Exchange Commission (Washington D.C.);
- Central Bank of Ireland; and
- Monetary Authority of Singapore.

Code of Ethics

All directors, officers and employees of the Corporation and its subsidiaries are subject to a Code of Ethics that outlines the standards by which they must conduct themselves in their business dealings. Compliance with the Code is a matter of utmost importance and a breach of any of its provisions is grounds for a warning, revision of responsibilities, suspension or dismissal with or without notice, depending on the particular circumstances. The Code sets out specific rules dealing with conflicts of interest, confidential information, insider trading, personal trading by investment managers and others with access to information used in making investment decisions, and a variety of other matters. From time to time, as appropriate, the Code is supplemented by memoranda delivered to directors, officers and employees clarifying or expanding provisions of the Code.

The Boards of Directors

1. Descriptions and Mandate of the Boards

The Corporation's Board has responsibility for the stewardship of the Corporation and discharges that responsibility by providing advice and direction with respect to the business plans of the Corporation and monitoring the operations of its subsidiaries. The Boards of the various subsidiaries are responsible for reviewing and monitoring the strategic plans of those businesses. In carrying out its responsibilities, the Corporation's Board appoints the Chief Executive Officer and meets with senior executives on a regular basis to receive and consider reports on the affairs of the Corporation. The Board expects these reports to be comprehensive, accurate and timely. In addition to approving specific corporate actions, the Board receives and approves annual and interim reports to shareholders, including annual and interim financial statements.

2. Membership on the Boards

The majority of the members of the Boards of the Corporation and AGF Trust Company are unrelated to the Corporation and its subsidiaries, meaning they are free from any interest and any business or other relationship that could reasonably be perceived to materially interfere with their ability to act with a view to the best interest of the Corporation, other than interest arising from shareholding. These directors are Douglas Derry, Stuart E. Eagles, Walter A. Keyser, David King and William Morneau. In the year ended November 30, 2001, the Corporation's Board met eight times.

3. Boards of the Mutual Funds

The Mutual Fund Boards are completely distinct and independent from the Boards of the Corporation and its subsidiaries (apart from two overlapping representatives). These Fund Boards represent the shareholders and unitholders of the Funds. The directors of the Funds that are corporations are elected by shareholders and have the legal responsibility for functions, such as approving the appointment of investment managers. The Chairman of these Boards is Mr. John B. Newman, an independent director.

There is presently no legal requirement that mutual fund trusts have a board of governors. As early as the 1980s however, the Corporation recognized the interest of unitholders in having an independent board to provide advice to the trust funds. For this reason, the directors of the corporate Funds are appointed as governors of these funds.

4. Board Representation and Independence from Management

Mr. C. Warren Goldring, the Corporation's Chairman, owns, directly or indirectly, 80% of the outstanding Class A voting common shares of the Corporation and is therefore a "significant shareholder". Mr. W. Robert Farquharson, the Corporation's Vice-Chairman and Chief Investment Officer, owns, directly or indirectly the remaining 20% of the Class A voting common shares and each also owns a significant number of Class B non-voting shares. Messrs. Goldring and Farquharson both serve on the Corporation's Board as management representatives along with Mr. Blake C. Goldring, Chief Executive Officer of the Corporation. All of the other members of the Corporation's Board are "independent" directors in that they are free from any interest in or relationship with (other than the membership of certain of these directors on the boards of directors of other companies controlled directly or indirectly by Mr. Goldring) the Corporation's significant shareholder or any affiliate of the significant shareholder.

5. Committees of the Corporation's Board

The independent directors who serve as Chairman of the Board's committees are responsible for directing the meetings of the committee when matters related to the responsibilities of these committees are discussed. The Corporation's Board has three committees, all of which are composed predominantly of unrelated directors: the Audit Committee, the Corporate Governance Committee and the Compensation Committee.

The Audit Committee

The Audit Committee is responsible for conducting such review and inquiry of management and the internal and external auditors as it deems necessary towards establishing that the Corporation and its subsidiaries are applying appropriate systems of internal controls, which fulfill legislative and regulatory requirements. Internal controls are reviewed and evaluated by the Corporation's internal auditors. The Audit Committee reviews and makes a report to the Board before the approval of the annual and interim financial statements. During the year ended November 30, 2001, the Audit Committee met four times.

The Corporate Governance Committee

The Corporate Governance Committee is responsible for developing the Corporation's approach to governance issues, including its response to governance guidelines. The Corporate Governance Committee reviews annually and makes recommendations to the Board on all matters relating to corporate governance. During the year ending November 30, 2001, the Corporate Governance Committee met twice.

The Compensation Committee

The Compensation Committee is responsible for reviewing the compensation and benefits accorded to senior officers, as well as to review processes and policies for establishing compensation and benefit levels, including the granting of stock options. During the year ending November 30, 2001, the Compensation Committee met twice.

6. Orientation and Education

The Corporation has established a system of orientation and ongoing education for its directors. As part of this program, the Corporation provides directors with updates on the mutual fund and financial services industries, briefings on industry practices relating to corporate governance and other relevant issues.

7. Shareholder Communication

The Corporation believes that shareholder communication and feedback are essential. This belief is based on the stake shareholders have in the Corporation's business, and the importance to shareholders of ensuring that trading prices and volumes of the Corporation's Class B non-voting shares are not adversely affected by a lack of information in the marketplace. Shareholder inquiries are promptly responded to by the Corporate Secretary or another senior officer of the Corporation.

JANUARY 18, 2002

Auditors' Report

To the Shareholders of AGF Management Limited:

We have audited the consolidated balance sheets of AGF Management Limited as at November 30, 2001 and 2000, and the consolidated statements of income, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these 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 Corporation as at November 30, 2001 and 2000, and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Canada

Consolidated Balance Sheets

(IN THOUSANDS OF DOLLARS)

November 30	2001	2000 (RESTATED-NOTE 3)
ASSETS		
Wealth Management Operations		
Current assets		
Cash and term deposits	$ 1,445	$ 49,422
Short-term investments	22,021	45,454
Accounts receivable and prepaid expenses	56,042	32,351
	79,508	127,227
Investment in associated company (note 6)	27,435	18,308
Other investments	8,811	766
Management contracts, net of accumulated amortization of $69,443 (2000 – $27,654)	555,739	597,528
Deferred selling commissions, net of accumulated amortization of $339,698 (2000 – $238,329)	479,409	394,620
Capital assets (note 10)	37,617	27,653
Goodwill, net of accumulated amortization of $13,387 (2000 – $4,676)	114,260	122,971
	1,302,779	1,289,073
Trust Company Operations		
Cash and term deposits	29,355	12,221
Accounts receivable and other assets	5,569	3,345
Investments	4,843	6,088
Mortgages and consumer loans	203,544	157,150
	243,311	178,804
	$ 1,546,090	$ 1,467,877

Consolidated Balance Sheets

(IN THOUSANDS OF DOLLARS)

November 30	2001	2000
		(RESTATED-NOTE 3)
LIABILITIES		
Wealth Management Operations		
Current liabilities		
Accounts payable and accrued liabilities	$ 62,296	$ 67,340
Long-term debt due within one year (note 14)	48,896	148,896
Income taxes payable	7,762	8,823
	118,954	225,059
Long-term debt (note 14)	165,481	278,051
Participation units (note 15)	6,157	6,157
Future income taxes (note 9 (c))	266,834	316,541
Non-controlling interest in subsidiary	83	564
	557,509	826,372
Trust Company Operations		
Accounts payable and accrued liabilities	5,428	4,426
Deposits	218,446	156,988
	223,874	161,414
SHAREHOLDERS' EQUITY		
Capital stock (note 7)	361,401	221,107
Retained earnings	402,964	258,838
Foreign currency translation adjustment	342	146
	764,707	480,091
	$ 1,546,090	$ 1,467,877

Approved by the Board:

C. Warren Goldring
Director

Douglas L. Derry
Director

Consolidated Statements of Income

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

Years ended November 30		2001		2000
				(RESTATED-NOTE 3)
Revenue				
Wealth Management Operations				
Net management and advisory fees	$	527,567	$	420,353
Administration fees and other revenue		65,616		47,393
Deferred sales charges		30,000		25,950
Investment income		1,480		2,411
		624,663		496,107
Trust Company interest, dividends and administration fees		15,331		12,574
		639,994		508,681
Expenses				
Wealth Management Operations				
Selling, general and administrative		115,316		95,146
Trailing commissions		131,468		102,251
Investment advisory fees		48,395		35,310
Amortization of deferred selling commissions		101,369		78,285
Integration costs (note 4)		(1,334)		22,000
Amortization of management contracts		41,789		7,251
Amortization of goodwill		8,711		1,945
Amortization of capital assets		13,776		7,146
Interest expense		15,462		3,468
Writedown of short-term investments		2,747		—
		477,699		352,802
Trust Company Operations				
Interest on deposits		9,652		7,840
General and administrative		4,237		2,603
		13,889		10,443
		491,588		363,245
Income before income taxes and non-controlling interest		148,406		145,436
Income taxes (note 9)				
Current		32,968		23,239
Future		(47,835)		26,302
		(14,867)		49,541
Net income before non-controlling interest		163,273		95,895
Non-controlling interest share of loss of subsidiary		481		36
Net income for the year	$	163,754	$	95,931
Earnings per share (note 7 (f))				
Basic	$	1.84	$	1.23
Fully diluted	$	1.77	$	1.17

Consolidated Statements of Retained Earnings

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

Years ended November 30	2001	2000
		(RESTATED-NOTE 3)
Retained earnings, beginning of year	$ 258,838	$ 184,579
Net income for the year	163,754	95,931
	422,592	280,510
Deduct:		
Dividends on Class A and Class B shares	19,577	14,092
(22¢ per share; 2000 – 18¢ per share)		
Excess paid over average issue price of Class B shares		
purchased for cancellation	51	7,580
	19,628	21,672
Retained earnings, end of year	$ 402,964	$ 258,838

Consolidated Statements of Cash Flow

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

Years ended November 30	2001	2000
		(RESTATED-NOTE 3)
Operating activities		
Net income for the year	$ 163,754	$ 95,931
Items not affecting cash		
Amortization of deferred selling commissions	101,369	78,285
Future income taxes	(47,835)	26,302
Amortization of management contracts	41,789	7,251
Amortization of goodwill	8,711	1,945
Amortization of capital assets	13,776	7,146
Other	2,806	(1,426)
	284,370	215,434
Net (increase) decrease in non-cash balances related to operations	(30,978)	19,722
	253,392	235,156
Financing activities		
Net change in Class B shares	134,472	(2,272)
Dividends	(19,577)	(14,092)
Increase (decrease) in bank loan	(193,200)	282,600
Decrease in notes and instalment payable	(15,992)	(249)
Issue of common shares by subsidiary	—	600
Increase in Trust Company deposits	61,458	20,211
	(32,839)	286,798
Investing activities		
Deferred selling commissions paid	(186,158)	(164,485)
Acquisition of subsidiary net of cash acquired (notes 4 and 5)	—	(279,759)
Investment in associated company (note 6)	(11,237)	—
Purchase of capital assets	(24,240)	(19,398)
Sale (purchase) of investments	(8,045)	1,836
Sale of investments – Trust Company Operations	1,245	290
Increase in Trust Company mortgages and consumer loans	(46,394)	(25,397)
	(274,829)	(486,913)
Increase (decrease) in cash and cash equivalents during the year	(54,276)	35,041
Balance of cash and cash equivalents, beginning of year	107,097	72,056
Balance of cash and cash equivalents, end of year	$ 52,821	$ 107,097
Represented by:		
Cash and term deposits		
Wealth Management Operations	$ 1,445	$ 49,422
Trust Company Operations	29,355	12,221
Short-term investments	22,021	45,454
	$ 52,821	$ 107,097
Cash flow from operations per share (before net change in non-cash balances related to operations – note 7 (f))		
Basic	$ 3.20	$ 2.75
Fully diluted	$ 3.07	$ 2.62

notes to consolidated financial statements

FOR THE YEARS ENDED NOVEMBER 30, 2001 AND 2000 (IN DOLLARS, EXCEPT AS OTHERWISE STATED)

Description of business

AGF Management Limited ("AGF") is incorporated under the Business Corporations Act (Ontario). AGF is an integrated, globally focused wealth management corporation whose principal subsidiaries provide mutual fund management and distribution, private investment management for high-net-worth clients, trust products and services (including mortgage and investment lending and deposit-taking activities), investment advisory services and third-party fund administration services for individual and institutional clients. AGF conducts the management and distribution of mutual funds in Canada under the brand names AGF and Harmony (collectively, the "AGF Funds").

1. Significant accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Certain comparative amounts have been reclassified to conform with the current year's presentation.

Consolidation

The consolidated financial statements include the accounts of AGF and all of its directly and indirectly owned subsidiaries and partnership (collectively referred to as the "Corporation"). The principal entities of AGF are:

AGF Funds Inc.
AGF International Advisors Company Limited
AGF Asset Management Asia Ltd.
AGF Private Investment Management Limited ("AGF PIM")
AGF Trust Company ("Trust Company")
AGF Securities (Canada) Limited
AGF Securities, Inc.
AGF Limited Partnership 1998
AdminSource Inc.
AdminSource (UK) Limited
AGF International Company Limited
20/20 Financial Corporation ("20/20 Financial")
Global Strategy Holdings Inc. ("Global Strategy")
Global Strategy Securities Inc.
moneyworld Media Inc.

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 fee payments to third-party selling commission financing entities.

Administration fees and other revenue are recognized on an accrual basis when the services are performed.

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.

Income taxes

The Corporation uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities. These differences are remeasured at each period end using the substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be realized or settled.

Foreign currency translation

Assets and liabilities of foreign subsidiaries are translated into Canadian dollars at the rates of exchange in effect at year end. Revenue and expenses of foreign subsidiaries are translated into Canadian dollars at average rates of exchange during the year.

Investments in foreign associated companies and any related debt and foreign exchange forward contracts are translated into Canadian dollars at the rates of exchange in effect at year end. Unrealized translation gains and losses are reported in a separate component of shareholders' equity as a foreign currency translation adjustment.

Investments

Short-term investments are carried at the lower of cost and market value. Long-term investments are carried at cost and are only written down on indication of permanent impairment in the carrying value.

Management contracts and goodwill

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. The excess of the purchase price over the values of such assets is recorded as goodwill.

The value assigned to management contracts is amortized on a straight-line basis over 15 years. Goodwill relating to Wealth Management Operations is amortized on a straight-line basis over 15 years. The carrying values of management contracts and goodwill are regularly assessed by management's review of the expected cash flows of the assets acquired as well as the related risks.

Deferred selling commissions

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

Capital assets

Capital assets, which are comprised of furniture and equipment, computer hardware, computer software, leasehold improvements, television production and program rights are stated at cost, net of accumulated amortization. Amortization is computed on the following methods based on the estimated useful lives of the assets:

Furniture and equipment	20% declining balance
Computer hardware	30% declining balance
Computer software	straight-line over three years
Leasehold improvements	straight-line over term of related lease
Television production	straight-line over two years
Program rights	straight-line over five years

Mortgages and consumer loans and allowances

Mortgage loans are carried at amortized cost less principal repayments, less any holdbacks, net of an allowance for mortgage losses. Interest income from mortgages is recorded on an accrual basis. Accrued but uncollected interest on uninsured mortgages is reversed when loans are placed on a non-accrual basis. Loans are classified as non-accrual when, in the opinion of management, there is reasonable doubt as to the collectibility, either in whole or in part, of interest or principal or when principal or interest is past due 90 days, 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 or an agency thereof, is classified as non-accrual when principal or interest is past due 365 days, or in the case of other mortgage loans, when they are contractually in arrears for 180 days. Thereafter, interest income is recognized on a cash basis only after specific provision for losses has been recovered and provided there is no further doubt as to the collectibility of the principal.

Consumer loans are carried at amortized cost less principal repayments, net of allowance for consumer loan losses. Interest income from consumer loans is recorded on an accrual basis.

The allowance for mortgage and consumer loan losses consists of both specific and general provisions. Specific provisions relate to individual loans that, in the opinion of management, are necessary to reflect the estimated realizable value of the particular loan. General provisions are based on management's assessment of probable, unidentified losses in the portfolio that have not been captured in the determination of the specific provisions. The assessment includes general economic factors and geographic exposure.

Stock option plans

Stock option plans are described in note 7(e). No compensation expense is recognized when stock options are granted or exercised. Consideration paid by employees on exercise of stock options is credited to capital stock.

Use of estimates

In preparing these financial statements, management must make certain estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses and the related disclosures. Actual results may be different from those estimates.

2. Future accounting policy changes

Goodwill and other intangible assets

The Canadian Institute of Chartered Accountants ("CICA") issued a new accounting standard for goodwill and other intangible assets, which is effective for the Corporation's fiscal year 2003 with earlier adoption permitted. Under this new standard, goodwill will no longer be amortized but will be subject to an annual impairment test to identify any potential goodwill impairment. A goodwill impairment loss will be recognized if the fair value of the goodwill of a reporting unit is less than its carrying amount. The new accounting standard also requires that intangible assets with indefinite useful lives no longer be amortized, but be subject to an annual impairment test comparing fair values to carrying amounts.

The rules allow for early adoption of this new accounting standard effective for the Corporation's fiscal year 2002 without restatement of prior periods. An initial goodwill impairment review is required within six months of adoption. If any potential impairment is indicated, then it should be quantified based upon the fair value of the assets and liabilities of the reporting unit and, if necessary, recognized by the end of fiscal year 2002 as a charge to opening retained earnings. The Corporation has not yet finalized a decision on early adoption of this new accounting standard. Goodwill and management contract amortization expensed in the Corporation's fiscal year 2001 was $50.5 million. In addition, amortization of goodwill and other intangible assets expensed in fiscal year 2001 relating to an investment in an associated company accounted for by the equity method amounted to $1.0 million.

Earnings per share

In December 2000, the CICA issued a revised Handbook Section 3500, Earnings Per Share (EPS), which changed the measurement and reporting of EPS effective for fiscal years beginning on or after January 1, 2001. The revised Handbook section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the Corporation will be required to use the treasury stock method to compute the dilutive effect of options, as opposed to the imputed earnings approach which is used currently.

3. Change in accounting policy

Effective December 1, 2000, the Corporation adopted Section 3465 "Accounting for Income Taxes" of the Canadian Institute of Chartered Accountants' Handbook, and changed its method of accounting for income taxes from the deferral method to the liability method. The requirements of Section 3465 were applied retroactively and financial statements for the prior periods have been restated.

The impacts of adopting Section 3465 on the consolidated balance sheets and statements of income were as follows:

(IN THOUSANDS OF DOLLARS)

November 30		2001		2000
Changes in consolidated balance sheets				
Goodwill	$	113,163	$	121,743
Management contracts		63,120		67,845
Total assets	$	176,283	$	189,588
Future income taxes	$	88,992	$	181,545
Retained earnings		87,291		8,043
Total liabilities and shareholders' equity	$	176,283	$	189,588

Years ended November 30		2001		2000
Changes in consolidated statements of income				
Amortization of goodwill	$	8,580	$	1,650
Amortization of management contracts		4,725		753
Future income tax expense		(92,553)		(10,446)
Net income for the year	$	79,248	$	8,043
Changes in earnings per share				
Basic	$	0.89	$	0.11
Fully diluted	$	0.86	$	0.10

4. Acquisition of Global Strategy Holdings Inc.

On November 20, 2000, AGF acquired all of the outstanding common shares of Global Strategy Holdings Inc. for consideration of $442.2 million, including acquisition costs. Global Strategy is a Canadian investment management company with $5.6 billion in assets under management in 27 mutual funds as of the date of acquisition. The acquisition is being accounted for by the purchase method of accounting with the results of Global Strategy included in the consolidated financial statements from the date of purchase. The value attributed to management contracts as a result of the acquisition is being amortized on a straight-line basis over 15 years.

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

		(000's)
Net assets acquired		
Cash and short-term investments	$	40,751
Management contracts		444,934
Other assets		11,971
Liabilities		(55,435)
	$	442,221
Consideration paid		
Cash	$	312,846
Notes payable (see note 14(b))		19,875
4,222,908 Class B shares issued		109,500
	$	442,221

During 2000 and 2001, the Corporation integrated and rationalized the management, distribution and administration of the AGF and Global Strategy funds. The process resulted in one-time charges including severance, transfer agency integration and fund reorganization costs, aggregating to $20.7 million before income taxes.

5. Acquisition of AGF Private Investment Management Limited

On August 29, 2000, AGF acquired all of the outstanding shares of Magna Vista Capital Management Inc., subsequently renamed AGF Private Investment Management Limited, (PIM) for consideration of $34.7 million, including acquisition costs. AGF PIM, which is based in Montreal, provides private investment management for high-net-worth clients. The acquisition is being accounted for by the purchase method of accounting with the results of AGF PIM included in the consolidated financial statements from the date of purchase. The value attributed to management contracts as a result of the acquisition is being amortized on a straight-line basis over 15 years.

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

		(000's)
Net assets acquired		
Cash and term deposits	$	3,135
Management contracts		34,018
Other assets		1,215
Liabilities		(3,693)
	$	34,675
Consideration paid		
Cash	$	10,799
Instalments payable (see note 14(d))		17,054
305,412 Class B shares issued		6,822
	$	34,675

6. Investment in associated company

During the year, the Corporation increased its ownership interest in NCL (Securities) Limited ("NCL") by 8.8% through two separate purchases of shares to hold a 40.3% interest as at November 30, 2001. NCL, which is based in the United Kingdom, provides private client asset management and institutional fund management and advisory services to a broad range of clients. The investment is being accounted for by the equity method. The purchase price allocation and consideration paid for the additional interest are summarized as follows:

		(000's)
Net assets acquired		
Net tangible assets	$	6,718
Goodwill		4,519
	$	11,237
Consideration paid		
Cash	$	11,237

7. Capital stock

(a) Authorized capital

The authorized capital of AGF consists of an unlimited number of Class B non-voting shares ("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. The issued and outstanding Class B and Class A shares were subdivided on a two-for-one basis on August 29, 2000. All number of shares and per share amounts have been restated to give effect to the share subdivision.

(b) Equity offering of Class B shares

On December 6, 2000, AGF issued 5,500,000 Class B shares at $25.00 per share. The net cash proceeds amounting to $131.7 million (gross proceeds of $137.5 million less share issue costs of $5.8 million) were used to fully repay the bank bridge loan and partially repay the revolving term loan (see note 14).

(c) Movement during the year

The movement in capital stock during 2000 and 2001 is summarized as follows:

	Number of shares issued	Amount (000's)
Class B shares		
Balance, November 30, 1999	77,986,986	$ 99,477
Issued on acquisition of subsidiaries	4,528,320	116,322
Issued through dividend reinvestment plan	1,718	28
Stock options exercised	1,190,230	6,127
Purchased for cancellation	(660,800)	(847)
Balance, November 30, 2000	83,046,454	221,107
Issued on equity offering	5,500,000	134,103
Issued on repayment of instalment	123,460	3,411
Issued through dividend reinvestment plan	1,491	37
Stock options exercised	612,182	2,756
Purchased for cancellation	(3,000)	(13)
Balance, November 30, 2001	89,280,587	361,401
Class A shares		
Balance, November 30, 2001, 2000 and 1999	57,600	—
Total stated capital		$ 361,401

(d) 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 2002. It is the Corporation's intention to file for a one-year extension of the regulatory approval to purchase Class B shares for cancellation.

(e) Stock option plans

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 5,678,764 Class B shares could have been granted as at November 30, 2001. Stock options are vested to the extent of 25% to 33% of the individual's entitlement per annum.

The movement in stock options during the year ended November 30, 2001, is summarized as follows:

	Number of options	Weighted average exercise price
Class B share options		
Balance outstanding, November 30, 2000	**4,241,340**	**$ 6.98**
Options granted	**456,950**	**$ 27.38**
Options cancelled	**(19,651)**	**$ 13.80**
Options exercised	**(612,182)**	**$ 4.50**
Balance outstanding, November 30, 2001	**4,066,457**	**$ 9.61**

The following summarizes information about stock options outstanding as at November 30, 2001:

Range of exercise prices	Number of options outstanding	Weighted average remaining life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$ 1.23 to $ 2.80	**743,150**	**1.7 years**	**$ 2.31**	**743,150**	**$ 2.31**
$ 3.18 to $ 5.07	**1,231,900**	**1.5 years**	**$ 3.57**	**1,231,900**	**$ 3.57**
$ 6.73 to $13.02	**1,229,907**	**3.8 years**	**$ 10.20**	**841,018**	**$ 9.76**
$17.87 to $27.73	**861,500**	**6.1 years**	**$ 23.71**	**105,226**	**$ 19.70**
	4,066,457	**3.2 years**	**$ 9.61**	**2,921,294**	**$ 5.61**

The outstanding stock options have expiry dates ranging from December 2001 to June 2008.

During 2000, options were granted to purchase 544,300 Class B shares at per share prices ranging from $11.54 to $24.25, with expiry dates ranging from December 7, 2006, to September 29, 2007. Options to purchase 1,304,630 Class B shares at per share prices ranging from $0.83 to $13.02 were exercised or cancelled.

(f) Per share amounts

Basic and fully diluted earnings per share and cash flow from operations per share (as restated per note 7(a)) have been computed using the weighted average number of Class A and Class B shares outstanding during the year. Fully diluted earnings per share and cash flow from operations per share have been computed on the basis that all of the stock options had been exercised at the beginning of the year.

8. Agreements with mutual funds

The Corporation 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 Corporation. In return, the Corporation 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 Corporation earned in 2001 and 2000 were from the AGF Funds. As at November 30, 2001, the Corporation had $24,807,000 (2000 – $31,597,000) receivable from the AGF Funds. The Corporation also acts as trustee for the AGF Funds that are mutual fund trusts.

The Corporation directly provides unitholder services to the funds and is compensated for such services. These services are provided in the normal course of operations and are recorded at the amount of consideration agreed to by the parties. The aggregate unitholder services costs absorbed and management and advisory fees waived by the Corporation during the year were approximately $3,014,000 (2000 – $2,511,000).

9. Income taxes

(a) The Corporation's effective income tax rate is comprised as follows:

Years ended November 30	2001	2000 (RESTATED-NOTE 3)
Canadian corporate tax rate	42.0%	44.0%
Future federal and provincial tax rate reductions	(53.3)	(4.8)
Rate differential on earnings of subsidiaries	(5.7)	(6.6)
Amortization of management contracts and goodwill	5.4	0.4
Tax-exempt investment income and writedown of short-term investments	0.7	(0.4)
Other	0.9	1.5
Effective income tax rate	(10.0)%	34.1%

(b) Significant components of the provision for income tax expense attributable to continuing operations are as follows:

(000's)

Years ended November 30	2001	2000 (RESTATED-NOTE 3)
Future income taxes (benefits)		
Change in temporary differences	$ 25,521	$ 33,271
Tax rate changes	(73,356)	(6,969)
Future income taxes (benefits)	$ (47,835)	$ 26,302

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

(000's)

November 30	2001	2000 (RESTATED-NOTE 3)
Future tax asset (liability)		
Deferred sales commissions	$ (146,396)	$ (146,357)
Deferred revenue	1,879	2,598
Undepreciated capital cost in excess of carrying values	492	827
Loss carryforwards	903	3,987
Ontario corporate minimum tax	7,203	8,095
Integration costs	—	4,690
Share issue costs	1,618	—
Goodwill and management contracts	(130,382)	(188,514)
Other	(2,151)	(1,867)
Future income tax liability	$ (266,834)	$ (316,541)

(d) As at November 30, 2001, certain subsidiaries of the Corporation have accumulated aggregate income tax losses of approximately $7.1 million (2000 – $5.1 million) that may be used to reduce taxable income in the future. These tax loss carry-forwards expire as follows:

$2.3 million	2008
$4.8 million	no expiry date

The potential tax benefits of $4.8 million of these losses have not been recognized in the consolidated financial statements.

10. Capital assets

November 30, 2001	Cost	Accumulated amortization	Net
Furniture and equipment	$ 14,018	$ 7,782	$ 6,236
Leasehold improvements	11,560	5,900	5,660
Computer hardware	36,704	19,599	17,105
Computer software	17,167	11,409	5,758
Other	5,242	2,384	2,858
	$ 84,691	$ 47,074	$ 37,617

November 30, 2000			
Furniture and equipment	$ 10,680	$ 6,322	$ 4,358
Leasehold improvements	7,568	4,843	2,725
Computer hardware	29,194	14,145	15,049
Computer software	11,217	7,958	3,259
Other	2,292	30	2,262
	$ 60,951	$ 33,298	$ 27,653

11. Commitments

The Corporation is committed under operating leases for office premises (excluding amounts provided for in the financial statements) which require approximate minimum rental payments as follows:

	(000's)
2002	$ 4,880
2003	3,434
2004	2,580
2005	981
2006	173

12. 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. Up to November 30, 2001, such limited partnerships have financed selling commissions of approximately $440 million in respect of such DSC securities. The Corporation 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, 2006, to December 31, 2020. For certain limited partnerships the obligation is secured by the Corporation's mutual fund management contracts to the extent of the particular obligation.

During 1998, 1999 and 2000, 11 of the AGF and 20/20 limited partnerships amalgamated to form AGF Master Limited Partnership. The amalgamations did not change the Corporation's obligations in respect of the relevant DSC securities in any material respect.

The Corporation 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 2001 was $592,000 (2000 – $620,000). As at November 30, 2001, the net asset value of DSC securities financed by the limited partnerships was $4.2 billion (2000 – $5.1 billion).

13. Other deferred selling commission financing

During 1998, Global Strategy Financial Inc. entered into an agreement with Putnam, Lovell, de Guardiola & Thornton Inc. ("PLGT") where PLGT would finance sales commissions paid on the sale of Global Strategy mutual funds sold on a DSC basis from July 1, 1998, to December 31, 1999. The agreement was amended on March 28, 2000, extending the funding period to March 31, 2001. PLGT financed sales commissions of approximately $54.1 million in respect of such distributed mutual funds for the period from July 1, 1998, to November 30, 2000. PLGT receives a direct annual share of the management fee revenue on distributed mutual funds that remain outstanding and whose sales were originally financed by them. Such payments are accounted for as distribution fees in accordance with note 1 – Revenue recognition. PLGT is also entitled to deferred sales charge revenue payable by the unitholder on the redemption of those distributed mutual funds. In addition, PLGT receives from the Corporation a share of the management fee revenue equal to the deferred sales charge revenue that would otherwise be payable by the unitholder on free redemptions of those distributed mutual funds, also accounted for as distribution fee payments.

On January 25, 2001, the agreement between Global Strategy Financial Inc. and PLGT was amended to provide for the termination, effective October 31, 2000, of funding in connection with the program whereby PLGT financed sales commissions paid on the sale of Global Strategy mutual funds sold on a DSC basis.

Also on January 25, 2001, the Corporation purchased for $7.3 million, PLGT's title, interest and right to receive distribution fees and deferred sales charges payable in respect of distributed mutual fund units of the Global Strategy funds sold during the period from April 1, 2000 to October 31, 2000, for which PLGT financed the sales commissions.

14. Long-term debt

(000's)

November 30	2001	2000
Bank loans		
Fully amortizing term loan	$ 141,600	$ 177,000
Bridge loan	—	100,000
Revolving term loan	18,800	76,600
Notes payable due November 22, 2004	14,906	19,875
Notes payable due April 30, 2013	30,059	35,675
Instalment payable due July 31, 2002	8,527	17,054
Loan notes due September 30, 2004	485	743
	214,377	426,947
Less: amount included in current liabilities	48,896	148,896
	$ 165,481	$ 278,051

(a) Bank loans

Fully amortizing term loan

The Corporation has arranged a fully amortizing five-year term loan with a Canadian chartered bank, which is repayable in equal quarterly instalments over the period of 20 quarters following advance plus interest payable. The facility can be funded by direct advances and/or bankers' acceptances ("BAs"). At November 30, 2001, the Corporation has drawn the facility in the form of a 46-day BA at an effective interest rate of 2.69% per annum.

Revolving term loan

The Corporation has arranged a 10-year prime rate-based revolving term loan to a maximum of $150.0 million with a Canadian chartered bank. Under the loan agreement, the Corporation is permitted to avail the revolving term loan by direct advances and/or bankers' acceptances. 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, 2002. However, the Corporation may request by April 15, 2002, and prior to April 15 in any calendar year thereafter, for a recommencement of the 10-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-eighty-fourth of the amount of principal outstanding.

As at November 30, 2001, the Corporation has drawn $18.8 million against the available loan amount in the form of five-day BAs at an effective interest rate of 2.70% per annum.

Security for the bank loans 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 Corporation acts as manager and, depending upon the amount of the loan outstanding, an assignment of AGF's investments in 20/20 Financial and AGF International Company Limited.

(b) Notes payable due November 22, 2004

Amortizing four-year notes payable relate to the acquisition of Global Strategy and are repayable in equal annual instalments of $5.0 million. Interest is payable monthly based on the 30-day BA rate plus 0.40% per annum. The notes are secured by irrevocable letters of credit from a Canadian chartered bank.

(c) Notes payable due April 30, 2013

Proceeds from notes payable issued to Multi-Fund Income Trust ("Multi-Fund") were used to pay sales commissions incurred on the sale of units of the Global Strategy funds purchased on a contingent deferred sales charge basis from July 30, 1997, to June 30, 1998.

The notes payable bear interest at 5% per annum accrued daily and payable monthly. Monthly repayments of interest and principal are required until the full principal amount of the notes is repaid or April 30, 2013, whichever comes first. Monthly repayments are determined based on a specified percentage (up to 0.47% per annum) of the net asset value of mutual fund assets financed by Multi-Fund ("Distributed Securities"). Monthly repayments will also include all contingent deferred sales charges received by the Corporation related to Distributed Securities.

Multi-Fund has no recourse to any other assets of the Corporation to satisfy any amount payable in respect of the notes.

(d) Instalment payable due July 31, 2002

Instalment payable relates to the acquisition of AGF PIM. It is non-interest-bearing and unsecured.

(e) Loan notes due September 30, 2004

Loan Notes are payable in British pounds. Interest is payable semi-annually at an interest rate that is reset semi-annually based on LIBOR.

15. Participation units

Proceeds from participation units issued to Multi-Fund were used to pay sales commissions incurred on the sale of units of the Global Strategy funds purchased on a contingent deferred sales charge basis from July 30, 1997, to June 30, 1998.

After the notes payable referred to in note 14(c) are repaid in full and prior to April 30, 2013, Multi-Fund will be entitled to up to 0.52% per annum of the net asset value of then outstanding Distributed Securities (together with all contingent deferred sales charges relating to the Distributed Securities, if any) under the terms of the participation fee agreement.

The participation units have been accounted for as a deferred credit. If the notes payable are repaid in full prior to April 30, 2013, the deferred credit will be amortized over the remaining period to that date. Otherwise, the entire amount will be recognized as revenue on April 30, 2013.

16. Interest rate swap and foreign exchange hedge transactions

The Corporation has entered into, for hedging purposes, three interest rate swap transactions (the "Swap Transactions") with a Canadian chartered bank. The Swap Transactions expire between October 28, 2007, and January 27, 2008. They involve the exchange of three-month bankers' acceptance floating interest rates for fixed interest rates of 5.47% to 5.56% per annum. As at November 30, 2001, the aggregate notional amount of the Swap Transactions was $59.1 million (2000 – $68.8 million). The aggregate fair value of the Swap Transactions, which represents the amount that would be paid (received) by the Corporation if the transactions were terminated at November 30, 2001, was $2,431,000 (2000 – $(530,000)).

To hedge its currency exposure and to fix the interest rate on borrowings in connection with a Japanese yen denominated investment, the Corporation has entered into a cross currency swap transaction which expires on November 29, 2004. It involves the exchange of three-month bankers' acceptance floating interest rates on a notional amount of CDN $3,293,000 for a fixed interest rate of 0.67% per annum on a notional amount of JPY ¥256,000,000. The aggregate fair value of the cross currency swap transaction, which represents the amount that would be paid (received) by the Corporation if the transaction was terminated at November 30, 2001, was $(21,000).

To hedge its currency exposure in connection with its investment in U.K.-based NCL (Securities) Limited, an associated company, the Corporation has entered into a foreign exchange forward contract to sell UK£14,500,000 on April 17, 2002, at an exchange rate of 2.2308 for CDN$32,347,000. The fair value of the forward contract at November 30, 2001, has been included in the foreign currency translation adjustment.

17. Fair value of financial instruments

(a) Wealth Management Operations

(000's)				
November 30	**2001**		**2000**	
	Carrying value	**Estimated fair value**	**Carrying value**	**Estimated fair value**
Short-term investments	**$ 22,021**	**$ 22,450**	**$ 45,454**	**$ 45,190**
Other investments	**8,811**	**8,967**	**766**	**1,451**
	$ 30,832	**$ 31,417**	**$ 46,220**	**$ 46,641**

The estimated fair value of securities with an available trading market is based on their quoted market value. Investments that have no trading market are valued based on management estimates using common valuation techniques.

Short-term investments include $18,763,000 (2000 – $40,293,000) in investments in various AGF Funds.

(b) Trust Company Operations

(000's)

November 30	2001		2000	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Investments	$ 4,843	$ 5,131	$ 6,088	$ 5,962
Mortgages and consumer loans	203,544	209,998	157,150	156,977
	$ 208,387	$ 215,129	$ 163,238	$ 162,939
Deposits	$ 218,446	$ 222,592	$ 156,988	$ 156,933

The estimated fair value of securities with an available trading market is based on their quoted market value. The estimated fair value of loans and deposits is determined by discounting the future cash flow at prevailing interest rates for loans and deposits with similar terms and applicable credit risks.

As at November 30, 2001, the Corporation's mortgage and consumer loan portfolio was comprised substantially of fixed rate residential mortgages, of which $117.0 million is insured, with a weighted average term to maturity of 2.4 years and a weighted average yield of 7.55%. Consumer loans have no fixed maturity and have floating interest rates based on prime.

The carrying value of mortgages is net of an allowance for mortgage losses of $725,000 (2000 – $540,000). The carrying value of the consumer loans is net of an allowance for loan losses of $60,000 (2000 – $29,000).

As at November 30, 2001, deposits were comprised substantially of guaranteed investment certificates with a weighted average term to maturity of 1.7 years and a weighted average interest rate of 4.85%.

(c) Other financial assets and financial liabilities of the Wealth Management Operations and Trust Company Operations are recorded at cost, which approximates fair value.

18. Supplemental disclosure of cash flow information

Interest payments in 2001 were $25,149,000 (2000 – $11,343,000).

Income tax payments in 2001 were $34,029,000 (2000 – $14,730,000).

AGF Trust Company Balance Sheets

(IN THOUSANDS OF DOLLARS)

December 31	2001	2000
ASSETS		
Cash and short-term investments	$ 50,176	$ 25,091
Securities	4,855	6,100
Mortgages receivable	181,609	146,859
Consumer loans receivable	29,112	11,777
RSP loans receivable	4,618	—
Accrued interest receivable	1,132	1,050
Accounts receivable	1,248	1,526
Income taxes recoverable	844	—
Deferred charges	1,386	895
Capital assets	1,459	69
Other assets	99	28
TOTAL ASSETS	$ 276,538	$ 193,395
LIABILITIES		
Deposits		
Demand deposits	$ 3,855	$ 3,583
Short-term deposits	18,355	12,774
Guaranteed investment certificates	221,191	154,187
	243,401	170,544
Accounts payable and accrued liabilities	6,512	4,596
Income taxes payable	—	677
Future income taxes	331	76
Deferred income	75	113
	250,319	176,006
SHAREHOLDER'S EQUITY		
Capital stock	17,360	9,700
Retained Earnings	8,859	7,689
	26,219	17,389
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 276,538	$ 193,395

ten-year review

Consolidated ten-year review

	2001	2000	1999	1998
Operations ($000)				
Total revenue	639,994	508,681	356,703	288,822
Net income	163,754	95,931	61,710	48,777
Dividends	19,577	14,092	11,642	9,970
Financial Position ($000)				
Working capital (deficit)	(9,950)	(86,692)	55,348	40,186
Long-term debt	165,481	278,051	72,048	81,422
Shareholders' equity	764,707	480,091	284,244	233,383
Return on equity[1]	26.3%	25.1%	23.8%	22.9%
Per Share ($)				
Net income – basic	1.84	1.23	0.80	0.64
Dividends	0.22	0.18	0.15	0.13
Book value	8.56	5.78	3.64	3.03
Mutual fund assets under management ($000,000)	27,482	26,979	18,705	15,015

[1] For 1998-2001, net income as percentage of average shareholders' equity for the year. For 1992-1997, net income as percentage of shareholders' equity at end of year.

1997	1996	1995	1994	1993	1992
236,759	178,993	87,628	79,938	58,475	42,912
40,489	22,403	16,896	15,898	9,905	4,900
6,491	6,272	6,159	3,916	3,395	2,886
30,903	5,476	84,638	67,455	74,219	12,936
38,000	60,000	72,950	72,950	72,950	22,950
192,173	115,565	62,366	52,164	39,976	33,237
21.1%	19.4%	27.1%	30.5%	24.8%	14.7%
0.55	0.37	0.34	0.33	0.21	0.10
0.09	0.10	0.13	0.08	0.07	0.06
2.53	1.85	1.26	1.06	0.82	0.69
12,429	10,075	4,471	4,076	3,636	2,273

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AGF Trust Company

Mario Causarano, CA
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AGF Private Investment Management Limited

Joel Raby, CFA
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AGF is a global company with a Canadian home and is proud to be a pioneer in helping people reach their most important goals and dreams in life. Through great investment products and service to customers, AGF has reinforced its position as one of the top fund companies in Canada.

AGF was founded in 1957 with a handful of investors and one fund – our flagship American Growth Fund – which gave us the AGF name.

Today we manage total assets exceeding $34 billion and serve a growing network of financial advisors and more than one million investors.

Across Canada, we have offices in Halifax, Montreal, Toronto, Calgary and Vancouver. International operations are located in London, Dublin, Singapore, Tokyo and Beijing. AGF Management Ltd. is an independent Canadian-owned company listed on the Toronto Stock Exchange (AGF.B)

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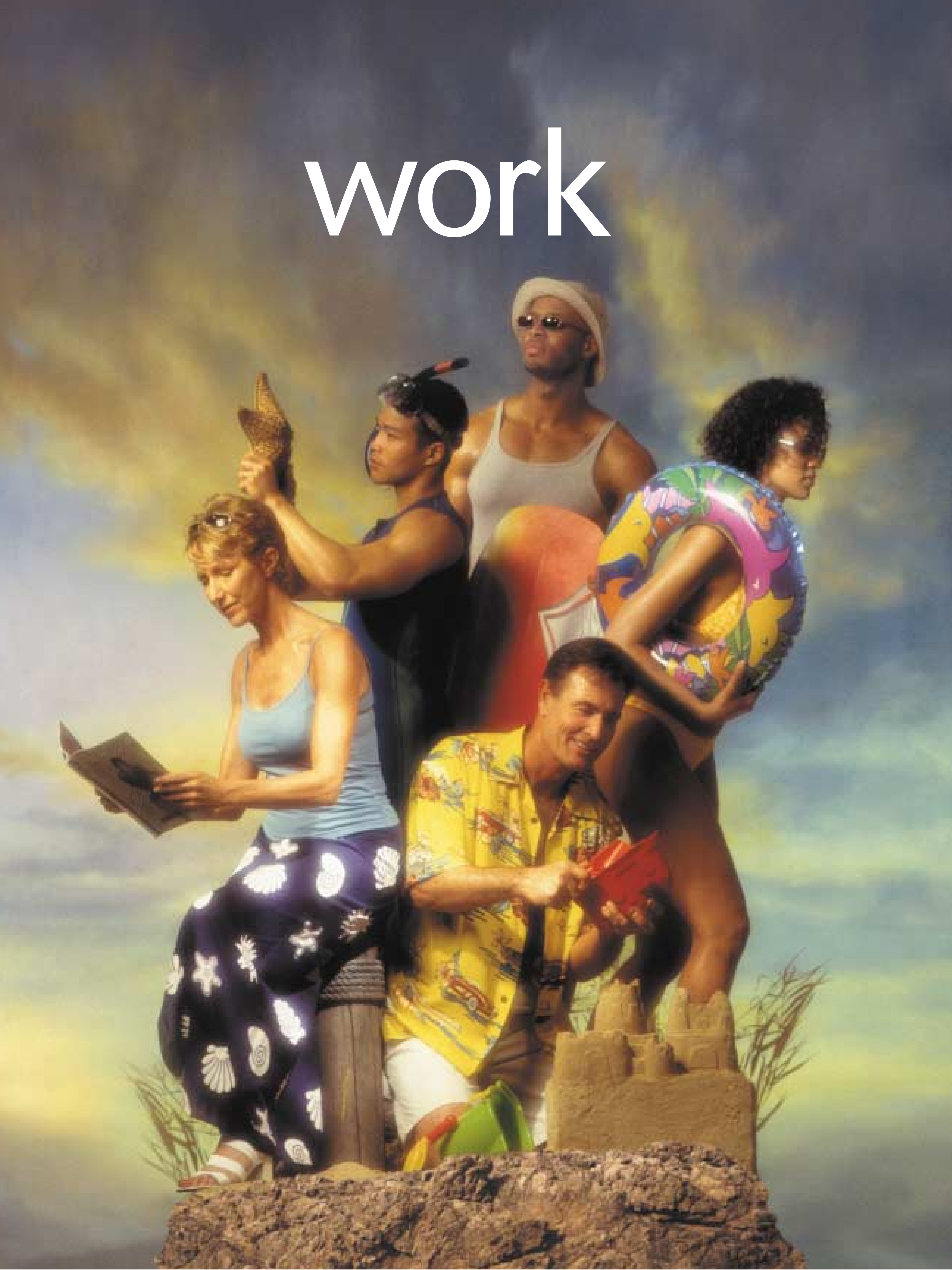
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