AGF Management Limited | Annual Report 2005

focus

AGF

What are you doing after work?

Corporate Profile

AGF's mission is to provide superior investment management and a broad range of quality products, services and solutions to meet the needs and requirements of all our clients.

Founded in 1957, AGF is one of Canada's premier investment management companies. With more than $34 billion in total assets under management, we serve more than one million investors with offerings across the wealth continuum. Our family of 55 mutual funds offers options across investment styles, regions and sectors to meet the goals of any investor. AGF's products and services also include AGF Harmony tailored investment program, AGF Elements portfolios, AGF Private Investment Management and AGF Trust GICs, loans and mortgages.

(table of contents)

Please read the information on page 22 of this report regarding forward-looking statements.
Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP measure. Please refer to page 25 of this report.

GREW TOTAL
9%
AUM BY

IMPROVED MUTUAL FUND
16%
GROSS SALES BY

SOLD UNISEN FOR
$114
MILLION CDN

(focus)

GREW AGF TRUST
97%
LOAN ASSETS BY

INCREASED
36%
DIVIDEND BY

NEW MANDATES OF
$1.7
BILLION
IN INSTITUTIONAL

Focus on Governance

It was a very active and rewarding year for your board at AGF. It was a time of significant change and exciting initiatives as we focused on executing our strategy and delivering results.

The entire company and its directors are fully aligned to support the strategic plan laid out in 2004. The board's mandate includes ensuring management executes on the strategy, and we take that responsibility very seriously. In 2005, we made solid progress in every department and at every level, including investment management, sales and marketing, finance, executive management and the board. This annual report lays out what we achieved so shareholders can judge for themselves.

True commitment to excellence means continually setting the bar higher. The board of directors made changes recently to update its policies and practices. These include approving a new process for self-assessment to ensure we are holding ourselves accountable, both as a group and individually. We also made sure every member of every committee is fully independent of management. I'm proud to say that we have a wealth of experience at the table. Each director is actively engaged and we share a collective will to continually improve. To us, good governance goes beyond compliance. It means taking responsibility for upholding the important values of honesty and integrity in representing shareholders.

In fiscal 2005, AGF renewed its commitment to delivering value to shareholders. The proof was in the numbers, as including dividends paid our stock returned 45% during the fiscal year. We believe our success comes from striking a very important balance: creating value today while investing in the long-term growth of AGF.

Our strategic plan is based on a thorough analysis of our competitive environment, our strengths and our vision. It's a clear and measurable roadmap for generating sustainable and growing net sales, rising revenue and increased profitability over the long term. As we rapidly approach our 50-year anniversary, I'm confident we have the focus to deliver.

CWGoldring

C. Warren Goldring
Chairman

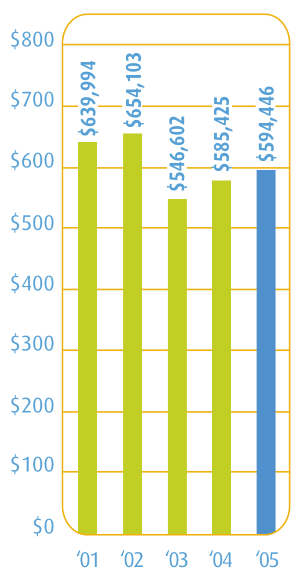
(focus)

:on Strategy

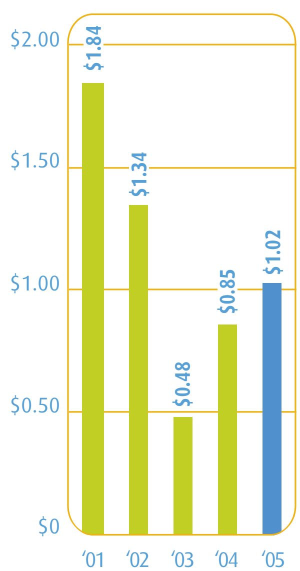
AGF has a clear strategy for the year ahead, and we are intently focused on executing it.

1. **Enhance** client-centric model in core fund business
2. **Promote** international investment management competency across multiple channels
3. **Leverage** synergies between businesses to generate sales in core fund business
4. **Pursue** opportunistic acquisitions

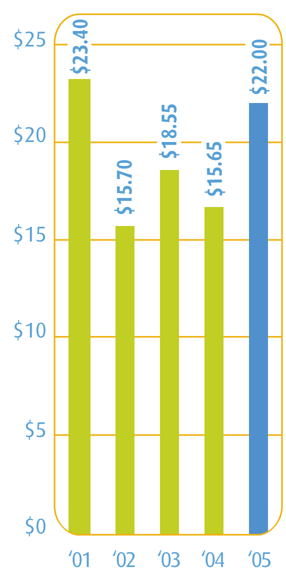
Total Revenues Continuing Operations
(thousands of dollars)



Net Income per Share – Basic



Share Price AGF.NV



(focus)

:on Delivering on Our Commitments

Our Commitment in 2004	Our Actions in 2005
Reinforce investment management excellence	Won $1.7 billion in new institutional mandates Harmony program grew 62% to $1.4 billion Won awards and recognition at Canadian Investment Awards Recruited new portfolio managers
Foster a client-centric organization focused on multi-channel distribution	Gross mutual fund sales increased 16.2% to over $3.0 billion in 2005 Launched innovative new products such as AGF Elements™ Portfolios and new income oriented funds Increased quantity and quality of activity with advisors
Review our support entities	Divested Unisen for consideration of $114.0 million and recorded a pretax gain of $19.2 million
Pursue strategic acquisitions	Acquired mutual fund assets of ING for $9.1 million Repurchased 2.4 million AGF.NV shares at an average price of $17.39 per share

:on Value Today & Growth Tomorrow

I am pleased to report that AGF delivered on its commitments in fiscal 2005.

Blake C. Goldring, CFA
President and
Chief Executive Officer

Fellow Shareholders,

We have come through an era of significant change that involved a bold new strategic plan, a disciplined review of every aspect of our organization, key investments in reinvigorating our core business, and steady execution with a focus on discipline and accountability.

We have been guided by a dual purpose: to increase value for shareholders today, while setting the stage for sustainable long-term growth. Every single initiative we have undertaken has been focused on delivering results. We've already had solid success ... and we're just getting started.

In 2004, we began a comprehensive process to transform AGF into a uniquely client-centred organization. In 2005, we focused on executing that plan to perfection. It involved both reorganization and a cultural change – significant hurdles for any company. I'm proud to say the passionate and dedicated people who work in every department at AGF managed the changes seamlessly, ensuring we could gather feedback from advisors and translate it into delivering value. In the past year we have significantly increased the quality and quantity of our activity with advisors. Today, AGF has a winning combination: unmatched client focus; one of the broadest product and service offerings in the industry; and money management expertise in Canada and globally.

We're poised to yield results from the investments we've made in our future. I am confident that today we have the best people with the right plan and the clear focus to deliver long-term profitable growth for AGF.

Achievements in Fiscal 2005

Enhanced Shareholder Value

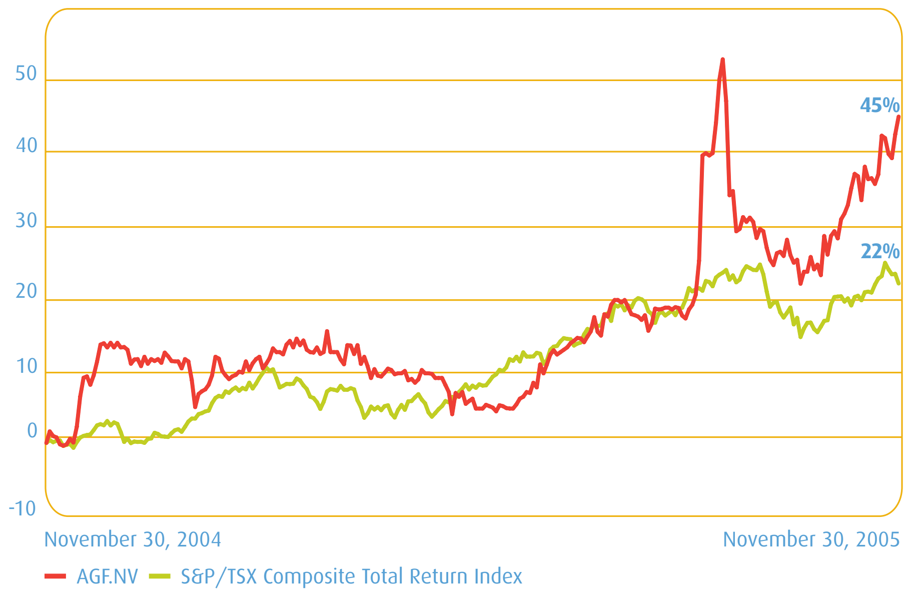
In 2005, we renewed our commitment to maximizing shareholder value. We increased cash returned to shareholders, raising the dividend by 36% this year to an annual rate of $0.60 per share. That follows on the heels of a 38% increase in 2004. In fact, we have steadily increased our dividend for eight consecutive years – one of the longest records in Canada – for a compound annual growth rate of 26% over that time. Our efforts were recognized as AGF was named a Dividend Achiever™ by Mergent Inc., a leading global provider of global business and financial information. According to Mergent, only 1% of dividend-paying companies listed on the TSX have increased their dividend for five or more years, ranking AGF among the top 10 of Canadian Dividend Achievers. Subsequent to year-end, we announced a further dividend increase of 20% to $0.72 per share annualized.

AGF bought back 2.4 million shares during the year at an average price of $17.39. To us, that's not just prudent capital management – it's a great investment. AGF has steadily increased its share repurchases, making a total investment of $79.9 million for 4.5 million shares in the last two years alone. In fiscal 2005, between dividend payouts and share repurchases, we returned 59% of our free cash flow (cash flow from operations less selling commission paid) to shareholders, up from 53% last year.

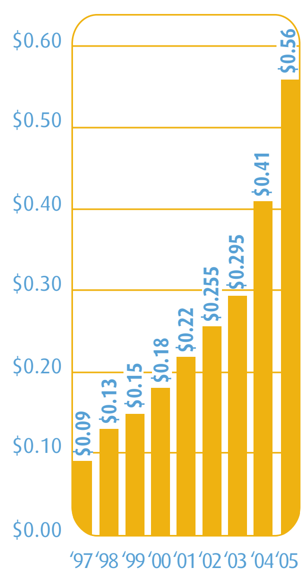
AGF Class B shares outperformed the S&P/TSX Capped Financials Index for the year. Our share price grew 41% in the 12 months ended November 30, 2005, and delivered a total return including reinvested dividends of 45% in the same period.

One of the most rewarding events this year was the successful divestiture of Unisen Inc., our third-party administration subsidiary, to Citifinancial for US$97.5 million (C$114 million).

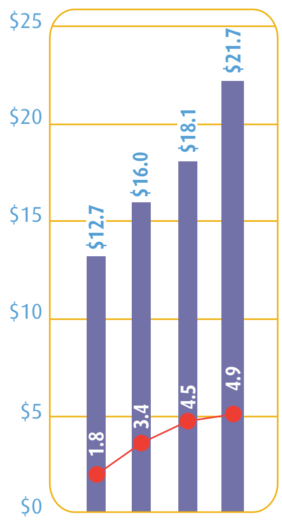
One-Year Total Return
ending November 30, 2005
AGF.NV vs. S&P/TSX Composite Total Return Index (percentage)



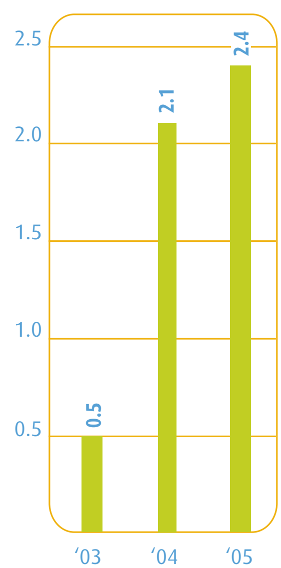
Annual Dividends Paid per Share
(dollars per share)



AGF Trust Growth
(millions of dollars)



Share Repurchases
(millions of shares)



Citifinancial Canada, Inc. is a subsidiary of Citigroup, the world's largest financial services organization. The all-cash transaction was more than just a sale – it was a strategic partnership that benefits AGF shareholders and the unitholders in our funds. For our shareholders, the transaction delivers a significant after-tax return on investment. For our fund unitholders, Citifinancial brings substantial scale that is expected to translate into reduced costs and lower expense ratios for AGF funds in the years ahead.

We used the proceeds of the sale to pay off all of our long-term bank debt. With our substantial free cash flow and strong balance sheet, we have the financial foundation and flexibility to carry out our strategies for long-term growth.

Invested for Growth Tomorrow

Prudent capital management means striking the right balance between returning free cash to shareholders, and investing strategically to deliver growth. AGF made a significant number of key investments this year that position us to grow net sales and assets under management.

We delivered on our commitment to pursue strategic acquisitions with the purchase of the mutual fund assets of ING Investment Management Inc., a subsidiary of ING Canada Inc. The 14 funds with $276 million in assets complemented our existing lineup and strengthened our offering of yield continuum products. The top-selling ING Canadian Dividend Income Fund, now renamed AGF Dividend Income Fund, grew from $154 million when the AGF sales force began selling it in early August to $273 million at November 30. The transaction created a true partnership, giving AGF the opportunity to build stronger distribution and sub-advisory relationships with ING and its network of mutual fund sales representatives.

We also made key investments in our most important asset: our people. This included succession planning, as award-winning Martin Hubbes assumed the role of Chief Investment Officer from Bob Farquharson, who remains as a portfolio manager and Vice-Chairman. We recruited top-performing portfolio managers Tony Genua to manage the flagship AGF American Growth Class and Eng Hock Ong to lead AGF Asian Growth Class from our Singapore office. We also brought in new talent and teams in sales and marketing. The National Account Services team ensures a proven, repeatable and highly effective sales process. The Institutional Client Services initiative is focused on growing our business with financial institutions across the country.

AGF Trust continues to be a tremendous growth story. It delivers synergies with our core business and offers exciting possibilities for the future. The subsidiary is an alternative mortgage and leveraged lending business that is steadily increasing its contribution to our bottom-line profitability. AGF Trust nearly doubled its portfolio from last year, with mortgages growing 93% and consumer loans up 100%. The growth has been in both the mortgage broker and investment advisor channels.

The strong product offering in mortgages and loans gives our mutual fund sales representatives an enhanced value proposition for their advisor clients. We believe in investing for long-term growth because it pays. For the 10-year period ended November 30, 2005, the total return on AGF's Class B non-voting shares was 25%. During the same period, the S&P/TSX Composite Index delivered a total return of 11%. For the 20-year period ended November 30, 2005, AGF shares delivered a total return of 21% versus 17% for the index.

Launched Products That Deliver Value to Advisors

AGF is overwhelmingly committed to being the company advisors want to do business with because we add value – for them and for their clients. We listen carefully to what they tell us and respond with new products.

The AGF Elements portfolios launched at the end of 2005 make an unprecedented commitment to excellence in money management and are the first of their kind in North America. 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 (0.90%) in new units.

Advisors also told us they wanted a broader product range from AGF – and we delivered. We launched two new yield funds managed by Cypress Capital Management, part of our Private Investment Management team. Other new products included a new Harmony portfolio offering yield and an innovative new U.S. equity fund based on controlling risks.

The evidence of our success lies in the numbers. We have steadily improved gross sales and reduced redemptions over the last 12 months, and are on track to achieve our goal of being net flow positive by April 2006. Our Harmony wrap program had another banner year, surpassing the $1 billion milestone in February and ending at November 30, 2005 with $1.4 billion in assets under management, up 62% from $0.9 billion last year.

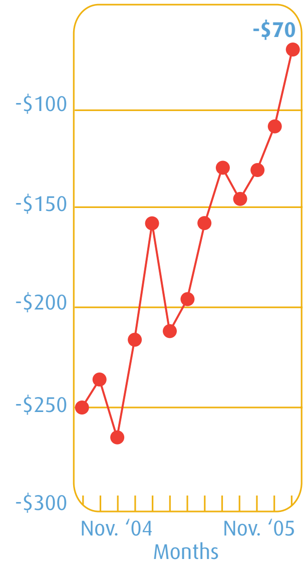
New Products in 2005

- *AGF Elements Portfolios*
- *AGF Dividend Income Fund*
- *AGF Diversified Dividend Income Fund*
- *AGF Monthly High Income Fund*
- *AGF U.S. Risk Managed Class*
- *Harmony Balanced and Income Portfolio*

Won Recognition for Leading Investment Management Performance

AGF's superior investment management is our core business. Through more than 50 mutual funds, the Harmony and Elements portfolios and Private Investment Management, we offer one of the broadest ranges of quality products and services to meet the needs of all our clients. Our philosophy is to find the best possible manager for every mandate.

Net Sales of Long-Term Funds
(millions of dollars)



We do that through our complement of award-winning professionals that includes internal managers based in Toronto, Dublin and Singapore, as well as external sub-advisors. AGF's total assets under management (AUM) rose 9% to $34.1 billion at November 30, 2005 from $31.4 billion last year. Of that total, mutual fund AUM was $22.2 billion. Fund assets have remained relatively stable, with strong market performance offsetting redemptions.

AGF Private Investment Management, known as PIM, had a very strong year. The high-net-worth investment counsellor achieved organic growth of $0.9 billion, an increase of 20%.

Our investment management skill is gaining recognition globally. During the year, we won $1.7 billion in new mandates for clients around the world, primarily government agencies. Our priority is to convert that international acknowledgement into domestic retail growth.

We were honoured once again with top prizes at the Canadian Investment Awards. For the fourth straight year, AGF Global Government Bond Fund, managed by Scott Colbourne of AGF Funds, was named Best Foreign Bond Fund. *AGF also took home* Emerging Markets Equity Fund of the Year *with our AGF Emerging Markets Fund managed by another in-house manager, Patricia Perez-Coutts. AGF Precious Metals Fund, last year's winner in the Precious Metals Equity Fund category, was recognized with another nomination this year. The achievements of AGF China Focus Class, AGF International Stock Class and AGF Global Financial Services Class were also acknowledged with nominations.*

Fostered a Culture of Discipline and Passion Focused on Clients

AGF has emerged from the past 12 months of change with a revitalized spirit. Our culture is based on a common vision of listening to what clients want, and exceeding their expectations. We are focused on discipline, passion and a commitment to clients in everything we do.

The changes in our culture run through every level and every function, from the top down and the bottom up. Each business unit in each department has clearly articulated objectives and tactics. This gives us transparency and accountability, as well as the ability to continually improve our offering. Most importantly, it allows us to reward outperformance and share success.

Our sophisticated customer relationship management (CRM) tool allows us to gather feedback, carefully track our performance and improve our ability to add value for advisors.

AGF's Guiding Principles

- *We are client-centric*
- *We are stronger through teamwork*
- *We practice a disciplined management style*
- *We are committed to enlightened communication*
- *We require accountability*
- *We work with committed passion*

Delivered Steady Financial Performance
AGF's financial performance has been steady through the recent period of change. Revenue for the year was up 1.50% and EBITDA from continuing operations grew 3.90%. Both cash flow from continuing operations (before net change in non-cash balances related to operations) and free cash flow** also increased in 2005.*

AGF Trust delivered strong financial performance once again. Revenue for the year ended November 30, 2005 rose 61% to $68.4 million, compared to $42.6 million in fiscal 2004. EBITDA increased 31% to $14.5 million from $11.1 million the prior year.

We also have two investments in the United Kingdom. Our objective with both is to maximize their value and generate a healthy return on investment. AGF owns 31% of Smith & Williamson Holdings Limited, one of the leading independent financial advisory groups in the U.K. The firm has revenues of £100 million per year and more than £7 billion of funds under management. The directors of Smith & Williamson are planning an initial public offering for 2008. We expect that the value of our investment at that time will be well in excess of the current book value of $96 million.

Our other overseas investment is Investmaster Group Limited, a wholly owned subsidiary whose software handles 25% of the London Stock Exchange's daily private client volumes. Investmaster has a book value of approximately $9 million. We are in the process of reviewing Investmaster with the aim of maximizing shareholder value. We will use the same disciplined process that we used when we divested Unisen.

Strategy for 2006

- *Enhance client-centric model in core fund business*
- *Promote international investment management competency across multiple channels*
- *Leverage synergies between businesses to generate sales in core fund business*
- *Pursue opportunistic acquisitions*

Strategy and Outlook for 2006

AGF enters 2006 well-positioned to capitalize on the investments we've made in our business. Looking forward we will focus on sustaining top-line growth, increasing profits and ensuring that senior management consistently executes the following strategy.

*1. **Enhance** Client-Centric Model in Core Fund Business*
Our commitment to a client-centric business means constantly raising the bar in what we expect of ourselves and what we offer advisors. We do that by consistently delivering excellence in investment management and client service. Many of the processes and tools are now in place, and we've made a solid start. Our focus in 2006 is to execute on the plans we've laid and challenge ourselves to become the partner of choice for investment advisors.

* EBITDA is a non-GAAP measure. Please refer to Key Performance Indicators and Non-GAAP Measures on page 25 in this report.
** We define free cash flow as cash flow from operations less selling commissions paid.

*2. **Promote** International Investment Management Competency Across Multiple Channels*

We are confident the AGF investment management team stacks up to any in the world. In 2006, we will focus on attracting new institutional mandates internationally, and on translating the success we've had winning business abroad into mandate wins on separately managed account programs and domestic retail growth. We expect growth as the baby boom generation ages, particularly in managed assets and wrap programs, as well as private investment management for high-net-worth individuals.

*3. **Leverage** Synergies Between Businesses to Generate Sales in Core Fund Business*

AGF has three strong platforms for growth that offer positive synergies with our core fund business: AGF Trust, PIM and our international strategy. AGF Trust's mortgages and loans support our offering to advisors, which can ultimately help solidify our relationships. With the launch of two yield funds, we translated Cypress Capital Management's renowned expertise in income trust investing into new products to offer advisors. As we continue to refine our internal processes, we expect to generate further synergies.

*4. **Pursue** Opportunistic Acquisitions*

The market for acquisitions in Canada is competitive, but we are always evaluating potential opportunities. AGF can afford to be selective and wait for the right transaction; yet we also have a very strong liquid position and access to significant financing if we see a great opportunity. Our criteria for acquisitions are that they must support business growth and be accretive to shareholders. We also expect any investment we make to have a long-term after-tax return on investment of more than 15%.

Focus on Investors

Mutual Fund Governance

Forty-three years ago, AGF was a pioneer in the industry, bringing in one of the first independent mutual fund boards to represent the interests of unitholders. Today, our mutual fund boards consist of eight members with a majority of independent trustees. Their mandate is clear: to ensure that each and every AGF fund is held to the highest standard in serving the interests of investors.

Our Thanks

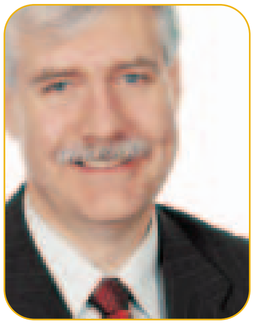
I'd like to thank the employees at AGF who continually push themselves to exceed client needs. Our board of directors and board of mutual fund trustees also deserve gratitude for their counsel and diligence throughout the year. To the clients and advisors who do business with AGF, we appreciate your confidence. I especially thank our shareholders for their support. We look forward to finding new ways to add value for you in 2006.

Sincerely,

Blake C. Goldring, CFA

President and Chief Executive Officer

(focus)



:on Results

Greg Henderson, CA
Chief Financial Officer

"AGF consistently generates healthy cash flow and has a strong balance sheet with no long-term bank debt. We will continue to focus on maximizing shareholder value while investing for long-term growth in revenue and profits."

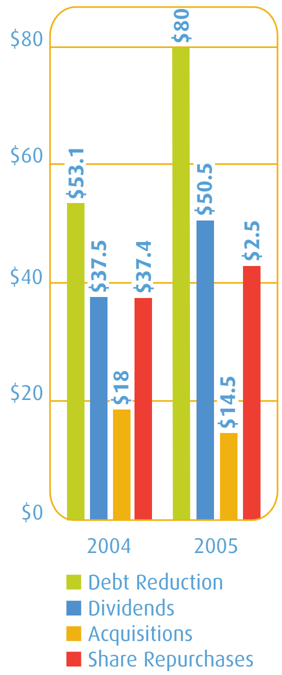
Achievements in 2005

- Increased dividend by 36%
- Increased share repurchases to a total of 2.4 million
- Closed the sale of Unisen
- Eliminated long-term bank debt and strengthened balance sheet
- Completed the acquisition of mutual funds from ING

Focus on 2006

- *Continue to review strategic opportunities to maximize shareholder value*
- *Identify and pursue strategic acquisitions*
- *Enhance organizational efficiency through technology and process improvement*

Utilization of Free Cash Flow
(millions of dollars)



In 2005, AGF demonstrated commitment to enhancing shareholder value and responsible capital stewardship. During the year, the company made a number of bold moves that strengthen it for the future.

The Unisen divestiture was a key accomplishment. AGF created a significant amount of shareholder value by steadily growing the business for three years, during which time it was a positive contributor to cash flow and EBITDA and reached a book value of $88.0 million. In July 2005, Unisen was sold to Citigroup, one of the largest financial services organizations in the world, for US$97.5 million (C$114 million). With the proceeds from the sale, AGF eliminated its entire long-term bank debt.

The company increased the dividend during the year by 36% to an annual rate of $0.60 per share. The board has historically reviewed the dividend during the second fiscal quarter of each year, and 2005 marks the eighth consecutive year of dividend increases. Subsequent to year-end, there was a further 20% increase to an annual rate of $0.72. AGF also increased share repurchases for a total of 2.4 million during the year, up from 2.1 million in 2004 and 0.5 million in 2003.

To AGF, prudent capital management means balancing returning cash to shareholders with investing in long-term growth. The acquisition of ING's mutual fund business was a significant achievement during the year that delivers on the growth strategy. The purchase included the top-selling ING Canadian Dividend Income Fund, which was renamed the AGF Dividend Income Fund and has since delivered even stronger sales. Being debt-free gives AGF the financial flexibility to continue to execute its growth strategy. The company has access to significant financial leverage if the right acquisition opportunity arises.

Another important use of capital during the year was to fund the growing AGF Trust operations. We advanced $42.0 million to AGF Trust during the year. AGF Trust is a unique opportunity to invest in a business that has strategic synergies with the core fund business, while earning a return of greater than 15%.

In managing company resources, AGF strives to ensure that spending today yields results in the future. Over the past 24 months, AGF has attracted and retained top-rated talent in all areas of the company. Recruiting the right people is always a wise investment. In addition, AGF invested in launching and promoting new products, such as the AGF Elements portfolios. The fourth quarter spending to support this innovative product positions it well for 2006.

In the year ahead, AGF's financial team will continue to apply its approach of disciplined capital management. This will include a review of all operations with the goal of maximizing shareholder value. The company will also continue to focus on enhancing value through higher return on equity and maximizing cash returns to shareholders through the dividend and share buyback program.

(focus)

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

:on Core Business

"We are continually raising the bar for ourselves in research, in sharing insight and ideas, in meeting the needs of advisors and their clients and in delivering long-term investment performance."

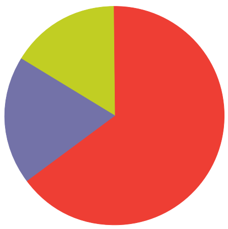
Achievements in 2005

- Won top honours at Canadian Investment Awards
- Won $1.7 billion in new international institutional mandates
- Appointed new portfolio managers on U.S. and Asian equity funds
- Completed succession planning and transition
- Made investments in technology and infrastructure
- Further integrated global teams to facilitate sharing of knowledge and ideas

Focus on 2006

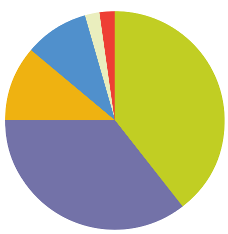
- *Win new international mandates from institutional or government-related organizations worldwide*
- *Continue investments in technology and infrastructure*
- *Enhance research capabilities with the aim to deliver superior investment performance*
- *Improve partnership with Sales and Marketing to effectively communicate investment strengths*
- *Generate synergies from interactions with PIM, AGF International Advisors in Dublin and AGF Asset Management Asia Ltd.*

Total AUM
(percent)



- 65% Mutual Funds
- 19% Institutional
- 16% PIM

Total Mutual Fund AUM
(percent)



- 40% U.S. & International Equity
- 36% Canadian Equity
- 11% Canadian Balanced
- 9% Canadian Fixed Income
- 2% U.S. & International Balanced
- 2% International Fixed Income

The AGF investment management team has one over-riding objective: to be the investment manager of choice for clients, driven by reliability of process and long-term performance across styles and products. AGF has more than 40 investment professionals around the world, with research teams and managers on the ground in Canada, Europe and Asia. In 2005, AGF further improved its processes for generating and sharing knowledge, research and investment ideas among its teams.

The retail mutual fund product lineup is strong, with award-winning managers across investment style, geographic focus and asset class. At the 2005 Canadian Investment Awards, AGF Global Government Bond Fund won top honours for ***Best Foreign Bond Fund*** for the fourth straight year – an impressive feat that demonstrates clear market leadership. AGF Emerging Markets Fund won ***Emerging Markets Equity Fund of the Year.*** AGF Precious Metals Fund, last year's winner in the Precious Metals Equity Fund category, was recognized with another nomination this year. AGF International Stock Class, AGF Global Financial Services Class and AGF China Focus Class received nominations in recognition of their strong performance.

AGF's expertise is gaining recognition worldwide and translating into mandate wins. During the year, AGF's in-house managers won $1.7 billion in international mandates, primarily for government agencies around the world. The momentum continued subsequent to year-end, with another overseas mandate win for $370 million in January 2006.

The global market for money management is vast – and AGF sees solid opportunity to continue to win business based on skill.

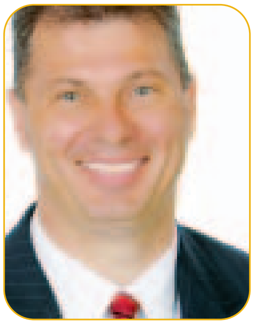
AGF delivered on its strategy of reinforcing investment management excellence this year. Renewed investments in portfolio management ensure the team has the best-in-class people, infrastructure, processes and technology to stay ahead of the curve. Tony Genua joined the Toronto fund management team, leading the flagship AGF American Growth Class, and has delivered solid performance since assuming the helm in mid-January of 2005. Eng Hock Ong joined the in-house team in Singapore with a strong performance record in Asian equities to lead AGF Asian Growth Class.

In 2006, the investment management team is focused on working with sales and marketing to offer products that meet advisors' needs, continuing to invest in technology and infrastructure and focusing on winning mandates to manage portfolios for large international clients.

AGF's Investment Management is driven by five core principles:

- *Fundamental research*
- *Global perspective*
- *Long-term focus*
- *Innovative thinking*
- *Accountability and risk control*

(focus)



:on Clients

Randy Ambrosie
Executive Vice-President,
Sales and Marketing

"There is an exciting opportunity in the market today for an organization that is truly committed to excellence. AGF has laid a solid foundation based on listening to clients. Now our focus is on continuous improvement and flawless execution, 365 days a year."

Achievements in 2005

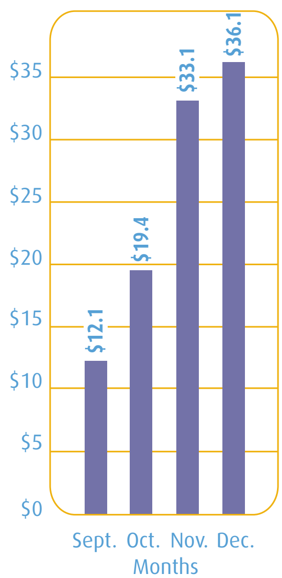
- Improved net sales steadily to –$70 million in November 2005, from –$249 million in November 2004
- Launched AGF Elements, first of its kind in North America
- Launched yield and income funds that broadened product offering
- Surpassed $1 billion in assets in Harmony program
- New Institutional Account Services team won 12 new institutional accounts

Focus on 2006

- *Maintain momentum and achieve solid net sales position*
- *Intensify focus on listening to advisors and delivering value*
- *Further enhance product offering to meet advisor needs*
- *Increase market share in the institutional space*

Harmony:
62%
growth in
AUM

Net Sales
AGF Dividend
Income Fund
Formerly ING Canadian
Dividend Income Fund
(millions of dollars)



In 2005, AGF followed through on its commitment to integrate and reorganize the entire sales and marketing team based on being a uniquely client-centric firm. The goal is to be a valuable, long-term business partner for advisors. AGF's team is committed to listening to what advisors want, and coming up with innovative ways to meet and exceed their needs.

During the year, the sales and marketing team continued to implement a rigorous system based on managing and measuring every key metric. Through the customer relationship management (CRM) tool and third-party sources, the sales team gathers qualitative and quantitative feedback from advisors on a regular basis. The results show AGF steadily improving in every measure. Gross sales are growing and redemptions are decreasing, resulting in net sales improving steadily.

A great deal of the success comes from a new discipline throughout the department. The sales teams use a franchise approach. It's a repeatable and proven process based on accountability that delivers results. This year AGF also formed a new Institutional Account Services team dedicated to building value for distribution partners and growing AGF's offerings and assets with institutions. The team succeeded in winning 12 new mandates for separately managed and unified managed accounts with bank-owned dealers.

Based entirely on advisor feedback, AGF made significant additions to its product offerings this year. This included the launch of a yield line, with the new AGF Monthly High Income Fund and AGF Diversified Dividend Income Fund managed by Cypress Capital Management, part of the Private Investment Management group. The two funds grew to $92 million in assets from the time of their launch in late January to the end of November. They are complemented by AGF Dividend Income Fund, managed by the successful ING team. The AGF U.S. Risk Managed Class, another fund new in 2005, was designed to meet the demand for reduced risk.

In addition, a new Harmony portfolio offers yield in the form of a monthly distribution. Harmony is a clear market leader and one of the top-selling offerings in the high-end wrap category. Early in the year Harmony surpassed the $1 billion mark and kept growing, reaching $1.4 billion at year-end – a growth of 62% from $884 million last year.

e ELEMENTS™
An evolution in portfolio solutions™

The launch of AGF Elements marks an important first in the industry. The five diversified portfolios return money to investors in the form of new units if a portfolio does not match or outperform its benchmark.

The sales and marketing focus for 2006 is clear: to maintain the momentum and the intense focus on listening to advisors and delivering value. The entire team will work to enhance the offering, win new business and achieve sustainable and growing net sales.

(focus)

:on Building Value

Blake C. Goldring, CFA
President and
Chief Executive Officer

"In past years, AGF Management Limited completed a number of successful acquisitions and built a national network of private investment management offices. Through the expertise of investment professionals in each office an impressive organic growth rate of 20% was achieved in fiscal 2005."

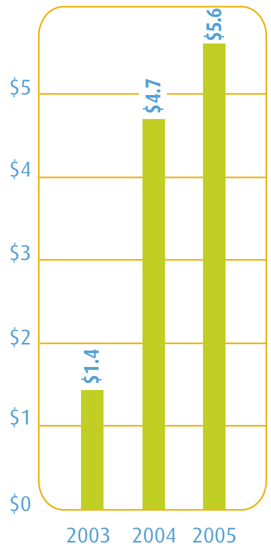
Achievements in 2005

- Grew assets by 20% or $0.9 billion to $5.6 billion in 2005
- Delivered solid performance across all three platforms
- Leveraged the Cypress acquisition to offer yield-oriented AGF mutual funds
- Opened new office in Calgary

Focus on 2006

- *Achieve an annual AUM growth rate greater than the industry*
- *Continue to deliver consistent investment performance*
- *Grow contribution to AGF's earnings*
- *Drive further synergies with AGF Investment Management*
- *Realize further economies of scale from three investment platforms*

PIM Assets Under Management
(billions of dollars)



AGF Private Investment Management (PIM) is a premier personalized investment counselling service for high-net-worth investors. With $5.6 billion in assets as at November 30, 2005, it is one of Canada's largest independent discretionary wealth management firms.

Offering fully customized portfolios with a focus on personal service, AGF PIM is committed to producing strong, steady investment returns that meet the individual goals and tax considerations of each investor.

AGF PIM has grown significantly in the past few years, both in assets and geographic footprint. It now has offices in Montreal, Ottawa, Toronto and Vancouver, and this year opened a new office in Calgary under the Cypress banner to take advantage of the growth in that market. Assets under management grew 20% from the prior year to $5.6 billion as a result of new assets and strong investment performance.

AGF PIM has an important competitive difference – three separate platforms to offer investors: Magna Vista Investment Management in Montreal, Doherty & Associates in Ottawa and Cypress Capital Management in Vancouver. Each platform has unique and complementary strengths. The firm uses a boutique philosophy based on personal and customized contact at the local level, backed by the full strength of AGF's national scale.

There are opportunities to realize synergies with the core fund business. This year, AGF PIM began to deliver on that with the launch of two new AGF mutual funds managed by the Cypress team, which is renowned for its expertise in income trust investing.

The market opportunity is exciting. The baby boom generation is coming into retirement age and the number of investors that meet AGF PIM's criteria is growing each year. The firm's goal is to capture a high market share in each community where it operates, and to be a leader in targeted sub-segments of the high-net-worth investable asset market, such as foundations, endowments and small pension and defined contribution plans. AGF PIM will pursue strategic acquisitions in high-growth markets where possible.

The focus for the year ahead is on further realizing economies of scale, capturing more synergies with AGF Investment Management and growing funds at a rate that exceeds the high-net-worth market. Over the long term, AGF PIM is expected to steadily increase its contribution to earnings.

(focus)

:on Growth

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

"AGF Trust has expanded rapidly by delivering top quality products in the investment advisor and mortgage broker channels. We're focused on aggressive growth in assets while managing risk to build long-term growth in earnings."

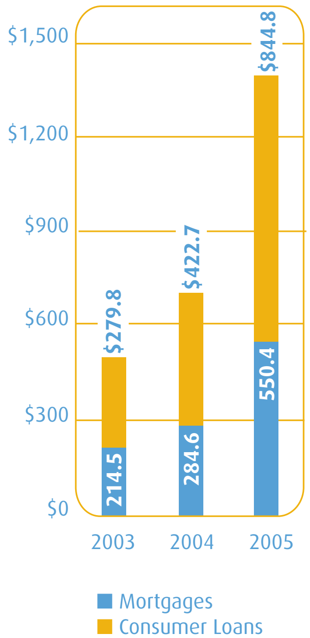
Achievements in 2005

- Grew mortgage assets by 93% and consumer loan assets by 100%
- Grew revenue by 61% to $68.4 million and EBITDA by 31% to $14.5 million
- Achieved after-tax return on equity of 15%
- Achieved efficiency ratio of 45%
- Launched innovative RESP loan product
- Increased the number of mortgage brokers offering AGF Trust products by 128% and the number of investment advisors by 64%

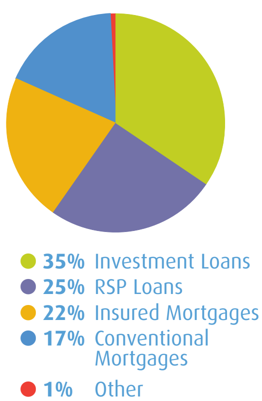
Focus on 2006

- *Launch new products*
- *Increase in-house sales force and distribution partnerships*
- *Expand geographically in Canada*
- *Improve operational efficiency*
- *Increase returns on funds advanced by AGF Management Limited*

AGF Trust Operations
(millions of dollars)



Trust Assets
(percent)



AGF Trust has enjoyed explosive growth over the last several years. In fiscal 2005, it almost doubled its portfolio, reaching total assets of $1.5 billion at year-end, up from $0.8 billion the prior year. The growth came in both the consumer loan business, which grew 100% from last year, and the mortgage business, which increased 93%.

In addition to continually growing revenue, assets and earnings, AGF Trust has positive synergies with the core fund business. Its investment, RSP and RESP loans and mortgages give the AGF sales team more ways to add value to investment advisors.

One of AGF Trust's great accomplishments has been its ability to absorb the continued growth. The company maintains its strict focus on controlling risks and managing expenses. AGF Trust has a disciplined approach to loan underwriting, and 56% of mortgages are insured. The company's efficiency ratio improved in 2005 to 45%, demonstrating continued cost disciplines in spite of increased business volumes and associated increase in sales and distribution costs. At the same time, it has a clear focus on bringing innovative products to market. Early in 2005 AGF Trust was first in the industry to offer an RESP loan that can be allocated to an AGF RESP, allowing parents to take advantage of unused RESP contribution and Canada Education Savings Grant amounts.

In the past, the company has financed growth through the sale of Guaranteed Investment Certificates. During the year, AGF Trust began investigating a securitization program to help fund its future growth. The securitization program is an alternate source of funding that will provide liquidity and may reduce required regulatory capital.

The outlook for continued growth is positive. With the majority of its mortgage business currently in Ontario, AGF Trust has a strong opportunity to expand its success across the country. The focus in the year ahead is to do so by further developing the in-house sales force and distribution partnerships, launching new products and taking advantage of the combination of products and channels to add value to advisors and brokers. AGF Trust has potential to continue its strong growth and make an increasingly significant contribution to AGF's earnings.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(table of contents)

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis includes forward-looking statements about AGF Management Limited, including its business operations, strategy and expected financial performance and condition. 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 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 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 advisers, 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 "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 and its subsidiaries as at November 30, 2005 compared with November 30, 2004, and the results of operations for the year ended November 30, 2005 compared with the corresponding period of 2004. A discussion of the results for the three months ended November 30, 2005 compared with the three months ended November 30, 2004 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 2005.

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 ("AGF"), with over $34.1 billion in assets under management ("AUM"), is one of Canada's largest independent mutual fund and investment management companies, with operations and investments in Canada, England, Ireland and Asia. AGF commenced operations in 1957 with one of the first mutual funds available to Canadians wishing to invest internationally and as at November 30, 2005 offered 55 mutual funds to investment advisors and their clients. We also offer investment management services to high-net-worth and institutional clients.

For purposes of this discussion, the operations of AGF Management Limited and our subsidiary companies are referred to as "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. This presentation differs from our November 30, 2004 MD&A and audited financial statements in which a Fund Administration Operations Segment was disclosed. As a result of the recent sale of Unisen Holdings Inc. ("Unisen"), Unisen's operations have been reported as discontinued operations. The results of Investmaster Group Limited ("Investmaster") have been included in the Other Segment, as this entity does not meet the criteria for separate disclosure.

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

Investment Management Operations Segment

AGF Funds Inc. ("AGFFI") – provides investment management and advisory services and is responsible for the sales and marketing of the AGF mutual funds. Based on AUM, AGFFI is one of the larger mutual fund organizations in Canada. We manage 55 mutual funds, AGF Harmony tailored investment program and the AGF Elements portfolios totalling $22.2 billion in AUM.

In addition, AGFFI and the operations listed below manage or advise international and domestic AUM through or under separate investment management mandates totalling $11.9 billion.

AGF Private Investment Management Limited ("PIM") – has a national scope with offices in Vancouver, Calgary, Toronto, Ottawa and Montreal and total AUM of $5.6 billion. PIM provides personalized investment counselling services for high-net-worth clients, estates, endowments, institutions and corporations.

AGF International Advisors Company Limited – Dublin-based and established in 1991, this operation provides investment research and advisory services on European and other international markets for the AGF mutual funds and other clients. In addition, they also have third party investment management and advisory mandates.

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

Trust Company Operations Segment

AGF Trust Company Operations Segment ("AGF Trust") – in operation since 1988, AGF Trust offers a broad range of Web-enabled products and services including GICs, term deposits, mortgages, investment loans and RSP loans. AGF Trust is federally incorporated and licensed across Canada and is a member of the Canadian Payments Association.

Other Segment

Smith & Williamson Holdings Limited ("S&WHL") – a leading, independent private client investment management, financial advisory and accounting group based in the U.K. with £7 billion of funds under management. We hold a 30.9% interest in this company as at November 30, 2005.

Investmaster Group Limited – a wholly owned subsidiary, which is a leading supplier of software products and services to the private wealth management community in the U.K. Investmaster technology handles 25% of the private client investment management firm trades on the London Stock Exchange.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion provides details of our overall corporate business strategy and achievements in connection with these strategies in fiscal 2005 and is followed by a discussion of our key performance indicators (KPIs), which are measures that we use to determine whether or not we have been successful in achieving our stated strategies.

It is also important to understand that significant risks and uncertainties related to our business exist that may prevent us from achieving our strategies. An overview of Factors that May Affect Our Future Results (Risk Factors) related to our business 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, an understanding of the risk factors and critical accounting policies, the discussion that follows should provide the readers of this material with a management perspective of our operations.

Corporate Strategy

AGF Management Limited assists in the identification and facilitation of opportunities for our business segments and ensures segment strategies are aligned with the overall corporate strategy of targeting sustainability, profitability and value for our shareholders over the long term. In our 2004 MD&A, we indicated that our principal focus in fiscal 2005 was to strengthen the client-centric approach of our core business, review strategic options for our support entities such as Unisen, and pursue strategic acquisitions.

In 2005, we achieved the following:

- During the fourth quarter of 2005, we completed an agreement to sell 100% of Unisen to Citifinancial Canada Inc. ("Citifinancial") for US$97.5 million (C$114.0 million) in an all cash deal. The proceeds of the sale of Unisen allowed us to eliminate our long-term bank debt. In conjunction with the sale of Unisen, we capped the management expense ratio on all our funds for the next three years to the lower of the actual levels reported in 2004 and 2005. The relationship with Citifinancial and the structure of our agreement is expected to lower management expense ratios for our unitholders going forward and ensure we focus on our core business.
- Following the restructuring of our businesses to better serve our clients, we integrated our new leadership team. During 2005 we appointed Martin Hubbes as Executive Vice-President and Chief Investment Officer. Martin succeeded Bob Farquharson, who remains Vice-Chairman, AGF Management Ltd. We also added significant management strength through key hires in our senior management ranks. Gary Wing was hired into the role of Senior Vice-President, Institutional Investment Services. This newly created department has already been instrumental in developing business in the area of institutional investment management.
- Acquired $276 million in mutual fund assets from ING Investment Management Inc., a subsidiary of ING Canada Inc., for $9.1 million. All of the funds acquired were merged with existing funds except for the ING Canadian Dividend Income Fund, which we renamed the AGF Dividend Income Fund. At the time the deal was completed this fund had AUM of $154 million. Due to strong sales, the AGF Dividend Income Fund has since more than doubled in size and has over $330 million in AUM as at December 31, 2005. This success is also beneficial to our valued partner ING Canada Inc., as ING Investment Management Inc. remains sub advisor to the fund.
- Delivered value directly to our shareholders through dividend payments and our share buy back program.
  - **i)** Dividends paid on Class A Voting Common and Class B Non-Voting Shares increased to $50.5 million in 2005 as compared to $37.5 million in fiscal 2004. This represented an increase of $0.15 per share or 36.6% over the $0.41 per share paid in 2004.
  - **ii)** Significantly increased activity with respect to our share buy back program. We repurchased 2,444,900 Class B Non-Voting Shares during 2005 as compared to repurchases of 2,099,800 shares in fiscal 2004.
- Including dividends and share repurchases, we returned 59% 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.
- AGF Management Limited has supported the growth of AGF Trust by investing $42.0 million in 2005, bringing our total investment of debt and equity capital to $72.4 million. AGF Trust mortgage loans have grown 93.4% over the prior year and consumer loans have grown 99.9%. AGF Trust now has over $1.5 billion in assets and is a meaningful contributor to the financial results of AGF. The estimated value of AGF Trust is well in excess of the capital invested in the business.

We remain committed to our corporate strategy that targets sustainability, profitability and value for our shareholders in the years to come and further discussion of specific business segment strategies is included in the segment discussions.

Key Performance Indicators and Non-GAAP Measures

We measure the success of our business strategies using a number of key performance indicators, 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.

Assets Under Management ("AUM")

AUM are critical to our business as it is from these assets that we generate fees from our mutual fund, institutional and private investment management relationships. AUM fluctuate in value as a result of investment performance, sales and redemptions.

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

Investment Performance (Market Appreciation 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 in turn reduce our AUM and 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 in turn allows for increasing revenues. Gross sales and redemptions as a percentage of AUM are monitored separately. The sum of these two amounts comprises net sales, which, together with investment performance, determines the level of average daily mutual fund AUM, the basis on which management fees are charged.

We monitor inflows and outflows in our PIM and institutional business separately. Due to the reporting systems utilized in these businesses, we do not compute an average daily AUM figure for PIM and institutional.

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:

- Management and advisory fees based on AUM,
- Administration fees earned,
- Deferred sales charges ("DSC") earned from investors when mutual fund securities sold on a DSC basis are redeemed, and
- Net interest earned on our Trust Company Operations Segment loan portfolio.

EBITDA

We define EBITDA as income 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 as it allows us to assess our ongoing businesses without the impact of amortization and is an indicator of our ability to incur or service debt, invest in our business, finance sales commissions, pay dividends and execute share repurchase programs.

Cash Flow from Operations

We report cash flow from operations before net change 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 for cash.

Free Cash Flow from Operations

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

Return on Equity (ROE) and Return on Investment (ROI)

We monitor return on equity to assess the profitability of the consolidated company. We calculate ROE by dividing net income by average shareholders' equity. ROI is a key performance indicator that we utilize to assess prospective investments and to monitor past investments. ROI measures cash flow in relation to the original amount invested and incorporates the time value of money.

Loan Asset Growth

In the Trust Company Operations Segment we focus on asset growth, as it drives net interest income and increases profitability.

Efficiency Ratio

In the Trust Company Operations Segment we also monitor the efficiency ratio, which is calculated by dividing non-interest expenses by the total of net interest income and fee income. Our goal is to contain growth in non-interest expenses below revenue growth and achieve an efficiency ratio of less than 50%.

Net Interest Margin

In the Trust Company Operations Segment we closely monitor the net interest margin, which is the difference between interest income received from loans and the interest paid on sources of funding. Targets for net interest margin change each year, depending on anticipated business mix, volume and interest rate levels.

Factors that May Affect Our Future Results (Risk Factors)

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 to the business-specific strategies that are included in the segment discussions that follow.

Company-Specific Factors

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 sales and marketing strategy and improve our net sales. We have committed resources to building systems and attracting talented people. 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 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 investment 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.

The Trust Company Operations Segment lending depends on a network of independent 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 Factors

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. However, 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 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. Our Trust Company Operations Segment is also exposed to stock market levels as collateral for investment loans consists of mutual fund assets, which are highly correlated to general stock market levels.

A general economic downturn and an increased unemployment rate could lead to reduced credit worthiness of the Trust Company Operations 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.

Pricing pressures in the mortgage or consumer loan markets could potentially result in net interest margin compression for our Trust Company Operations Segment. Net interest margin compression would adversely affect profitability.

Foreign Exchange Risk

Our main foreign exchange risk derives from the U.S. and international portfolio securities held in the mutual fund AUM. Change 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 and may, at the discretion of the fund manager, 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 that 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.

Interest Rate Risk

Excluding the AGF Trust operations, we are not exposed to the risk related to changes in interest rates on floating rate debt at November 30, 2005 because all of this debt has been repaid. Using average loan balances outstanding, the effect of a 1% change in variable interest rates on this debt in fiscal 2005 would have resulted in a change of approximately $0.1 million in interest expense for the year ended November 30, 2005. 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 $0.1 million as most of the loan portfolios are hedged.

The foregoing discussion is not an exhaustive list of all risks and uncertainties with respect to our ability to execute against our strategy and 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 accounting principles generally accepted in Canada (GAAP). Understanding these policies is a key factor in understanding our reported results of operations and financial position. See Note 1 of the Notes to Consolidated Financial Statements for a discussion of all of our significant accounting policies. 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. Therefore, actual results or amounts could differ from estimates and the difference could have a material impact on the consolidated financial statements.

We consider the following to be among our current accounting policies that involve significant estimates or judgements.

Valuation of Goodwill, Management Contracts and Other Intangible Assets

Under Canadian GAAP, goodwill and management contracts are not amortized, but instead assessed for impairment at the reporting unit level on at least an annual basis. Goodwill and management contracts are assessed for impairment using a two-step approach, with the first step being to assess whether the fair value of the reporting unit with which the goodwill is associated is less than its carrying value. When the fair value of the reporting unit is less than the carrying value, a second impairment test is performed. The second test requires a comparison of the fair value of goodwill and management contracts to their carrying amount. If the fair value of goodwill and management contracts is less than its carrying value, goodwill and management contracts are considered to be impaired and a charge for impairment must be recognized immediately. The fair values of our reporting units are determined from accepted valuation models that consider various factors such as normalized and projected earnings, price earnings multiples and discount rates. We use judgement in estimating the fair values of reporting units and imprecision in any assumptions and estimates used in fair value calculations could influence the determination of the goodwill and management contracts impairment and affect the valuation of goodwill and management contracts. We believe the assumptions and estimates used are reasonable and supportable in the existing business environment. Where possible, fair values generated internally are compared to market information and are found to be reasonable.

Intangible assets that derive their value from contractual customer relationships or that can be separated and sold, and have a finite useful life, are amortized over their estimated useful life. Determining the estimated useful life of these finite life intangible assets requires an analysis of the circumstances and judgement. Finite life intangible assets are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. Such circumstances would indicate potential intangible asset impairment and would require a cash flow analysis at that time. As a result, recoverable value based on expected future cash flows is similar to other capital assets.

Income Taxes

The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the asset or liability recorded is based on management's best estimate of the timing of the realization of the asset or liability.

Amortization Policies and Useful Lives

We amortize the cost of property, equipment and other intangible assets over the estimated useful service lives of the items. On an annual basis, we reassess the existing estimates of useful lives to ensure they match the anticipated life from a revenue producing perspective.

Accounting for Deferred Sales Commissions

Selling commissions paid on mutual fund securities are recorded at cost and are amortized on a straight-line basis over a period that corresponds with the applicable deferred sales commission ("DSC") schedule. The unamortized DSC amount on the balance sheet is compared to the value that would be realized if all outstanding DSC securities were redeemed as at the balance sheet date. If the calculated realization value is less than the unamortized amount on the balance sheet, a write-down of the balance sheet amount is recorded.

Accounting for Loan Losses

Accounting for loan losses is an area of importance given the size of the AGF Trust Company's loan portfolio. Loan impairment is recognized when we determine, based on the identification and evaluation of problem loans and accounts, that the timely collection of all contractually due interest and principal payments is no longer assured. Judgement is required as to the timing of designating a loan as impaired and the amount of the required specific allowance. Judgement is based on an assessment of probability of default, loss given default and exposure at default. Changes in these estimates due to a number of circumstances can have a direct impact on the provision for loan losses and may result in a change in the allowance. General allowances also require judgement given that the level of general allowances depends upon an assessment of business and economic conditions, historical and expected loss experience, loan portfolio composition and other relevant indicators.

Contingencies

We are subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. The company recognizes liabilities for contingencies and commitments when a loss is probable and capable of being reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of loss could result in a change in the recognition of a liability.

Disclosure Controls

Pursuant to Multilateral Instrument 52-109, management has assessed the effectiveness of AGF's disclosure controls and procedures as at November 30, 2005 and found them to meet required standards.

Consolidated Operating Results

The table below summarizes our Consolidated Operating Results for the years ended November 30, 2005 and 2004.

($ millions, except per share amounts) **Years Ended November 30**	**2005**	**2004**	**% Change**
Revenue			
Investment Management Operations Segment	$ 509.6	$ 520.3	(2.1%)
Trust Company Operations Segment	68.4	42.6	60.6%
Other	17.5	22.5	(22.2%)
Intersegment eliminations	(1.1)	–	n/m
	594.4	585.4	1.5%
Expenses			
Investment Management Operations Segment	279.8	295.4	(5.3%)
Trust Company Operations Segment[1]	53.9	31.5	71.1%
Other	17.0	22.8	(25.4%)
Intersegment eliminations	(1.1)	–	n/m
	349.6	349.7	(0.0%)
EBITDA[2] (continuing operations)	244.8	235.7	3.9%
Amortization	139.0	149.2	(6.8%)
Interest expense	4.1	6.0	(31.7%)
Income taxes	29.0	5.8	400.0%
Net income from continuing operations	72.7	74.7	(2.7%)
Gain on sale of discontinued operations, net of tax	15.6	–	n/m
Net earnings of discontinued operations, net of tax	3.5	2.6	34.6%
Net income	$ 91.8	$ 77.3	18.8%
Cash flow from continuing operations[2]	$ 217.2	$ 196.0	10.8%
Earnings per share from continuing operations – diluted	$ 0.80	$ 0.81	(1.2%)
Return on equity	10.0%	8.5%	17.6%

[1] Includes interest expense related to deposits, the funds of which are used in our consumer loan and mortgage programs.

[2] 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.

[3] Cash flow from operations before net change in non-cash balances related to operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results from Continuing Operations

Consolidated revenues increased by 1.5% for the year ended November 30, 2005. Investment Management Operations Segment revenue declined slightly as average daily mutual fund AUM declined 8.9%. This was partly offset by significant growth in institutional and PIM AUM. Trust Company Operations Segment revenues increased by 60.6% in fiscal 2005 over 2004 on the strength of increased mortgages and consumer loans.

Expenses were unchanged in fiscal 2005 as compared to 2004. Excluding the $31.0 million investor compensation charge recorded in the year ended November 30, 2004, expenses increased by 9.7%. The expense increase was primarily in the Investment Management Operations Segment, details of which can be found in the segment discussion. The expense increase in the Trust Company Operations Segment was due to a higher volume of business. Other segment expenses declined primarily as a result of reduced business volume.

EBITDA increased by 3.9% for the year ended November 30, 2005 over the respective 2004 period.

Amortization expense for the year ended November 30, 2005 decreased by 6.8% compared to the corresponding period in 2004. Amortization of deferred selling commissions in the Investment Management Operations Segment accounted for $112.6 million of the total amortization expense and was the driver in the year-over-year decrease.

Interest expense decreased to $4.1 million for the year ended November 30, 2005 from $6.0 million in the same period in 2004. The decrease is primarily a result of lower average outstanding loan balances in 2005 as compared to 2004 and a greater reduction in interest expense recorded in marking to market the interest rate swaps.

Income tax expense for the year ended November 30, 2005 was $29.0 million as compared to $5.8 million in 2004. Fiscal 2004 tax expenses were reduced by $15.7 million related to tax benefits acquired and utilized in 2004.

Results from Discontinued Operations

On July 11, 2005, AGF signed a purchase and sale agreement with Citifinancial to sell Unisen for US$97.5 million; Unisen had a book value of C$88.0 million when the transaction closed. The sale resulted in proceeds of C$114.0 million. We incurred $5.0 million of expenses and accrued $1.8 million for potential transaction adjustments. Accordingly, we have recorded a gain related to the sale of $19.2 million ($15.6 million net of tax) and the results of Unisen 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.

Net Earnings

The impact of the above revenue and expense items resulted in net income of $91.8 million in fiscal 2005 as compared to $77.3 million in fiscal 2004.

Basic earnings per share from continuing operations were $0.81 per share in 2005 as compared to $0.82 per share in 2004. Diluted earnings per share from continuing operations were $0.80 per share in 2005 as compared to $0.81 per share in 2004.

For a more detailed discussion of revenue and expense items refer to the individual operating segment discussions. An analysis of the 2005 fourth quarter results compared to the corresponding period in 2004 is included under the heading "Fourth Quarter Analysis".

Return on Equity

Return on equity increased by 17.6% for the year ended November 30, 2005 over 2004 primarily as a result of the gain net of tax recorded on the Unisen sale.

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. Demand for investment products will 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. We also believe the demand for income- and yield-producing products will continue. An aging and increasingly wealthy Canadian population will underpin demand for PIM 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 resulted in an improvement in gross sales and a reduction in redemptions. 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. Lower redemptions, introduction of new products, and the competitive fee environment may result in reduced margins and a moderation of AGF's financial performance in 2006. Strategic initiatives that serve to limit our short-term financial performance are undertaken for the benefit of long-term financial results. Any moderation in financial results will be somewhat offset by the growing financial contribution of the Trust Company Operations Segment.

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 and high-net-worth client investment counselling services. The Trust Company Operations Segment offers a wide range of trust services and products including GICs, mortgages, investment loans and RSP loans. The Other Segment includes the results of S&WHL, which are accounted for by the equity method, the results of our wholly owned subsidiary Investmaster 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

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

Canadian mutual fund industry sales continue to be concentrated in income-oriented products. The Liberal government announcement on November 23, 2005 that the federal government will reduce taxes on dividends and not change the way income trusts are taxed, along with secular factors associated with an aging population, should bolster the demand for dividend and income products going forward. AGF is now well-positioned to benefit from this continued trend. Consistent with the view that the demand for income products would continue, in January 2005 we increased the distributions on certain existing funds and announced the launch of two new income-generating funds: AGF Monthly High Income Fund and AGF Diversified Dividend Income Fund. Our transaction with ING also resulted in the acquisition of a strong new income-oriented fund, the AGF Dividend Income Fund.

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 many 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 boutique. Our success in this area has resulted in approximately $1.7 billion of new institutional mandates this fiscal year alone. We believe that further developing our reputation and relationships with international institutions will be a future growth opportunity.

Investment Management Operations Segment Strategy

In 2004, we stated that our primary focus was to develop and enhance the client-centric model in our investment management business. This focus resulted in steadily improving net sales throughout the year. During the months of October and November 2005, we recorded our best net sales results for these months since 2001. Some of the initiatives that led to this success include:

- We greatly increased the quantity and quality of our interactions with financial advisors. This was achieved through increasing the number of our sales staff as well as a disciplined approach to setting activity-related targets and constantly monitoring results with an aim to improving the benefit of future activities. During fiscal 2005, we more than doubled the amount of meetings and events, and our engagements were better attended than last year. The effectiveness of our meetings was enhanced by the use of wireless devices, which allow the sales team to access our customer relationship management software tool from remote locations.
- During 2005, AGF introduced desirable products in the strongest selling categories. For example, the AGF Dividend Income Fund, formerly the ING Canadian Dividend Income Fund, was introduced in the popular dividend category. This fund purchases the best Canadian dividend-paying companies and has achieved superior performance using yield-enhancing strategies. The AGF Dividend Income Fund achieved net sales of $65.3 million in the fourth quarter of 2005. In late 2005, we launched AGF Elements, a fund of AGF funds, that brings state-of-the-art portfolio construction and monitoring, along with a unique commitment to return up to 90 basis points in new units if the portfolio's average annualized rate of return does not perform at or above the customized benchmark over a three-year period.

The strategic priorities for our investment management operations for 2006 include:

- Continue to enhance the client-centric model in our core fund business.
- Promote international investment management competency across multiple channels.
- Pursue strategic acquisitions to supplement organic growth.

Enhance Client-Centric Model

We are focused on two areas within our client-centric strategy: investment excellence and service excellence. We strive for strong performance in our funds to ensure that we help unitholders achieve their financial goals. We also work diligently to serve the needs of financial advisors.

We believe that our strong long-term investment performance record will be maintained by having the right people in place, with the right tools and a heavy focus on research. In early 2006, our investment management operation will implement a new trade order management system that will result in enhanced operational effectiveness and create greater back office independence and business flexibility.

Our investment management team currently operates by assigning research coverage responsibilities by country. We plan to increase the span of each team's analytical coverage to larger geographic segments such as North America, which should enrich the information and ideas generated from our staff of investment analysts.

We have chosen to utilize independent channels of distribution. We believe that supporting independent advice is an attractive distribution model. Our focus is on effective execution of a 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 easy to do business with AGF.

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. In fact, we have won mandates totalling $1.7 billion in this area during 2005. On January 3, 2006 we received another new mandate, which totalled $0.4 billion. We believe that with the elimination of the foreign content restrictions on retirement accounts and the inevitable cooling of the rise in the Canadian dollar, Canadian retail investors will soon again embrace international investing. Our product lineup includes some star performers. AGF Global Government Bond Fund was named Best Foreign Bond Fund for the fourth straight year at the Canadian Investment Awards. AGF's Emerging Markets Fund won Emerging Markets Fund of the Year. The achievements of AGF China Focus Class, AGF International Stock Class and AGF Global Financial Services Class were acknowledged with nominations. AGF's international product lineup also includes perennial first quartile performers such as the AGF European Equity Class.

Pursue Strategic Acquisitions to Supplement Organic Growth

Our organic growth will be supplemented by acquisitions in the Investment Management Operations 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 transaction with ING Investment Management Inc.

AGF Private Investment Management

AGF PIM operates in the high-net-worth segment of the market and has its own strategy. AGF PIM has three separate platforms to offer investors: Magna Vista Investment Management in Montreal, Doherty & Associates in Ottawa and Cypress Capital Management ("Cypress") in Vancouver and Calgary. PIM uses a boutique approach based on personal and customized contact at the local level, with the scale advantages associated with being part of a national network.

The strategic priorities for AGF PIM for 2006 include:

- Realize synergies with the core fund business. This year, AGF PIM began to deliver on that with the launch of two new AGF mutual funds managed by Cypress, which brings its renowned expertise in the income trust space.
- Target sub-segments of the high-net-worth market, such as foundations, endowments, small pension and defined contribution plans.
- Pursue strategic acquisitions in high-growth markets.
- Deliver consistent investment performance.

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. 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 private investment management 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, 2005 and 2004:

($ millions) **Years Ended November 30**	**2005**	**2004**	**% Change**
Mutual fund AUM, beginning of year	$ 22,747	$ 23,168	(1.8%)
Gross sales of mutual funds	3,005	2,586	16.2%
Redemptions of mutual funds	(5,749)	(4,772)	20.5%
Net mutual fund redemptions	(2,744)	(2,186)	25.5%
Market appreciation of fund portfolios	2,206	1,765	25.0%
Mutual fund AUM, end of year	$ 22,209	$ 22,747	(2.4%)
Institutional and PIM AUM	11,921	8,621	38.3%
Total AUM	$ 34,130	$ 31,368	8.8%
Average daily mutual fund AUM for the year	$ 21,639	$ 23,759	(8.9%)

Total AUM increased by 8.8% on the strength of growth related to institutional and private investment management AUM.

Mutual fund AUM were down slightly on a year-over-year basis as investment performance offset net redemptions. Average daily mutual fund AUM were down 8.9% as compared to 2004.

Details of mutual fund net sales and investment performance were as follows:

Net Sales

Net sales are a key performance indicator for our Investment Management Operations Segment. AGF experienced net redemptions of $2.7 billion during fiscal 2005, higher than the $2.2 billion of net redemptions in 2004. The $884 million rebalancing by an institutional client in January 2005 was the primary reason that net redemptions were higher than the prior year. In fact, newly introduced income-oriented funds, along with improved levels of service to advisors, resulted in net redemptions of long-term funds improving from $249 million in November 2004 to $70 million in November 2005. In December 2005, the positive trend continued as we reported $47 million in net redemptions. As stated in our strategic review our efforts to date and in future periods will be to ensure the trend of improving net sales results continues.

Investment Performance

Stock market performance influences the level of AUM. During the year ended November 30, 2005, the Canadian-dollar-adjusted S&P 500 Index rose 4.4%, the Canadian-dollar-adjusted NASDAQ Index rose 4.4% and the S&P/TSX Composite Index rose 22.0%. The total market appreciation of our mutual fund assets for the year ended November 30, 2005 divided by the average daily mutual fund AUM for the year equals 10.2%.

The impact of the U.S. dollar decline relative to the Canadian dollar on the market value of AGF mutual funds since November 30, 2004, has been a reduction in AUM of approximately $0.1 billion.

Consistent with the rise in the stock market, market appreciation net of management fees increased mutual fund AUM by $2.2 billion since November 30, 2004. For the five-year period ended November 30, 2005, 78% of ranked AUM performed above median. Over the 10-year period ended November 30, 2005, 67% of ranked AUM performed above median.

Strong markets combined with solid performance by our fund managers has served to preserve the overall mutual fund AUM level as at November 30, 2005 compared to November 30, 2004.

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

Percentage of Total Mutual Fund AUM at November 30	2005	2004
Domestic equity funds	35.6%	30.1%
U.S. and international equity funds	39.6%	44.6%
Domestic balanced funds	11.1%	11.3%
U.S. and international balanced funds	2.2%	2.5%
Domestic fixed income funds	9.3%	9.5%
International fixed income funds	2.2%	2.0%
	100%	100%

The change in composition of mutual fund AUM in 2005 was due to higher net redemptions of U.S. and international equity funds relative to other types of funds and strong relative performance of the S&P/TSX Composite Index.

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, 2005 and 2004.

($ millions) Years Ended November 30	2005	2004	% Change
Revenue			
Net management and advisory fees	$ 404.4	$ 433.7	(6.8%)
Administration fees and other revenue	63.4	45.9	38.1%
Deferred sales charges	37.3	39.1	(4.6%)
Investment income	4.5	1.6	181.3%
	509.6	520.3	(2.1%)
Expenses			
Selling, general and administrative	142.7	151.9	(6.1%)
Trailing commissions	110.3	112.5	(2.0%)
Investment advisory fees	26.8	30.4	(11.8%)
Writedown of short-term investments	–	0.6	n/m
	279.8	295.4	(5.3%)
EBITDA[1]	229.8	224.9	2.2%
Amortization	134.7	144.7	(6.9%)
Income before taxes and non-segmented items	$ 95.1	$ 80.2	18.6%

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

Revenue

Revenue for the Investment Management Operations Segment decreased by 2.1% over the previous year with changes in the categories being:

Net Management and Advisory Fees

The decrease in average daily mutual fund AUM in fiscal 2005 of 8.9% directly contributed to a 6.8% decrease in net management and advisory fee revenue from the same period a year ago.

Management and advisory fee revenue in fiscal 2005 is reported net of distribution fees paid to limited partnerships and other third-party financing entities of $12.9 million (2004 – $16.3 million).

Administration Fees and Other Revenue

Administration fees and other revenue, which includes fees earned on Harmony, institutional and private investment management AUM, increased by 38.1% in the year ended November 30, 2005 as compared to the same period in the prior year. There was strong growth in Harmony AUM as well as organic growth in institutional and PIM AUM.

Deferred Sales Charges

We receive deferred sales charges (DSC) 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 declined by 4.6% in 2005 as compared to 2004 as the redemption rate on DSC securities declined.

Expenses

Expenses for the Investment Management Operations Segment decreased 5.3% versus the previous year. Changes in specific categories are described in the discussion that follows.

Selling, General and Administrative Expenses

SG&A expenses decline by 6.1% in 2005 compared to 2004. During 2004, we recorded a $31.0 million charge related to the agreement with the OSC. Excluding this amount, SG&A increased $21.8 million in 2005 as compared to 2004. The primary contributors to this increase were severance charges, which were $7.9 million higher in 2005 compared to 2004, and salaries, benefits and bonuses for new positions primarily in the sales and marketing group of $4.8 million. Cypress, which was acquired on June 30, 2004, recorded expenses $3.8 million higher than last year due to a full year's expenditures being included in 2005. The cost of fund expense absorption was $3.4 million higher in 2005 compared to 2004 and stock option expense increased by $2.4 million. Sales and marketing discretionary spending on items such as advertising, promotion and events remained relatively flat on a year-over-year basis; however, in 2005 a substantial portion of the spending was incurred in the fourth quarter whereas in 2004 spending was primarily in the first quarter. The increased sales and marketing discretionary spending in the fourth quarter relate primarily to the launch of AGF Elements and due diligence events with investment advisors. These investments were necessary to build our business and have contributed to a significant improvement in our monthly mutual fund sales figures as well as contributing to the 38.3% year-over-year growth in institutional and PIM AUM.

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 0.510% for the 12 months ended November 30, 2005 from 0.473% in the comparable 2004 period, due to an increased proportion of mutual fund AUM sold on a front-end basis.

Investment Advisory Fees

External investment advisory fees decreased by 11.8% as the average AUM managed by external sub advisors declined by a like amount.

EBITDA

EBITDA for the Investment Management Operations Segment were $229.8 million for the year ended November 30, 2005, an increase of 2.2% from $224.9 million for the same period of fiscal 2004.

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 $112.6 million in 2005 as compared to $121.7 million in 2004. The year-over-year decrease is reflective of the prior year's mix in sales on a DSC basis as compared to sales on a front-end basis. Front-end load sales result in us paying no upfront commission to the advisor.

During fiscal 2005, we paid $60.0 million in selling commissions, compared to $54.5 million in 2004. As at November 30, 2005, the unamortized balance of deferred selling commissions financed stood at $275.0 million, a decrease of $52.6 million from the prior year balance of $327.6 million. The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at November 30, 2005 were estimated to be approximately $370.5 million (2004 – $442.7 million).

Segment Outlook

We have experienced a steady reduction in the amount of redemptions and an increase in gross sales over the course of fiscal 2005. We expect that this trend will continue and that gross sales and redemptions in our mutual fund business will result in positive net sales for fiscal 2006. Our current expectation is that positive net sales and market appreciation will result in an increase in mutual fund AUM on a year-over-year basis.

Declining redemptions could cause DSC revenue to decline, which could serve to reduce EBITDA in the Investment Management Operations Segment. However, DSC is influenced not only by the level of redemptions, but also the age of the assets being redeemed and the proportion of redemptions composed of back-end assets.

Trust Company Operations

Business and Industry Profile

Through AGF Trust we offer financial solutions including mortgages and consumer loans.

We offer mortgages 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 mortgage products. This alternative mortgage space is underdeveloped and fragmented, which makes it a very attractive market. In addition to the strong secular demand created by an underserved market, demand has recently been underpinned by low interest rates and healthy housing prices. Mortgage products are distributed primarily through mortgage brokers. The mortgage broker channel has also experienced strong growth. Borrowers have chosen to deal with mortgage brokers to take advantage of independent advice and competitive rates, while lenders have provided mortgages in this channel to reduce distribution costs.

AGF Trust consumer loans consist of investment loans and RSP loans distributed through financial advisors. The market for these products is also 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.

Trust Company Operations Segment Strategy

We strive to earn a high financial return as well as maximize synergies with the Investment Management Operations Segment. Specific strategies include:

- Expanding geographically within Canada. Currently, the majority of our mortgage business is in Ontario.
- Introducing new products that directly serve advisor needs.
- Effective, targeted marketing.
- Disciplined loan-underwriting standards and cost control.

In fiscal 2005, we expanded our dedicated sales staff to promote investment lending and mortgage products, and as a result, the loan portfolio has increased significantly in 2005. 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 their clients. In addition, we will focus on expanding returns by increasing our consumer and mortgage loan portfolios.

Financial and Operational Results

The table below highlights the Trust Company Operations Segment results for the years ended November 30, 2005 and 2004.

($ millions) **Years Ended November 30**	**2005**	**2004**	**% Change**
Interest, administration fees and other revenue	$ 68.4	$ 42.6	60.6%
Expenses			
Selling, general and administrative expenses	17.6	10.8	63.0%
Interest on deposits	30.9	18.1	70.7%
Provision for loan losses	5.4	2.6	107.7%
	53.9	31.5	71.1%
EBITDA[1]	14.5	11.1	30.6%
Amortization	1.0	1.2	(16.7%)
Income before taxes and non-segmented items	$ 13.5	$ 9.9	36.4%
Interest, administration fees and other revenue	68.4	42.6	60.6%
Administration fees and other revenue	3.5	3.2	9.4%
Total interest income	$ 64.9	$ 39.4	64.7%
Total interest expense	30.9	18.8	64.4%
Total interest margin	$ 34.0	$ 20.6	65.0%

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

Revenue and Net Interest Margin

The average net interest margin was 2.95% in 2005, as the average interest rate on loans was 5.84% and the average interest rate on deposits was 2.89% after the impact of swaps. The average net interest margin was 3.08% in 2004 as the average interest rate on loans was 5.93%, and the average interest rate on deposits was 2.85% after the impact of swaps. This slight spread decrease resulted from a change in the mix of RSP loans, as a higher percentage of RSP loans were shorter term, lower rate contribution loans in 2005 compared to 2004. Spreads on the investment loan and mortgage products were constant year-over-year. The 93.4% year-over-year increase in the mortgage loan portfolio and a 99.9% year-over-year increase in the consumer loan portfolio resulted in the overall increase in total revenue and net interest income. At year-end, the average interest rate on mortgages was 5.80% (2004 – 5.99%), with consumer loans at an average rate of 6.52% (2004 – 6.09%), while the average interest rate for deposits was 3.64% (2004 – 3.89%).

Selling, General and Administrative Expenses

SG&A increased by 63.0% in fiscal 2005 as compared to 2004 as a result of increased broker compensation expense directly related to the increases in the loan portfolios. Broker compensation is directly tied to the portfolio increases and sales staff compensation also includes a variable component that is related to the portfolio increases.

Provision for Loan Losses

The provision for loan losses increased by 107.7% in the year as compared to 2004 with the increase attributable to the increase in our loan portfolios.

EBITDA

The strong mortgage and consumer loan growth resulted in EBITDA increasing by 30.6% in 2005, as compared to 2004.

Operational Performance

The table below highlights our key operational measures for the Trust Company Operations Segment for the years ended November 30, 2005 and 2004.

($ millions) Years Ended November 30	2005	2004	% Change
Mortgage loan assets	$ 550.4	$ 284.6	93.4%
Consumer loan assets	844.8	422.7	99.9%
Other assets	150.7	121.7	23.8%
Total assets	$ 1,545.9	$ 829.0	86.5%
Net interest income[1]	$ 31.0	$ 19.6	58.2%
Other income	3.5	3.4	2.9%
Non-interest expenses	15.6	10.5	48.6%
Provision for loan losses	5.4	2.6	107.7%
Income before taxes and non-segmented items	$ 13.5	$ 9.9	36.4%
Efficiency ratio[2]	45.2%	45.7%	
Assets-to-capital multiple	14.4	15.3	

[1] Net interest income above is reported net of agent commissions.

[2] The efficiency ratio is calculated by dividing non-interest expenses by the total of net interest income and fee income.

Loan Asset Growth

Loan assets experienced substantial growth during fiscal 2005. Mortgage loan assets grew 93.4% as sales efforts in the mortgage broker channel continued to be successful. RSP loan advances were strong as financial advisors continued to make use of AGF Trust's Internet-based loan application system. New investment loan products also contributed to overall growth in loan advances, as consumer loans increased by 99.9% in 2005.

Mortgage loans consist of $309.9 million of insured loans (2004 – $182.2 million) and $240.5 million in conventional loans (2004 – $102.4 million). Consumer loans consist of $484.3 million of investment loans (2004 – $187.4 million) and $349.9 million of RSP loans (2004 – $235.3 million). Other loans make up the balance of consumer loans.

Efficiency Ratio

The efficiency ratio (non-interest expenses divided by the total of net interest income and fee income) is a key performance indicator utilized to ensure expenses are contained as the Trust business grows. The efficiency ratio improved to 45.2% in 2005 from 45.7% in 2004 as a result of continued cost discipline despite increased business volumes and the related selling expenses. AGF Trust's administrative infrastructure has proven capable of supporting larger scale of business.

Balance Sheet

Our balance sheet has grown significantly during the past year, with our financial position remaining solid. Total assets increased 86.5% to $1.546 billion at November 30, 2005 as compared to the previous year-end. At November 30, 2005, our asset-to-capital multiple stood at 14.4 times compared to 15.3 times at the same time last year, which is below our authorized multiple of 17.5 times. Our risk-based capital ratio was 10.5% at November 30, 2005. AGF Trust received $42.0 million in debt and equity capital from AGF Management Ltd. during the year, in order to support increased asset levels. Liquid assets were high, with $129.9 million in cash and short-term investments at November 30, 2005, ensuring that we can easily meet the loan funding requirements during the 2006 RSP season.

Loan Portfolio Credit

Portfolio credit quality remains consistent as at November 30, 2005 compared to the prior year. The general allowance for conventional mortgage loan losses was increased during the year to $2.4 million from $1.0 million a year ago. The general allowance for investment loan losses was increased to $1.2 million from $0.5 million a year ago. The general allowance for RSP loans was increased to $3.1 million from $2.1 million a year ago. Some 56% of mortgage loan assets are insured. We have strong security for non-RSP investment loans and loan losses during the history of the program have been minimal. RSP loan writeoffs were $2.3 million in fiscal 2005 (2004 – $1.6 million).

Segment Outlook

We anticipate that execution of AGF Trust's stated strategy will result in the level of growth achieved in 2005 being sustained in 2006. A rise in interest rates or a softening of housing prices would negatively affect mortgage loan growth, but even if these factors materialized, we believe the alternative mortgage market would still sustain a high level of growth. Stock market levels influence consumer loans. However, the 2006 RSP season has started strongly for the Trust Company Operations Segment, 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

Cash flow generated from continuing operating activities (before net change in non-cash balances related to operations) was $217.2 million for the year ended November 30, 2005, compared to $196.0 million in the prior year.

Our free cash flow (defined as cash flow from continuing operations less selling commissions paid) was $157.2 million for the year ended November 30, 2005, compared to $141.5 million in the prior year. In fiscal 2005, we paid $60.0 million in selling commissions, which were capitalized and amortized for accounting purposes, compared to $54.5 million in 2004. Our free cash flow, in combination with the proceeds from the sale of Unisen, was used primarily to fund the following, with the remainder of cash used to fund our Trust Operations:

($ millions) **Years Ended November 30**	**2005**	**2004**
Repurchase of AGF Class B shares for cancellation	$ 42.5	$ 37.4
Payment of dividends	50.5	37.5
Decrease in bank loan and notes payable	80.0	53.1
Acquisitions	14.5	18.0
	$ 187.5	$ 146.0

Our strong free cash flow and proceeds from the sale of Unisen permitted a substantial reduction of long-term debt by $80.0 million during fiscal 2005. As a result, the long-term debt-to-equity ratio decreased significantly to 0.02:1 as at November 30, 2005 from 0.07:1 as at November 30, 2004.

During fiscal 2005, we used $42.5 million of free cash flow to repurchase 2,444,900 class B shares of AGF at an average price of $17.39 per share.

Consolidated cash and cash equivalents amounted to $160.0 million as at November 30, 2005, up from $118.1 million a year ago. The increase is primarily due to an increase in cash in the Trust Company Operations Segment.

We have a six-year prime rate-based revolving term loan facility to a maximum of $200.0 million, of which the full amount was available to be drawn as of November 30, 2005. 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.

Off Balance Sheet Arrangements

Selling commissions paid on certain sales of mutual fund securities of the AGF funds made on the DSC basis ("DSC securities") were, up until 1997, financed by limited partnerships held by third party investors as described in Note 14 of our Consolidated Financial Statements. Up to November 30, 2005, such limited partnerships have financed selling commissions of approximately $440.0 million in respect of such DSC securities. We are obligated to pay the relevant limited partnership an annual fee based on 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 our mutual fund management contracts to the extent of the particular obligation.

We are 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 2005 was $0.7 million (2004 – $0.8 million). As at November 30, 2005, the net asset value of DSC securities financed by the limited partnerships was $1.7 billion (2004 – $2.2 billion).

Contractual Obligations

The table below is a summary of our contractual obligations at November 30, 2005. See also Notes 11 and 24 of the Consolidated Financial Statements.

($ millions)	Total	2006	2007-2008	2009-2010	Thereafter
Long-term debt	$ 25.6	$ 8.3	$ 1.4	$ 1.4	$ 14.5
Capital lease obligations	–	–	–	–	–
Operating leases	13.4	5.2	5.1	1.0	2.1
Purchase obligations	7.6	3.0	3.0	1.1	0.5
Total contractual obligations	$ 46.6	$ 16.5	$ 9.5	$ 3.5	$ 17.1

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, 2005, the net asset value of DSC securities financed by the limited partnerships was $1.7 billion and amounts paid to these partnerships in 2005 were $12.9 million.
- We pay trailing commissions to investment advisors based on AUM of their respective clients. This obligation varies based on fund performance, sales and redemptions, and in 2005 we paid $110.3 million in trailing commissions.
- In conjunction with the sale of Unisen, we capped the management expense ratio on all our funds for the next three years 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 2006 and future years as compared to November 30, 2005 AUM.
- In connection with the sale of Unisen to Citifinancial, the consideration is subject to two adjustments for which the company has accrued a net amount owing to Citifinancial of $1.8 million. The two adjustments are: a working capital adjustment provides that any working capital above a threshold is payable to AGF; and the purchase price is subject to a clawback should Unisen's revenue fall below a threshold during the 12-month period ended June 30, 2006. It is possible that the final adjustments may result in a payment to Citifinancial that exceeds the net accrual or that Citifinancial may be required to pay an amount to AGF. In addition, the Company has issued a put option in favour of Citifinancial relating to certain Unisen assets. The put option expires 18 months after the date of acquisition. No value has been attributed to this option, as management does not believe it will be exercised.
- 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, certain partners or senior officers, some of which are directors of the Company. During 2005, total amounts paid by the Company to these related parties in aggregate was $0.1 million (2004 $0.1 million).

Dividends

During 2005, Mergent Inc., a leading provider of global business and financial information, named AGF a Dividend Achiever™. According to Mergent, AGF is one of only 1% of TSX-listed, dividend-paying companies that have increased their dividend each year for five or more years. AGF ranks among the top 10 Canadian Dividend Achievers based on the 5-year compound annual growth rate of our dividend.

The holders of the Class B Non-Voting Shares are entitled to receive cash dividends. Dividends are paid in equal amounts per share on all the Class B Non-Voting Shares and all the Class A Voting Common 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.

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 Non-Voting 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 Non-Voting Shares traded on The Toronto Stock Exchange during the 10 trading days immediately preceding the record date applicable to such dividend.

The following table sets forth dividends paid by AGF on the Class B Non-Voting Shares and the Class A Voting Common Shares for the periods indicated:

Years Ended November 30	2005	2004	2003	2002	2001
Per share	$ 0.560	$ 0.410	$ 0.295	$ 0.255	$ 0.220
Percentage increase	37%	39%	16%	16%	22%

2000 restated to reflect the two-for-one share subdivision of the Class B Non-Voting Shares and Class A Voting Shares on August 29, 2000.

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.

Outstanding Share Data

Set out below is our outstanding share data as at November 30, 2005. For additional detail, see Notes 16 and 17 to the 2005 Consolidated Financial Statements.

Shares	
Class A Voting Common Shares	57,600
Class B Non-Voting Shares	89,123,205
Stock Options	
Outstanding options	4,781,875
Exercisable options	1,358,549

Government Regulations

We take all reasonable measures to ensure compliance with governing statutes, regulations or regulatory policies.

Government Regulations – AGF Management Ltd.

AGF Management Ltd. is a publicly traded corporation with equity securities that trade on the TSX. Accordingly, AGF Management Ltd. must follow the rules and regulations set out by the TSX and securities regulators such as the Ontario Securities Commission ("OSC"). There are new requirements respecting CEO/CFO certification of interim and annual filings and new requirements and deadlines for filing of continuous disclosure documents. There are also new national instruments respecting corporate governance practices and disclosure.

Government Regulations – Investment Management Operations

AGFFI is subject to regulation by the OSC and other provincial securities regulatory authorities. AGFFI is registered as an Advisor in the categories of Investment Counsel and Portfolio Manager in order to conduct its investment management operations. AGFFI also maintains registration as a mutual fund dealer with the securities commissions for the purpose of dealing mutual funds to its employees and other approved parties in accordance with an exemption order from becoming a member of the Mutual Fund Dealers Association. In addition, AGFFI is registered in Ontario as a Commodity Trading Manager for the purpose of supporting commodity investment strategies as part of its investment management operations.

AGF PIM, Cypress Capital Management Ltd. and P.J. Doherty & Associates Co. Ltd. are also registered as Advisors in the category of Investment Counsel and Portfolio Manager in the provinces in which they conduct their operations. Additionally, AGF PIM and Cypress Capital Management Ltd. are registered in Ontario as Limited Market Dealers to facilitate the distribution of certain securities to their clients.

Registrations are renewed annually. The provincial Securities Acts prescribe proficiency requirements for individuals registered as Investment Counsellors and Portfolio Managers. Every individual of AGFFI, AGF PIM, Cypress and Doherty who is engaged in making investment decisions is appropriately registered in the jurisdictions where they conduct business. The regulations further prescribe capital requirements to protect against insolvency, insurance requirements and continuous disclosure requirements including the filing of audited financial statements and reports.

AGF Securities (Canada) Limited, a wholly owned subsidiary of AGF, is registered as a non-advising introducing securities dealer with the Investment Dealers Association, which is a self-regulatory organization. It is registered in the provinces of Ontario, British Columbia, Alberta and Saskatchewan.

As a registrant, AGFFI is subject to securities regulations that include prohibitions against self-dealing and insider trading, as well as requirements in respect of conflicts of interests, sales practices and other similar matters. Annually, each of the AGF Mutual Funds and Harmony Pools must file an annual information form and simplified prospectus in every province and territory of Canada. AGF Canadian Growth Equity Fund Limited is also registered in Japan and has similar annual filing requirements in order to qualify for sale in Japan. Similarly, four other funds registered in Chile file annual requirements to maintain their eligibility for distribution.

The Goldrings Group of Funds (off-shore mutual funds domiciled in Ireland), which are registered in Ireland and Japan, must also file relevant offering documents annually in Ireland and Japan in order to qualify for distribution.

Each AGF Mutual Fund and Harmony Pool, as well as AGFFI as Manager of the funds, is liable for any misrepresentation in their respective offering documents, and similarly, AGF International Advisors is responsible for the Goldrings Group of Funds.

More recently, a number of regulatory initiatives have been introduced, most notably a new national instrument respecting fund continuous disclosure. In addition, significant progress was made over the past year toward the introduction of a new national instrument respecting fund governance.

Government Regulations – Trust Company Operations

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 a trust company and imposes investment restrictions. Most significantly, the legislation provides for annual and other reports to be filed on the financial condition of the trust company; periodic examinations of the trust company's affairs; 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. AGF Trust is supervised by the federal Office of the Superintendent of Financial Institutions. As a federally regulated financial institution, AGF Trust is also subject to oversight from the Financial and Consumer Agency of Canada, the Privacy Commissioner, the Financial Transactions and Reports Analysis Centre of Canada, and other government agencies, including provincial authorities.

AGF Trust is a member of 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 lender.

Fourth Quarter Analysis

Summary of Consolidated Operating Results

The table below highlights our results for the three months ended November 30, 2005 and 2004.

($ millions, except per share amounts) **Three Months Ended November 30**		**2005**		**2004**	**% Change**
Revenue					
Investment Management Operations Segment	$	122.7	$	126.6	(3.1%)
Trust Company Operations Segment		21.7		11.7	85.5%
Other		4.6		5.0	(8.0%)
Intersegment eliminations		(0.4)		–	n/m
		148.6		143.3	3.7%
Expenses					
Investment Management Operations Segment		79.0		109.4	(27.8%)
Trust Company Operations Segment		16.8		8.7	93.1%
Other		2.3		5.3	(56.6%)
Intersegment eliminations		(0.4)		–	n/m
		97.7		123.4	(20.8%)
EBITDA[1]		50.9		19.9	155.8%
Amortization		34.9		36.4	(4.1%)
Interest expense		(0.1)		1.1	n/m
Income taxes		4.0		(10.0)	n/m
Net income (loss) from continuing operations		12.1		(7.6)	n/m
Gain on sale of discontinued operations, net of tax		15.6		–	n/m
Results of discontinued operations, net of tax		0.3		(0.5)	n/m
Net income (loss)	$	28.0	$	(8.1)	n/m
Cash flow from continuing operations[2]	$	47.8	$	14.4	231.9%
Earnings per share from continuing operations – diluted	$	0.13	$	(0.08)	n/m

[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.

[2] Cash flow from operations before net change in non-cash balances related to operations.

Results from Continuing Operations

Revenue for the fourth quarter ended November 30, 2005 was up 3.7% from the same period in 2004, with the Trust Company Operations Segment contributing an increase of $10.0 million offset by a decrease in the Investment Management Operations Segment of $3.9 million and a slight reduction in revenues in Other Segment of $0.4 million.

Expenses in the fourth quarter ended November 30, 2005 decreased by $25.7 million over the same period a year ago with the change primarily attributable to the $31.0 million in expenses related to the OSC agreement incurred in 2004.

Cash flow from operations and EBITDA were higher for the quarter ended November 30, 2005, compared to the respective quarter in 2004, predominantly due to higher expenses in the prior year as noted above.

EBITDA for the first three quarters of fiscal 2005 was, on average, $64.6 million. The decline of $13.7 million in the fourth quarter from this run rate is attributable primarily to declining revenues on the retail mutual fund side of the business in the deferred sales charge, management and advisory fees and investment income categories. In total these reductions in revenues have negatively impacted revenues and EBITDA in the quarter by approximately $6.0 million.

Expenses in the Investment Management Operations Segment are also $12.0 million higher in the fourth quarter of 2005 as compared to the average of the first three quarters for the following reasons:

- Fund absorption expenses and estimates for the coming year were $3.4 million higher in the fourth quarter as fund absorption for the funds' fiscal year ending September 30, 2005 was determined.
- Discretionary sales and marketing spending increased by $3.0 million over the previous quarters related to the launch of AGF Elements and other investment advisor events.
- Salaries and benefits, severance, one-time bonuses and stock option expense was $5.0 million higher than the average of the first three quarters as we continued to build our team and make operations more efficient.

Partially offsetting the performance in the Investment Management Operations Segment, Trust Company Operations Segment EBITDA was $1.7 million higher in the fourth quarter of 2005, compared to the average of the first three quarters of the year.

Our income tax expense for the three months ended November 30, 2005 was $4.0 million, as compared to an income tax reduction of $10.0 million in the three months ended November 30, 2004. In April 2004, we acquired net tax-related benefits of $15.7 million, of which $5.0 million were recognized in the three months ended November 30, 2004.

Results from Discontinued Operations

Results from discontinued operations reflect the results of Unisen, which was sold on October 3, 2005.

Net Earnings

The impact of the above revenue and expense items resulted in net income from continuing operations of $12.1 million in the three months ended 2005 compared to a net loss of $7.6 million in fiscal 2004.

Basic and fully diluted earnings per share from continuing operations were $0.13 per share respectively in the three months ended November 30, 2005 as compared to –$0.08 per share (basic and fully diluted) in 2004.

The details of the 2005 fourth quarter results for each business segment follow.

Investment Management Operations Segment

Assets Under Management

The following table illustrates the composition of the changes in mutual fund AUM during the three months ended November 30, 2005 and 2004.

($ millions)		2005		2004	% Change
Mutual fund AUM, beginning of period	$	22,198	$	22,989	(3.4%)
Gross sales of mutual funds		737		534	38.0%
Redemptions of mutual funds		(1,066)		(1,374)	(22.4%)
Net mutual fund redemptions		329		840	(60.8%)
Market appreciation of fund portfolios		340		598	(43.1%)
Mutual fund AUM, end of period	$	22,209	$	22,747	(2.4%)
Institutional and PIM AUM		11,921		8,621	38.3%
Total AUM	$	34,130	$	31,368	8.8%
Average daily mutual fund AUM for the period	$	22,145	$	23,753	(6.8%)

During the three months ended November 30, 2005, the Canadian-dollar-adjusted S&P 500 Index rose 0.6%, the Canadian-dollar-adjusted NASDAQ Index rose 1.9% and the S&P/TSX Composite Index rose 1.9 per cent.

The impact of the U.S. dollar decline relative to the Canadian dollar on the market value of AGF mutual funds since August 31, 2005 has been a reduction in AUM of approximately $0.1 billion (2004 – reduction of $0.6 billion).

Net redemptions of $329 million were offset by a $340 million market appreciation in AUM resulting in no significant change in AUM since August 31, 2005.

Financial and Operational Results

The table below highlights the Investment Management Operations Segment results for the three months ended November 30, 2005 and 2004.

($ millions) **Three Months Ended November 30**	**2005**	**2004**	**% Change**
Revenue			
Net management and advisory fees	$ 98.5	$ 102.4	(3.8%)
Administration fees and other revenue	17.2	17.4	(1.1%)
Deferred sales charges	8.2	6.4	28.1%
Investment income	(1.2)	0.4	n/m
	122.7	126.6	(3.1%)
Expenses			
Selling, general and administrative	44.5	74.6	(40.3%)
Trailing commissions	27.8	27.4	1.5%
Investment advisory fees	6.7	6.8	(1.5%)
Writedown of short-term investments	–	0.6	n/m
	79.0	109.4	(27.8%)
EBITDA[1]	43.7	17.2	154.1%
Amortization	33.7	35.1	(4.0%)
Income (loss) before taxes and non-segmented items	$ 10.0	$ (17.9)	n/m

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

Trust Company Operations Segment

Financial and Operational Results

The table below highlights the Trust Company Operations Segment results for the three months ended November 30, 2005 and 2004.

($ millions, except per share amounts) **Three Months Ended November 30**		**2005**		**2004**	**% Change**
Interest, administration fees and other revenue	$	21.7	$	11.7	85.5%
Expenses					
Selling, general and administrative expenses		5.3		2.9	82.8%
Interest on deposits		10.0		5.3	88.7%
Provision for loan losses		1.5		0.5	200.0%
		16.8		8.7	93.1%
EBITDA[1]		4.9		3.0	63.3%
Amortization		0.2		0.3	(33.3%)
Income before taxes and non-segmented items	$	4.7	$	2.7	74.1%

[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, 2005**	**Aug. 31, 2005**	**May 31, 2005**	**Feb. 28, 2005**
Revenue (continuing operations)	$ 148.6	$ 153.0	$ 147.1	$ 145.7
Cash flow from continuing operations[1]	47.8	53.9	57.6	57.9
EBITDA (continuing operations)[2]	50.9	65.2	63.7	65.0
Pretax income (continuing operations)	16.1	29.6	27.4	28.7
Net income	28.0	20.3	22.4	21.2
Net income per share				
Basic	$ 0.31	$ 0.23	$ 0.25	$ 0.23
Diluted	$ 0.31	$ 0.23	$ 0.25	$ 0.23
Weighted average fully diluted shares	89,868,786	89,915,618	90,886,073	91,085,474

($ millions, except per share amounts) **For the Three-Month Period Ended**	**Nov. 30, 2004**	**Aug. 31, 2004**	**May 31, 2004**	**Feb. 29, 2004**
Revenue (continuing operations)	$ 143.4	$ 144.9	$ 151.6	$ 145.6
Cash flow from continuing operations[1]	13.6	59.0	64.5	58.1
EBITDA (continuing operations)[2]	19.8	71.6	73.5	70.7
Pretax income (continuing operations)	(17.6)	31.7	34.7	31.8
Net income (loss)	(8.1)	27.6	34.0	23.8
Net income (loss) per share				
Basic	$ (0.08)	$ 0.30	$ 0.37	$ 0.26
Diluted	$ (0.09)	$ 0.30	$ 0.37	$ 0.26
Weighted average fully diluted shares	91,798,233	91,559,294	91,881,879	92,230,930

[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) **For the Years Ended November 30**	**2005**	**2004**	**2003**
Revenue (continuing operations)	$ 594.4	$ 585.4	$ 546.6
Cash flow from continuing operations[1]	217.2	196.0	195.8
EBITDA (continuing operations)[2]	244.8	235.7	272.2
Pretax income (continuing operations)	101.7	80.5	117.5
Net income	91.9	77.3	44.0
Net income per share			
Basic	$ 1.02	$ 0.85	$ 0.48
Diluted	$ 1.01	$ 0.84	$ 0.47
Dividends per share	$ 0.560	$ 0.410	$ 0.295
Total Corporate assets	$ 2,709.7	$ 2,169.4	$ 1,967.0
Total long-term debt	$ 17.4	$ 68.3	$ 112.2

[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, 2005, the Company's 2005 AIF and other documents filed with applicable securities regulators in Canada and may be accessed at www.sedar.com.

Management's Responsibility for Financial Reporting

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 outside directors. This Committee reviews the Consolidated Financial Statements of the Company and recommends them to the Board for approval.

PricewaterhouseCoopers LLP, 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 Goldring, CFA
President & Chief Executive Officer

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

Toronto, January 23, 2006

Auditors' Report

January 23, 2006

To the Shareholders of
AGF Management Limited:

We have audited the consolidated balance sheets of **AGF Management Limited** as at November 30, 2005 and 2004 and the consolidated statements of income, retained earnings and cash flows for each of the years in the two-year period ended November 30, 2005. 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, 2005 and 2004 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

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Canada

AGF Management Limited
Consolidated Balance Sheets

(in thousands of dollars) November 30	2005	2004 (note 3)
Assets		
Current Assets		
Cash and cash equivalents	$ 159,974	$ 118,117
Short-term investments	23,105	20,110
Accounts receivable and other assets	50,086	34,136
Income taxes recoverable	–	1,232
Assets of discontinued operations (note 3)	–	28,373
	233,165	201,968
Mortgages and consumer loans (note 9)	1,395,267	707,306
Investment in associated company (note 6)	96,000	108,802
Other investments	7,142	7,532
Management contracts	478,749	473,670
Customer contracts, relationships and investment advisory contracts, net of accumulated amortization of $55,516 (2004 – $40,618)	75,281	86,157
Deferred selling commissions, net of accumulated amortization of $847,718 (2004 – $735,093)	275,015	327,618
Property, equipment and other intangible assets, net of accumulated amortization (note 10)	21,639	28,181
Goodwill (notes 5 and 7)	126,183	126,039
Other assets	1,226	3,892
Assets of discontinued operations (note 3)	–	98,213
	$ 2,709,667	$ 2,169,378

(in thousands of dollars) **November 30**	**2005**	2004 (note 3)
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 95,197	$ 76,019
Long-term debt due within one year (note 11)	8,277	43,802
Income taxes payable	14,252	–
Liabilities of discontinued operation (note 3)	–	30,128
	117,726	149,949
Deposits (note 9)	1,407,752	761,232
Long-term debt (note 11)	17,364	68,292
Participation units (note 11)	6,157	6,157
Future income taxes (note 15)	242,188	252,834
Leasehold inducements	154	226
Other liabilities	–	1,215
Liabilities of discontinued operation (note 3)	–	15,107
	1,791,341	1,255,012
Shareholders' Equity		
Capital stock (note 16)	394,154	394,125
Contributed surplus (note 17)	5,900	1,781
Retained earnings	527,197	517,681
Foreign currency translation adjustment	(8,925)	779
	918,326	914,366
	$ 2,709,667	$ 2,169,378

Commitments (note 24)

Guarantees (note 25)

Contingent liabilities (note 26)

(See accompanying notes to Consolidated Financial Statements)

Approved by the Board:

C W Goldring

C. Warren Goldring
Director

Douglas L. Derry, FCA
Director

AGF Management Limited
Consolidated Statements of Income

(in thousands of dollars, except per share amounts) **For the Years Ended November 30 (unaudited)**	**2005**	2004 (note 3)
Revenue		
Net management and advisory fees	$ 404,463	$ 433,693
Administration fees, interest and other revenue	148,017	111,027
Deferred sales charges	37,342	39,067
Gain on sale of short-term investments (note 8)	4,478	–
Investment income	146	1,638
	594,446	585,425
Expenses		
Selling, general and administrative	177,360	185,617
Trailing commissions	110,283	112,454
Investment advisory fees	26,759	30,413
Amortization of deferred selling commissions	112,625	121,723
Amortization of customer contracts, relationships and investment advisory contracts	14,898	13,527
Amortization of property, equipment and other intangible assets	11,490	13,944
Interest on Trust Company deposits	29,831	18,118
Interest expense	4,095	5,967
Provision for Trust Company loan losses (note 9)	5,375	2,554
	492,716	504,929
Income from continuing operations before income taxes	101,730	80,496
Income tax expense (note 15)		
Current	36,476	40,991
Future	(7,458)	(35,214)
	29,018	5,777
Net income from continuing operations for the year	72,712	74,719
Gain on sale of discontinued operations, net of income taxes (note 3)	15,617	–
Net earnings from discontinued operations, net of income taxes (note 3)	3,543	2,568
Net income for the year	$ 91,872	$ 77,287
Earnings Per Share (note 18)		
Basic from continuing operations	$ 0.81	$ 0.82
Diluted from continuing operations	$ 0.80	$ 0.81
Basic	$ 1.02	$ 0.85
Diluted	$ 1.01	$ 0.84

(See accompanying notes to consolidated financial statements)

AGF Management Limited
Consolidated Statements of Retained Earnings

(in thousands of dollars) **For the Years Ended November 30**	**2005**	2004 (note 3)
Retained earnings, beginning of year	$ 517,681	$ 506,274
Net income for the year	91,872	77,287
	609,553	583,561
Deduct:		
Dividends on AGF Class A Voting Common Shares and AGF Class B Non-Voting Shares	50,522	37,474
Excess paid over book value of AGF Class B Non-Voting Shares purchased for cancellation (note 16)	31,834	28,406
	82,356	65,880
Retained earnings, end of year	$ 527,197	$ 517,681

(See accompanying notes to consolidated financial statements)

AGF Management Limited
Consolidated Statements of Cash Flow

(in thousands of dollars) **For the Years Ended November 30**	**2005**	2004 (note 3)
Operating Activities		
Net income for the year	$ 91,872	$ 77,287
Gain on sale of discontinued operations, net of tax	15,617	–
Results of discontinued operations, net of tax	3,543	2,568
Net income from continuing operations for the year	72,712	74,719
Items not affecting cash		
Amortization of deferred selling commissions	112,625	121,723
Amortization of customer contracts, relationships and investment advisory contracts	14,898	13,527
Amortization of property, equipment and other intangible assets	11,490	13,944
Future income taxes	(7,458)	(35,214)
Gain on sale of short-term investments	(4,478)	–
Mark-to-market on swap transactions	(1,244)	(197)
Provision for Trust Company loan losses	5,375	2,554
Other	13,289	4,936
	217,209	195,992
Net decrease in non-cash balances related to continuing operations	6,963	32,169
Net cash provided by continuing operations	224,172	228,161
Net cash provided by discontinued operating activities	10,172	10,367
Net cash provided by operating activities	234,344	238,528
Financing Activities		
Purchase of AGF Class B non-voting shares for cancellation	$ (42,521)	$ (37,438)
Issuance of AGF Class B non-voting shares	8,117	2,789
Dividends	(50,522)	(37,474)
Decrease in bank loan	(78,700)	(46,400)
Decrease in notes payable	(1,252)	(6,729)
Increase in leasehold inducements	27	142
Increase in amounts due from discontinued operations	–	6,918
Increase in Trust Company deposits	646,520	226,032
Net cash provided by continuing financing activities	481,669	107,840
Net cash used in discontinued financing activities	(1,641)	(4,926)
Net cash provided by financing activities	480,028	102,914

(in thousands of dollars) **For the Years Ended November 30**	**2005**	2004 (note 3)
Investing Activities		
Deferred selling commissions paid	$ (60,022)	$ (54,504)
Settlement of hedge of investment in associated company	–	(3,858)
Purchase of management contracts and customer relationships	(9,104)	–
Acquisition of subsidiaries, net of cash acquired	(5,376)	(17,961)
Proceeds of sale of discontinued operations, net of cash of $5,950 (note 3)	105,981	–
Purchase of property, equipment and other intangible assets	(8,749)	(7,992)
Purchase of investments	(24,222)	(14,986)
Sale of investments	24,893	8,667
Increase in Trust Company mortgages and consumer loans	(693,336)	(215,542)
Net cash used in continuing investing activities	(669,935)	(306,176)
Net cash used in discontinued investing activities	(3,268)	(5,366)
Net cash used in investing activities	(673,203)	(311,542)
Increase in cash and cash equivalents during the year	41,169	29,900
Balance of cash and cash equivalents, beginning of year	118,805	88,905
Balance of cash and cash equivalents, end of year	$ 159,974	$ 118,805
Cash and cash equivalents related to:		
Continuing operations	$ 159,974	$ 118,117
Discontinued operations	–	688
	$ 159,974	$ 118,805
Represented by:		
Cash and cash equivalents	$ 30,095	$ 11,382
Trust Company cash and cash equivalents	129,879	107,423
	$ 159,974	$ 118,805

Notes to Consolidated Financial Statements

Years ended November 30, 2005 and 2004
(tabular amounts in thousands of dollars, except per share amounts)

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 mutual fund management, 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 investment industry software development for individual and institutional clients. The Company conducts the management and distribution of mutual funds in Canada under the brand names AGF, Elements and Harmony (collectively, the "AGF Funds"). The Company conducts its trust business under the name of AGF Trust Company (the "Trust Company").

Note 1:

Significant Accounting Policies

Basis of Presentation

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 and partnerships as listed below. Intercompany transactions and balances are eliminated on consolidation. Investments over which the Company is able to exercise significant influence are accounted for by the equity method. Other long-term investments are recorded at cost and written down when there is evidence that a decline in value that is other than temporary has occurred. Short-term investments are recorded at cost and written down to market value when market value declines below recorded cost. Certain comparative amounts in these financial statements have been reclassified to conform with the current year's presentation.

The principal subsidiaries of AGF are:

AGF Funds Inc.
AGF International Advisors Company Limited
AGF Asset Management Asia Ltd.
AGF Private Investment Management Limited
AGF Trust Company ("Trust Company")
AGF Securities (Canada) Limited
AGF Securities, Inc.
AGF Limited Partnership 1998
AGF International Company Limited
Cypress Capital Management Ltd.
Investmaster Group Limited
Investmaster Holdings Limited
P.J. Doherty & Associates Co. Ltd.
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.

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.

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.

Interest income on mortgages and consumer 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 temporary investments consisting of 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, 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.

Foreign Currency Translation

Foreign currency denominated items are translated in Canadian dollars as follows:

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.

Financial statements of self-sustaining operations are translated into Canadian dollars using the current rate method. Under this method assets and liabilities are translated at the exchange rate prevailing at the balance sheet date. Revenue and expenses are translated at average exchange rates for the period. Translation gains and loss are included in the foreign currency translation adjustment account.

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 a separate component of shareholders' equity as a foreign currency translation adjustment.

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 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 and Equipment

Property and equipment, which is comprised of furniture and equipment, computer hardware, leasehold improvements and equipment under capital lease, is stated at cost, net of accumulated amortization. Amortization is computed on 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

Finite Life Intangible Assets

Finite life intangible assets, which are comprised of customer contracts and relationships and investment advisory contracts and computer software, are stated at cost, net of accumulated amortization. Amortization is computed on the following methods based on the estimated useful lives of these assets:

Customer contracts and relationships	straight-line over seven to 15 years
Investment advisory contracts	straight-line over five years
Computer software	straight-line over three to five years

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 and Management Contracts

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. Management contracts have been determined to have an indefinite life.

Goodwill and management contracts 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, 2005 and 2004, the Company has completed its annual impairment testing on the carrying values of goodwill and management contracts. No impairment losses were required to be recognized as a result of this testing.

Mortgages and Consumer Loans

Mortgage loans and consumer loans are carried at amortized cost less principal repayments less any holdbacks, net of an allowance for loan losses. Interest income from loans is recorded on an accrual basis. Accrued but uncollected interest on uninsured mortgages and consumer loans is reversed when a loan is identified as impaired.

Fees that relate to the origination of loans are deferred and recognized as selling expenses on a straight-line basis over the average 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 probable, unidentified losses in the portfolio that have not been captured in the determination of specific allowances. The assessment includes general economic factors and geographic exposure.

Impaired Loans

Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the collectibility, either in whole or in part, of principal or interest 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, an agency thereof or another third-party insurer is classified as impaired when interest or principal is past due 365 days, 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 collectibility 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 collectibility of the principal.

Stock-Based Compensation and Other Stock-Based Payments

The Company has stock-based compensation plans as described in note 17(a). The Company utilizes the fair value-based method of accounting for stock-based compensation. The fair value of share-based compensation is recorded 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 the Company's 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.

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 using 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 employed 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.

Guarantees

The Company has adopted CICA Accounting Guideline 14, "Disclosure of Guarantees" ("AcG-14"), which requires a guarantor to disclose significant information about certain types of guarantees that it has provided, including certain types of indemnities and indirect guarantees of indebtedness to others, without regard to the likelihood of whether it will have to make any payments under the guarantees. This disclosure required by AcG-14 is in addition to the existing disclosure required for contingencies.

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.

As the Company concluded the sale of its wholly owned subsidiary Unisen Holdings Inc. ("Unisen") during the fourth quarter of 2005, Unisen's assets and liabilities have been reclassified as discontinued operations. As such, Unisen's operations for both the 2004 and 2005 periods have thus been reported as discontinued operations as if its operations and cash flows had been eliminated from the ongoing operations as AGF will not have any continuing involvement in the operations of Unisen after the disposition outlined in note 3.

Hedging

Derivative instruments are used to manage the Company's exposure to interest and currency risks. 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, a cash flow hedge, or a hedge of a foreign currency exposure of an investment in associated company. 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.

Income and expenses on derivative instruments designated and qualifying as hedges are recognized in the same period as the related hedge item. If a designated hedge is no longer effective, the associated derivative instrument is subsequently carried at fair value. Derivatives that do not qualify for hedge accounting are carried at fair value in the Consolidated Balance Sheet, and subsequent changes in their fair value are recorded in interest income or expense. Accrued income and expenses and deferred gains and losses are included in other assets and other liabilities, as appropriate, in the Consolidated Balance Sheet.

Foreign exchange forward contracts are used from time to time to manage foreign currency exposures from the investment in associated company having a functional currency other than the Canadian dollar. Foreign exchange gains or losses on these derivative financial instruments are recorded in a separate component of shareholders' equity as a foreign currency translation adjustment.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 in respect of matters that are inherently uncertain, are the provision for useful lives of depreciable assets, commitments and contingencies, loan loss provisions 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 with respect to 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.

Note 2:

Adoption of AcG-15 "Consolidation of Variable Interest Entities"

The CICA issued AcG-15, "Consolidation of Variable Interest Entities ("VIE")", which provides guidance for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. AcG-15 became effective for all annual and interim periods beginning on or after December 1, 2004. 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 year ended November 30, 2005 and 2004.

Note 3:

Disposal of Long-Lived Assets and Discontinued Operations

On October 3, 2005 the Company sold 100% of wholly owned subsidiary Unisen Holdings Inc. ("Unisen") to Citifinancial Canada Inc. ("Citifinancial"), for cash consideration of US$97.5 million ($114.0 million). Expenses related to this transaction amount to $5.0 million, of which $2.0 million has been paid as at November 30, 2005. The consideration is subject to two adjustments for which the company has accrued a net amount owing to Citifinancial of $1.8 million. The two adjustments are a working capital adjustment provides that any working capital above a threshold is payable to AGF; and the purchase price is subject to a clawback should Unisen's revenue fall below a threshold during the 12-month period ended June 30, 2006. It is possible that the final adjustments may result in a payment to Citifinancial that exceeds the net accrual or that Citifinancial may be required to pay an amount to AGF. In addition, the Company has issued a put option in favour of Citifinancial relating to certain Unisen assets. The put option expires 18 months after the date of acquisition. No value has been attributed to this option as management does not believe it will be exercised. In addition, the Company has provided Citifinancial certain commitments as outlined in note 25. Unisen's operations for 2005 have been reported as discontinued operations and previously reported financial statements have been reclassified to reflect the following:

Summary of Discontinued Operations

Years Ended November 30	2005	2004
Revenue	$ 86,528	$ 108,839
Income before income taxes	$ 6,137	$ 4,386
Income tax expense	$ 2,594	$ 1,818
Net earnings from discontinued operations	$ 3,543	$ 2,568
Basic net earnings per share	$ 0.04	$ 0.03
Diluted net earnings per share	$ 0.04	$ 0.03

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

November 30		2004
Current assets held for sale		**$(000s)**
Cash and cash equivalents	$	688
Accounts receivable and prepaid expenses		27,685
	$	28,373
Long-term assets held for sale		
Customer contracts	$	37,705
Property, equipment and other intangible assets, net		25,753
Goodwill		34,755
	$	98,213
Current liabilities related to assets held for sale		
Accounts payable and accrued liabilities	$	27,099
Long-term debt due within one year		751
Income taxes payable		2,278
	$	30,128
Long-term liabilities related to assets held for sale		
Long-term debt	$	1,414
Future income taxes		9,549
Leasehold inducements		4,144
	$	15,107

Details of the gain on sale net of income taxes are as follows:

Gain on sale of discontinued operations		
Proceeds on sale	$	113,958
Expenses related to transaction		(5,027)
Net reserve for subsequent adjustments		(1,826)
Cost base of investment		(87,903)
Gain on sale before income taxes		19,202
Income taxes		(3,585)
Gain on sale, net of income taxes	$	15,617

Note 4:

Acquisition of Mutual Fund Assets from ING Investment Management Inc.

On August 5, 2005, the Company acquired the management rights to $276 million in mutual fund assets from ING Investment Management Inc. ("ING") for cash consideration of $9.1 million. Thirteen ING funds have been merged into corresponding AGF funds. The agreement also includes the acquisition of the management contract for the ING Canadian Dividend Income Fund, which has been renamed the AGF Dividend Income Fund.

The purchase price for the assets acquired was allocated as follows:

Net Assets Acquired		
Management contracts	$	5,081
Customer relationships		4,023
	$	9,104

The portion allocated to customer relationships is being amortized over their estimated useful life of seven years. The purchase price is also subject to a future reduction based on the level of mutual fund redemptions during the first year subsequent to acquisition. This amount is not determinable at this tme.

Note 5:

Acquisition of Cypress Capital Management Ltd.

On June 30, 2004, the Company acquired 100% of the shares of Cypress Capital Management Ltd. ("Cypress") for consideration of $26.1 million including $0.1 million of acquisition costs. The acquisition has been accounted for by the purchase method of accounting with the results of operations of Cypress included in the Consolidated Financial Statements from the date of the acquisition. In addition to the future payments detailed below, there is also potential additional consideration due three years after the completion of the acquisition, subject to Cypress achieving certain revenue levels. These amounts are not determinable at the present time. The value attributed to customer contracts 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:

Net Assets Acquired		$(000s)
Cash	$	351
Other assets		1,625
Customer contracts		28,480
Goodwill		7,269
Current liabilities		(1,351)
Future income tax		(10,287)
	$	26,087

Consideration Paid (including acquisition costs)		$(000s)
Cash	$	7,887
285,553 AGF Class B shares issued		5,200
June 30, 2005 payment		6,500
Future payment due June 30, 2006 (non-interest bearing and unsecured)		6,500
	$	26,087

The June 30, 2005 payment consisted of $3.9 million in cash and issuance of 159,696 AGF Class B shares valued at $2.6 million.

Note 6:

Investment in Associated Company

On May 27, 2005, Smith & Williamson Holdings Limited ("S&WHL") completed the acquisition of 100% of the outstanding shares of Solomon Hare Personal Finance Limited ("SHPF") and the business of Solomon Hare LLP. The total consideration paid by S&WHL of $20.6 million included cash of $4.9 million and the issuance of 2.3 million shares valued at $15.7 million. Prior to this transaction, the Company had a 31.8% interest in S&WHL. Subsequent to the aforementioned transaction, the Company holds a 30.9% interest in S&WHL. The dilution gain with respect to the completion of this transaction was $0.1 million.

Note 7:

Acquisition of P.J. Doherty & Associates Co. Ltd.

On January 15, 2004, the Company acquired 100% of the shares of P.J. Doherty & Associates Co. Ltd. ("P.J. Doherty") for consideration of $12.2 million including $0.3 million of acquisition costs. The acquisition was accounted for by the purchase method of accounting with the results of operations of P.J. Doherty included in the Consolidated Financial Statements from the date of acquisition. Cash consideration paid amounted to $9.4 million with future payments of $2.8 million due in the year following the acquisition.

There is also potential additional consideration, which may become payable based on revenue growth during the two-year period subsequent to completion of the acquisition. The value attributed to customer contracts 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:

Net Assets Acquired		**$(000s)**
Cash	$	468
Other assets		318
Customer contracts		13,015
Goodwill		3,360
Current liabilities		(233)
Future income tax		(4,701)
	$	12,227

Consideration Paid (including acquisition costs)		**$(000s)**
Cash	$	9,451
Payments subsequent to acquisition date		2,776
	$	12,227

All payments subsequent to the acquisition date have been made. The Company also paid out $0.2 million on the first anniversary of the acquisition based on revenue growth during the past year. The latter payment was recorded as an increase in goodwill.

Note 8:

Gain on Sale of Short-Term Investments

During the fiscal year ended, November 30, 2005, the Company recorded a $4.5 million gain on the disposition of short-term investment funds.

Note 9:

Trust Company

(a) Mortgages and Consumer Loans

The Trust Company's principal business activities are mortgage and consumer loans and deposit taking. Details relating to these activities are as follows:

$(000s)	Term to Contractual Repricing				
	Variable Rate	1 Year or Less	1 to 5 Years	2005	2004
Residential mortgage loans	$ 2,033	$ 361,006	$ 153,939	$ 516,978	$ 268,862
Commercial mortgage loans	–	26,565	9,258	35,823	16,754
Total mortgage loans	2,033	387,571	163,197	552,801	285,616
Consumer loans	839,951	–	10,715	850,666	425,957
	841,984	387,571	173,912	1,403,467	711,573
Less allowance for loan losses				8,200	4,267
				$ 1,395,267	$ 707,306
Impaired loans included in above				5,199	1,892
Less specific allowance for loan losses				1,488	597
				$ 3,711	$ 1,295

	2005	2004
The change in the allowance for loan losses is as follows:		
Balance, beginning of year	$ 4,267	$ 2,943
Amounts written-off	(1,668)	(1,361)
Recoveries	226	131
Provision for loan losses	5,375	2,554
Balance, end of year	$ 8,200	$ 4,267

As at November 30, 2005, the Company's mortgage portfolio was comprised of a combination of fixed rate and variable rate residential mortgages, of which $309.9 million (2004 – $182.2 million) is insured, with a weighted average term to maturity of 1.2 years (2004 – 1.4 years) and a weighted average yield of 5.80% (2004 – 5.99%). Consumer loans have interest rates based on prime. At year-end, the average interest rate on consumer loans was 6.52% (2004 – 6.09%).

(b) 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 31, 2005 and November 30, 2010 and involve the exchange of either the one-month bankers' acceptance (BA) rate or the three-month BA rate, to receive fixed interest rates. As at November 30, 2005, the aggregate notional amount of the swap transactions was $939.7 million (2004 – $555.2 million). The aggregate fair value of the swap transactions, which represents the amount that would be paid by the Trust Company if the transactions were terminated at November 30, 2005, was $2.4 million (2004 – the Trust Company would have received $6.9 million).

Notional Amount of Swap $(000s)	Maturity Date	Fixed Interest Rate Received
$ 10,000	2005	3.26%
107,000	2006	2.35% – 4.57%
313,700	2007	3.00% – 5.11%
247,000	2008	3.17% – 4.43%
162,000	2009	3.47% – 4.59%
100,000	2010	3.62% – 4.17%

(c) Trust Company Deposits

$(000s)	Term to Maturity				
	Demand	1 Year or Less	1 to 5 Years	2005	2004
Deposits	$ 2,997	$ 461,588	$ 943,167	$ 1,407,752	$ 761,232

As at November 30, 2005, deposits were comprised substantially of guaranteed investment certificates with a weighted average term to maturity of 1.9 years (2004 – 2.4 years) and a weighted average interest rate of 3.64% (2004 – 3.89%).

(d) Interest Rate Sensitivity

For the Trust Company, the impact of a 1% change in interest rates either up or down would be a change of annual net interest income of approximately $0.1 million as most of the loan portfolios are hedged.

Note 10:

Property, Equipment and Other Intangible Assets

$(000s) November 30, 2005	Cost	Accumulated Amortization	Net
Property and equipment			
Furniture and equipment	$ 15,457	$ 11,576	$ 3,881
Lease improvements	15,759	11,016	4,743
Computer hardware	7,443	3,607	3,836
	38,659	26,199	12,460
Other intangible assets			
Computer software	47,069	37,890	9,179
	$ 85,728	$ 64,089	$ 21,639

$(000s) November 30, 2004	Cost	Accumulated Amortization	Net
Property and equipment			
Furniture and equipment	$ 14,022	$ 10,454	$ 3,568
Lease improvements	11,091	9,491	1,600
Computer hardware	41,830	31,863	9,967
	66,943	51,808	15,135
Other intangible assets			
Computer software	45,322	32,276	13,046
	$ 112,265	$ 84,084	$ 28,181

Note 11:
Long-Term Debt

$(000s) November 30	2005	2004
Bank loans		
Fully amortizing term loan	$ –	$ 35,400
Revolving term loan	–	43,300
Notes payable due April 30, 2013	18,074	19,327
Payment re CISL due January 31, 2006	1,067	1,067
Cypress payments due June 30, 2005	–	6,500
Cypress payments due June 30, 2006 (note 5)	6,500	6,500
	25,641	112,094
Less: amount included in current liabilities	8,277	43,802
	$ 17,364	$ 68,292

(a) Bank Loans

The Company had arranged a fully amortizing five-year term loan with a Canadian chartered bank, which was repayable in equal quarterly instalments over the period of 20 quarters following advance plus interest payable. This loan was fully repaid at November 20, 2005 and can no longer be drawn (2004 – facility was drawn in the form of a 91-day BA at an effective interest rate of 3.1% per annum).

Revolving Term Loan

Effective August 31, 2005 the Company has arranged a six-year prime rate-based revolving term loan to a maximum of $200.0 million with a Canadian chartered bank. Under the loan agreement, the Company 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, 2006. However, the Company may request by April 15, 2006, 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 thirty-sixth of the amount of principal outstanding.

As at November 30, 2005, the Company has $200.0 million available to be drawn on this facility (2004 – $43.3 million was drawn in the form of three-to-90-day BAs at an effective interest rate of 2.9% 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 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

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 Company related to Distributed Securities.

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

(c) Payment re CISL Due January 31, 2006

In 2003 the Company, through its wholly owned subsidiary, Investmaster Group Limited, acquired all the outstanding shares of Consort Information Systems Limited ("CISL"). Cash consideration paid was $8.3 million with a future payment of $1.1 million due on January 31, 2006. This amount is unsecured and non-interest bearing.

(d) Minimum Debt Principal Repayments

	$(000s)
2006	$ 8,277
2007	711
2008	711
2009	711
2010	711
Thereafter	14,520

(e) Interest Rate Sensitivity

The effect of a 1% change in interest rates will increase or decrease annual interest expense on the Company's long-term debt by approximately $0.1 million (2004 – $0.5 million).

(f) Participation Units

After the notes payable referred to in note 11(b) 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 the 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 with Multi-Fund.

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.

Note 12:

Interest Rate Swap and Foreign Exchange Hedge Transactions

To fix the interest rate paid on a portion of its long-term debt, the Company has entered into 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, 2005, the aggregate notional amount of the Swap Transactions was $20.6 million (2004 – $30.2 million). The aggregate fair value of the Swap Transactions, which represents the amount that would be paid by the Company if the transactions were terminated at November 30, 2005, was $0.4 million (2004 – $1.2 million).

To hedge its currency exposure and to fix the interest rate on borrowings in connection with a Japanese yen-denominated investment, the Company has entered into a cross-currency swap transaction, which expires on November 29, 2006. It involves the exchange of three-month bankers' acceptance floating interest rates on a notional amount of C$2.9 million for a fixed interest rate of 0.56% per annum on a notional amount of JPY ¥256.0 million. The aggregate fair value of the cross-currency swap transaction, which represents the amount that would be received by the Company if the transaction was terminated at November 30, 2005, was $0.4 million (2004 – nil).

The Company did not hedge its currency exposure in connection with its investment in S&WHL in 2005.

Note 13:
Fair Value of Financial Instruments

$(000s) November 30	2005		2004	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Mortgages and consumer loans	$ 1,395,267	$ 1,396,040	$ 707,306	$ 710,326
Short-term investments	23,105	24,345	20,110	24,438
Other investments	7,142	9,994	7,532	8,751
	$ 1,425,514	$ 1,430,379	$ 734,948	$ 743,515
Deposits	$ 1,407,752	$ 1,402,174	$ 761,232	$ 767,985

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.

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.

Other financial assets and financial liabilities of the Company are recorded at cost, which approximates fair value.

Short-term investments include $21.7 million (2004 – $19.7 million) invested in AGF mutual funds.

Note 14:
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, 2005, such limited partnerships have financed selling commissions of approximately $440 million in respect of such DSC securities. 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, 2006 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 2005 was $0.7 million (2004 – $0.8 million). As at November 30, 2005, the net asset value of DSC securities financed by the limited partnerships was $1.7 billion (2004 – $2.2 billion).

Note 15:

Income Taxes

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

Years Ended November 30	2005	2004
Canadian corporate tax rate	35.9%	36.0%
Acquisition of tax-related benefits (net)	–	(19.5)
Rate differential on earnings of subsidiaries	(10.4)	(13.6)
Tax benefit of losses of foreign subsidiaries	1.3	1.9
Amortization of customer contracts and relationships	1.0	1.2
Tax-exempt investment income	(1.8)	(1.7)
Other	2.5	2.9
Effective income tax rate	28.5%	7.2%

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

November 30	2005	2004
Future income tax liability		
Deferred sales commissions	$ (98,280)	$ (113,845)
Deferred revenue	2,209	2,210
Undepreciated capital cost in excess of (less than) carrying values	1,223	(775)
Loss carryforwards	37	3,753
Expenses deductible or gain to be recognized in future periods	1,605	11,127
Share issue costs	7	434
Goodwill and management contracts	(150,990)	(155,239)
Investments	2,113	(199)
Other	(112)	(300)
Future income tax liability	$ (242,188)	$ (252,834)

(c) As at November 30, 2005, certain subsidiaries of the Company have accumulated aggregate income tax losses of approximately $18.1 million (2004 – $26.9 million) that may be used to reduce taxable income in the future. These tax loss carryforwards expire as follows:

$0.1 million	2010 to 2014
$18.0 million	no expiry date

The potential tax benefits of $18.0 million of these losses have not been recognized in the Consolidated Financial Statements.

Note 16:
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.

(b) Changes During the Year
The change in capital stock is summarized as follows:

	Number of Shares Issued		Amount
Class B Shares			
Balance, November 30, 2003	92,214,723	$	395,168
Issued on acquisition of a subsidiary	285,553		5,200
Issued through dividend reinvestment plan	12,405		214
Stock options exercised	326,582		2,575
Purchased for cancellation	(2,099,800)		(9,032)
Balance, November 30, 2004	90,739,463	$	394,125
Issued on acquisition of a subsidiary (note 5)	159,696		2,600
Issued through dividend reinvestment plan	20,931		377
Stock options exercised (note 17(a))	648,015		7,739
Purchased for cancellation	(2,444,900)		(10,687)
Balance, November 30, 2005	89,123,205	$	394,154
Class A Shares			
Balance, November 30, 2005 and 2004	57,600		–
Total stated capital, November 30, 2005 (2004 – $394,125)		$	394,154

(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. Under this issuer bid the Company may purchase up to 10% of the public float outstanding on the date of receipt of regulatory approval or up to 7.5 million Class B shares. Present approval for such purchases extends through to February 17, 2006. During the year ended November 30, 2005, 2,444,900 Class B shares were purchased at a cost of $42.5 million (2004 – 2,099,800 at a cost of $37.4 million) and the excess paid over the book value of the shares purchased for cancellation was charged to retained earnings. It is the Company's intention to file for a one-year extension of the regulatory approval to purchase Class B shares for cancellation.

Note 17:
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 5,953,073 Class B shares could have been granted as at November 30, 2005. 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 2004 and 2005 is summarized as follows:

	Number of Options	Weighted Average Exercise Price
Class B Share Options		
Balance outstanding, November 30, 2003	3,270,080	$ 16.84
Options granted	790,000	18.84
Options cancelled	(166,894)	22.08
Options exercised	(326,582)	7.89
Balance outstanding, November 30, 2004	3,566,604	$ 17.86
Options granted	2,063,000	18.25
Options cancelled	(199,714)	20.27
Options exercised	(648,015)	11.94
Balance outstanding, November 30, 2005	4,781,875	$ 18.72

The following summarizes information about stock options outstanding as at November 30, 2005:

Range of Exercise Price	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	987,250	3.6 years	$ 14.42	227,250	$ 12.52
$17.06 to $17.36	938,000	6.1 years	$ 17.13	2,222	$ 17.06
$17.87 to $18.94	918,250	6.3 years	$ 18.68	343,111	$ 18.37
$19.38	1,010,000	7.0 years	$ 19.38	–	n/m
$19.56 to $27.73	928,375	3.2 years	$ 27.73	785,966	$ 24.64
	4,781,875	5.2 years	$ 18.72	1,358,549	$ 21.02

The outstanding stock options have expiry dates ranging from June 2006 to December 2013. Options granted prior to 2005 require the Company or employee to meet performance criteria for certain of the options to vest.

During 2005 the Company granted 2,063,000 options (2004 – 790,000) and recorded $4.1 million (2004 – $1.8 million) in compensation expense and contributed surplus in respect of the options granted since December 31, 2002. The fair value of options granted during 2005 has been estimated at between $3.70 and $4.30 per share (2004 – between $2.72 and $5.41 per share) using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options on the date of grant:

Risk-free interest rate	4.50%
Expected dividend yield	2.54%
Expected share price volatility	27.00%
Option term	7.00 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 the Company's 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. For the year ended November 30, 2005 these expenses totalled $0.7 million (2004 – $0.6 million).

Note 18:
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:

Years Ended November 30	2005	2004
Numerator $(000s)		
Net income from continuing operations for the year	$ 72,712	$ 74,719
Gain on sale of discontinued operations, net of tax	15,617	–
Net earnings from discontinued operations, net of tax	3,543	2,568
Net income for the year	$ 91,872	$ 77,287
Denominator		
Weighted average number of shares – basic	90,296,830	91,315,426
Dilutive effect of employee stock options	363,139	482,807
Weighted average number of shares – diluted	90,659,969	91,798,233
Earnings Per Share		
Basic from continuing operations	$ 0.81	$ 0.82
Diluted from continuing operations	$ 0.80	$ 0.81
Basic	$ 1.02	$ 0.85
Diluted	$ 1.01	$ 0.84

Note 19:
Investor Compensation

On December 16, 2004 the Ontario Securities Commission ("OSC") reached an agreement with five mutual fund companies (including AGF) over allegations of market timing in Canada's mutual fund industry. As a result of the agreement the Company has compensated individual investors in certain international funds targeted by market timers between August 2000 and June 2003. Selling, general and administrative expenses for the year ended November 30, 2004 included $29.2 million in investor compensation and $1.8 million in expenses relating to amounts due to AGF unitholders. During the year, the entire $29.2 million was deposited into a trust account and all but $6.7 million (consisting of outstanding cheques and institutional accounts) has been disbursed as at November 30, 2005. It is anticipated that this amount will be disbursed in the first quarter of 2006.

Note 20:

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 2005 and 2004 were from the AGF Funds. As at November 30, 2005, the Company had $14.8 million (2004 – $22.0 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 on October 3, 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 Unisen. The aggregate unitholder services costs absorbed and management and advisory fees waived by the Company during the year on behalf of these service agreements were approximately $10.0 million (2004 – $6.6 million).

Note 21:

Related Party Transactions

The Company has entered into certain transactions with entities or senior officers, some of whom are directors of the Company. During 2005, total amounts paid by the Company to these related parties aggregated $0.1 million (2004 – $0.1 million).

Note 22:

Supplemental Disclosure of Cash Flow Information

Interest payments in 2005 were $33.9 million (2004 – $24.1 million).
Income tax payments in 2005 were $26.2 million (2004 – $48.9 million).

Note 23:

Segment Information

The Company has three reportable segments: Investment Management Operations, Trust Company Operations and Other. The Investment Management Segment provides investment management and advisory services and is responsible for the management and distribution of the AGF investment products. AGF Trust Company offers a wide range of trust services including GICs, mortgages, investment loans and RRSP loans. In prior periods the Company had reported a Fund Administration Segment, which consisted of Unisen Holdings Inc. ("Unisen") and Investmaster Group Limited ("Investmaster"). As a result of the sale of Unisen (see note 3) Unisen's operations have been reported as discontinued operations. The results of Investmaster and S&WHL have been included in Other as these entities do not meet the criteria for separate disclosure. AGF's 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.

$(000s) For the Year Ended November 30, 2005	Investment Management Operations	Trust Company Operations	Other	Inter-Segment Elimination	Total
External revenue	$ 509,632	$ 67,302	$ 17,512	$ –	$ 594,446
Intersegment revenue	15	1,100	–	(1,115)	–
Segment revenue	509,647	68,402	17,512	(1,115)	594,446
Operating expenses	279,814	53,918	21,086	(1,115)	353,703
Amortization	134,724	987	3,302	–	139,013
Segment income (loss) before taxes	$ 95,109	$ 13,497	$ (6,876)	$ –	$ 101,730
Included in external revenue					
Interest revenue	$ 1,171	$ 64,919	$ –	$ –	$ 66,090
Total assets	$ 1,052,830	$ 1,545,941	$ 110,896	$ –	$ 2,709,667

$(000s) For the Year Ended November 30, 2004	Investment Management Operations	Trust Company Operations	Other	Inter-Segment Elimination	Total
External revenue	$ 521,484	$ 41,451	$ 22,490	$ –	$ 585,425
Intersegment revenue	(1,149)	1,149	–	–	–
Segment revenue	520,335	42,600	22,490	–	585,425
Operating expenses	295,401	31,461	28,873	–	355,735
Amortization	144,777	1,203	3,214	–	149,194
Segment income (loss) before taxes	$ 80,157	$ 9,936	$ (9,597)	$ –	$ 80,496
Included in external revenue					
Interest revenue	$ 815	$ 39,392	$ –	$ –	$ 40,207
Total assets	$ 1,088,753	$ 829,489	$ 124,550	$ –	$ 2,042,792

Note 24:

Commitments

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

	$(000s)
2006	$ 5,185
2007	3,373
2008	1,716
2009	530
2010	432
Thereafter	2,093

AGF Trust Company has outstanding mortgage commitments at rates of interest prevailing at the time the commitments were issued of $127.2 million as at November 30, 2005 (2004 – $57.7 million). Any interest rate commitment has a term of less than 60 days.

Note 25:

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.

Concurrent with the sale of Unsien 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. In addition, the Company is committed for a 10-year period to reimburse Citifinancial should Citifinancial's annual revenues derived from AGF fund administration services fall below a pre-determined level.

In conjunction with the launch of the Elements portfolios, AGF has committed to 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 of current value of such investment in new units.

Note 26:

Contingent Liabilities

There exist certain claims and potential claims against the Company including potential class action lawsuits related to the Company's agreement with the OSC as detailed in note 19. None of these claims or potential claims are expected to have a material adverse effect on the consolidated financial position of the Company.

Consolidated 10-Year Review

	2005	2004	2003	2002	2001
Operations $(000s)					
Total revenue (continuing operations)	594,446	585,425	546,602	654,103	639,994
Net income	91,872	77,287	44,016	119,839	163,754
Dividends	50,522	37,474	27,150	22,967	19,577
Financial position $(000s)					
Working capital (deficit) (continuing operations)	115,439	52,019	59,547	95,287	(9,950)
Long-term debt (continuing operations)	17,364	68,292	112,192	225,403	165,481
Shareholders' equity	918,326	914,366	903,360	887,566	764,707
Return on equity[1]	10.0%	8.5%	4.9%	14.5%	26.3%
Per share ($)					
Net income – basic	1.02	0.85	0.48	1.34	1.84
Dividends	0.56	0.41	0.295	0.255	0.22
Book value (continuing operations)	10.30	10.08	9.79	9.74	8.56
Mutual fund assets under management at year-end $(000,000s)[2]	22,209	22,747	23,168	23,549	27,827

[1]As percentage of ending shareholders' equity for the year.

[2]Harmony Pools included for years 2001 and later.

2000	1999	1998	1997	1996
508,681	356,703	288,822	236,759	178,993
95,931	61,710	48,777	40,489	22,403
14,092	11,642	9,970	6,491	6,272
(86,692)	55,348	40,186	30,903	5,476
278,051	72,048	81,422	38,000	60,000
480,091	284,244	233,383	192,173	115,565
25.1%	23.8%	22.9%	26.3%	25.2%
1.23	0.80	0.64	0.55	0.37
0.18	0.15	0.13	0.09	0.10
5.78	3.64	3.03	2.53	1.85
26,979	18,705	15,015	12,429	10,075

Corporate Governance Practices

The Corporation established governance practices that are in compliance with National Policy 58-201. The Corporation will continue to review its corporate governance practices in light of ongoing developments in this area. The Corporation and its subsidiaries are engaged in highly regulated businesses and must comply with all the legislative and regulatory requirements for such businesses, including those of securities commissions and regulators of financial institutions.

Best practices in corporate governance in place at AGF Management Limited	
The Board must assume stewardship of the Corporation.	The Board is responsible for the stewardship of the Corporation including overseeing the conduct of the business and affairs of the Corporation.
Board committees should be composed of outside directors.	All three of the Board's committees meet independence guidelines in terms of composition.
The Corporation must disclose the identity of the financial expert on the Audit Committee.	All members of the Audit Committee are financially literate.
Non-management directors must meet at regularly scheduled executive sessions without management.	At each meeting of the Board and Board Committee, time is specifically reserved for independent discussion without management present.
An education program should be provided for new directors.	An orientation and education program is in place for all new directors. They also receive a Corporate Governance information book, which is updated annually and reissued to all directors.
The Corporation must have a written code of ethics and conduct applicable to all directors, officers and employees.	All directors, officers and employees of the Corporation must acknowledge their adherence annually to AGF's Code of Business Conduct and Ethics.
Directors' interests should be aligned with those of shareholders.	All directors own at least three times their annual retainer from the Corporation in AGF Class B Non-Voting Shares.

The Board of Directors

Independence from Management

AGF Management Limited's Board has nine directors, the majority of whom are independent from management. The independent directors are: Douglas L. Derry, Stuart Eagles, David A. King, Winthrop H. Smith Jr. and William Morneau. Walter A. Keyser is an outside director. Representatives from management on the Board are C. Warren Goldring, Blake C. Goldring and W. Robert Farquharson, all of whom are significant shareholders of the Corporation.

Mandate of the Board

The Corporation's Board has responsibility for the stewardship of the Corporation including overseeing the conduct of the business and affairs of the Corporation. The Board has a written mandate, which is reviewed annually. The Board reviews and discusses with management, at least annually, all material relating to the strategic plan, which takes into account the risks and opportunities of the business. The Board also approves any transaction having a significant impact on the strategic plan and other significant decisions that affect the Corporation and its subsidiaries. The Board assesses the effectiveness of the Board Committees based on reports from the Committees. The Board appoints the Chief Executive Officer and other senior management.

The Board meets with senior executives on a regular basis in order to receive and consider reports on the affairs of the Corporation. The Board expects these reports to be comprehensive, accurate and timely. The Board approves all material communications to shareholders. The Board receives and approves annual and interim reports to shareholders, including annual and interim financial statements and management's discussion and analysis. The Board met seven times during the fiscal year ended November 30, 2005.

Biographies of Directors

Douglas L. Derry (2000)
Corporate Director

Douglas Derry is a former Partner at PricewaterhouseCoopers, LLP, where he worked for 29 years until 1997. Mr. Derry sits on the board of several public and private corporations. Mr. Derry holds an Honours BA in Business Administration from the University of Western Ontario and is a Fellow of the Institute of Chartered Accountants of Ontario.

Stuart Eagles (1995)
President, Aegean Developments Inc.

Stuart (Stu) Eagles spent 39 years with the Canadian Pacific group of companies and was a Director of a number of leading Canadian Corporations. He was Chairman, President and CEO of Marathon Reality Company and President of Canadian Pacific Enterprises. He holds a BSc and Honorary DCL from Acadia University where he served on the Board of Governors for 15 years. He is currently a real estate consultant to a major pension fund.

Blake C. Goldring (2000)
President and CEO, AGF Management Limited

Blake Goldring joined AGF in 1987 and held a series of senior positions before being appointed President and COO in 1997 and CEO in 2000. Prior to that, he worked in corporate banking for a major Canadian bank. Mr. Goldring holds a degree in economics from the University of Toronto and an MBA from INSEAD in France. He holds the Charter of Financial Analyst designation and is a member of the Toronto Society of Financial Analysts and a Fellow of the Institute of Canadian Bankers. He is also Chairman and CEO of AGF Trust Company.

C. Warren Goldring (1960)
Chairman, AGF Management Limited

Warren Goldring co-founded AGF in 1957. He has a long and distinguished career in brokerage and as a portfolio manager. In 1975, he was named President of AGF and in 1983 was appointed Chairman. Mr. Goldring studied economics and political science at the University of Toronto before winning a scholarship to study at the London School of Economics.

Walter A. Keyser (1973)
President, W.A. Keyser & Associates Ltd.

Walter Keyser is President of W.A. Keyser & Associates Ltd., a firm he founded in 1978. Prior to that, he spent more than 20 years working in financial services. His career includes the position of Chairman and CEO of Heitman Financial Services Canada Ltd., a Chicago-based multi-national real estate investment management firm, as well as 14 years at an investment dealer. Mr. Keyser holds an Honours BA from The Ivey School of Business at the University of Western Ontario.

David A. King (1988)
President, David King Corporation

David King has a long history in North American real estate markets, commencing in the early 1960s with Sears Canada's real estate department, was a Senior Officer of Cambridge Shopping Centres Limited for six years and was a Senior officer and president of Campeau Corporation for 15 years. Since 1988 Mr. King has pursued various private business interests. He is currently Vice-Chairman and Director of Morguard Corporation, Chairman and Trustee of Morguard Real Estate Investment Trust and Director of Intrawest Corporation, Revenue Properties Company Limited and Tri-White Corporation.

William Morneau (2000)
President and CEO of Morneau Sobeco

William (Bill) Morneau joined pension and benefits consulting firm Morneau Sobeco in 1987 and held a series of progressively senior positions. He became President in 1992 and President and CEO in 1998. Mr. Morneau holds a BA from the University of Western Ontario, an MSc in economics from the London School of Economics and an MBA from INSEAD in France.

Winthrop H. Smith, Jr. (2002)
Chairman, WHS Holdings LLC

Winthrop Smith spent 27 years at Merrill Lynch, where he was most recently Executive Vice-President, Chairman, Merrill Lynch & Co., and President, International Private Client Group, Merrill Lynch International, USA. Mr. Smith holds an undergraduate degree from Amherst College and an MBA from the Wharton School of Business, University of Pennsylvania.

W. Robert Farquharson (1977)
Vice-Chairman, AGF Management Limited

Robert (Bob) Farquharson serves as Vice-Chairman at AGF. He joined AGF in 1963 as an analyst and remains today as a portfolio manager. Mr. Farquharson earned a Bachelor of Commerce degree from the University of Toronto and holds the Chartered Financial Analyst designation. He is also chairman of AGF Asset Management Asia and a director of AGF International Advisors Company Limited.

The date next to each name indicates the year in which that person first became a director.

Committees of the Board

The Board has established three Committees: the Nominating and Corporate Governance Committee, the Audit Committee and the Compensation Committee. The key responsibilities of each Committee is described below. Each independent director, who serves as Chairman of a Committee, is responsible for directing the meetings of the Committee and for ensuring that the roles and responsibilities of the Committee have been met. The Chairman of the Committee is also responsible for reporting to the Board on those matters that the Committee dealt with since the last regular meeting of the Board. Each Committee regularly examines its effectiveness in fulfilling its roles and responsibilities and reports its findings to the Board. The Committees may convene meetings without management present whenever the Committees feel it is necessary. Each Chairman also acts as a liaison between management and the Board.

Committees of the Board

Committee	Members	Key Responsibilities
Nominating and Corporate Governance Committee	**Stuart E. Eagles** *(Chair)* **Douglas L. Derry** **William Morneau**	**Responsibilities of the Nomination and Corporate Governance Committee** Review and recommend to the Board, the Corporation's approach to governance issues. Consider the size and composition of the Board and make recommendations to the Board to facilitate effective decision making. Review at least annually, Committee Charter as well as the Charters of the Board, the Audit Committee, the Compensation Committee and any other regular Committee, as may be established by the Board from time to time, and recommend to the Board the adoption of or amendments to such Charters. Identify, review and recommend new director nominees to the Board. Evaluate the contribution of each individual director.
Audit Committee	**Douglas L. Derry** *(Chair)* **David A. King** **Winthrop H. Smith, Jr.**	**Responsibilities of the Audit Committee** Oversee the integrity of financial reporting. Oversee internal controls and disclosure controls. Oversee internal audit function including the resolution of disagreements between management and the internal auditor regarding internal controls. Be directly responsible for the selection, compensation, retention and oversight of the work of the shareholders' auditors including the resolution of disagreements between management and the external auditors; the shareholder's auditors report directly to the Committee.
Compensation Committee	**William Morneau** *(Chair)* **David A. King** **Winthrop H. Smith, Jr.**	**Responsibilities of the Compensation Committee** Review, assess and oversee the executive compensation policies and programs and monitor the overall effectiveness of the Corporation's general compensation programs in achieving its strategic objectives. Set performance objectives for the CEO which encourage the Corporation's long-term financial success and regularly measure the CEO's performance against these objectives. Review management plans for management succession. Review the compensation and performance objectives of all executive officers.

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 process and volumes of the Corporation's Class B Non-Voting Shares are not adversely affected by a lack of information in the marketplace. The Chief Executive Officer or another senior officer of the Corporation promptly responds to shareholder inquiries.

Code of Business Conduct and Ethics

All directors, officers and employees of the Corporation and its Canadian subsidiaries are subject to a Code of Business Conduct and 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 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. All directors, officers and employees of the Corporation and Canadian subsidiaries are required to review and sign the Code annually.

Full disclosure on Corporate Governance Practices, including Board and Committee Charters, is included in the Annual Information Form.

Board of Directors

AGF Management Limited and AGF Trust Company

Douglas L. Derry, FCA [4]
Stuart E. Eagles [5, 6]
W. Robert Farquharson, CFA
Blake C. Goldring, CFA [2]
C. Warren Goldring [1]
Walter A. Keyser
David King
William Morneau [7]
Winthrop H. Smith, Jr.

Mutual Fund Corporations and Trusts

Philippe Casgrain, Q.C.
W. Robert Farquharson, CFA
C. Warren Goldring
David Hale
Martin Hubbes, CFA
H. Ian Macdonald
Joseph E. Martin
John B. Newman [3, 4]

AGF Asset Management Asia Ltd.

W. Robert Farquharson, CFA [3]
Blake C. Goldring, CFA
Dr. Soo Ann Lee
Yong Siang Lee
Eng Hock Ong

AGF International Advisors Company Limited

John L. Arnold
Joseph D. Casey
W. Robert Farquharson, CFA
C. Warren Goldring [3]
Christopher Charles Lyttelton
Brian S. Perry
Ian Steers

[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] Chairman of the Nominating and Corporate Governance Committee of AGF Management Limited
[6] Chairman of the Conduct Review Committee of AGF Trust Company
[7] Chairman of the Compensation Committee of AGF Management Limited

Executive Officers

AGF Management Limited and AGF Funds Inc.

C. Warren Goldring
Chairman of the Board

Blake C. Goldring, CFA
President & Chief Executive Officer

W. Robert Farquharson, CFA
Vice-Chairman

Randy Ambrosie
Executive Vice-President, Sales & Marketing

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

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

Beatrice Ip
Senior Vice-President & Corporate Secretary

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

Portfolio Managers

W. Robert Farquharson, CFA
Vice-Chairman

Martin Hubbes, CFA
Executive Vice President & Chief Investment Officer

Scott D. Colbourne, CFA
Senior Vice-President

Anthony Genua, CFA
Senior Vice-President

Keith Graham, CFA
Senior Vice-President

Christine Hughes, CFA
Senior Vice-President

Stephen W. Way, CFA
Senior Vice-President

Charles Oliver, CFA
Vice-President

Patricia Perez-Coutts, CFA
Vice-President

Tristan Sones, CFA
Vice-President

Zoran Vojvodic, CFA
Vice President

Auditors
PricewaterhouseCoopers LLP

Registrar and Transfer Agents
Computershare Trust Company of Canada
1 800 564-6253

Stock Exchange Listing
Toronto Stock Exchange, AGF.NV

AGF Corporate Directory

AGF Management Limited
P.O. Box 50
Toronto-Dominion Centre
Toronto, ON M5K 1E9
Web Site: 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 Private Investment Management Limited
1200 McGill College Avenue
Suite 2000
Montreal, Quebec H3B 4G7

Cypress Capital Management
Suite 1700-1055
West Georgia Street
PO Box 11136
Vancouver, BC V6E 3P3

P.J. Doherty & Associates Limited
56 Sparks Street
Suite 700
Ottawa, Ontario K1P 5A9

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

Investmaster Group Limited
Princes House
5 Granville Road
Leicester, LE1 7RU, UK

Design and production: AGF Marketing Photography: Patrick Fordham Printing: Bowne of Canada, Ltd. Editorial: BarnesMcInerney Inc.

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