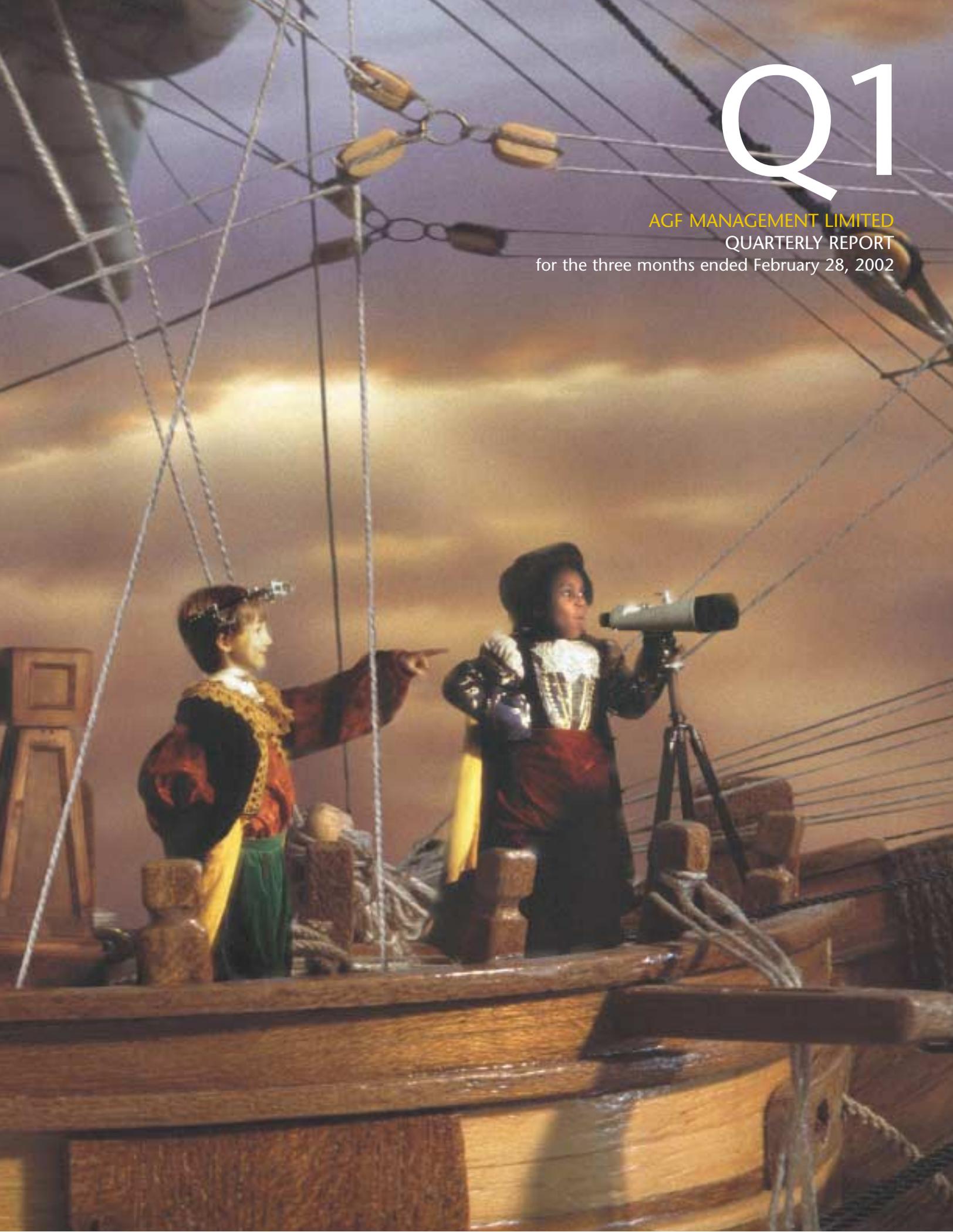


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AGF MANAGEMENT LIMITED
QUARTERLY REPORT
for the three months ended February 28, 2002



we must
see what
others don't

and anticipate,
not follow

dear fellow shareholders

I'm very pleased to report our results for the three months ended February 28, 2002, which demonstrate that AGF continues to benefit from its solid financial platform and strong operating cash flow. Robust net sales during the RSP season of \$646.4 million have given us critical momentum at the beginning of the year and our total assets under management reached a new high of \$36 billion earlier in March.

As detailed in the consolidated financial statements and Management's Discussion and Analysis, the adoption of new accounting policies for goodwill and other intangible assets and income taxes have caused significant fluctuations in net income, which distort year-over-year performance comparisons. For this reason, cash flow provides a more relevant measure to compare the two periods. Free cash flow from operations in the first quarter of fiscal 2002 almost doubled to \$29.5 million from \$15.0 million in the same period last year.

AGF's continued strong performance allowed us to increase the quarterly dividend rate on the Class B non-voting shares and Class A voting common shares by 8.3 per cent to six-and-a-half cents (6.5¢) per share.

During the first quarter, we also took steps to ensure that AGF's performance will remain strong in the future.

With the unexpected announcement on March 25, 2002, by Brandes Investment Partners that they would be breaking their exclusive relationship with AGF, we moved quickly to launch a worldwide search for best-in-class subadvisors on these portfolios. We believe we have an important opportunity to diversify this \$10 billion in assets under management and to build upon our superior investment management capabilities, resonant brand and exceptional relationships with advisors.

During the quarter, we also expanded our third-party administrative services business through the acquisition of the fund valuation and shareholder record keeping business from the Toronto-Dominion Bank. This is an exciting initiative that transforms AdminSource into the leading provider of full service administrative services to the investment fund industry in Canada and situates us at the forefront of consolidation in this business.

As the economic recovery gathers speed and markets gain momentum, I believe AGF is well positioned to reap rewards from its outstanding brand, committed team of investment advisors across Canada and a consistent focus on cost control.



Blake C. Goldring, CFA
President & Chief Executive Officer
March 27, 2002

management's discussion and analysis

Management's Discussion and Analysis ("MD & A") presents an analysis of the financial condition of AGF Management Limited ("AGF") and its subsidiaries (collectively referred to as the "Corporation") as at February 28, 2002 compared with November 30, 2001, and the results of operations for the three months ended February 28, 2002 compared with the corresponding period of 2001. It should be read in conjunction with the MD & A included in the Corporation's 2001 annual report.

Results of Operations

Consolidated net income for the three months ended February 28, 2002 was \$33.9 million as compared with net income of \$62.2 million for the three months ended February 28, 2001. Diluted earnings per share were \$0.37, down from \$0.68 per share a year ago. Cash flow from operations (before net change in non-cash balances related to operations) for the three months ended February 28, 2002 was \$68.8 million (\$0.75 per share diluted) as compared with \$76.3 million (\$0.83 per share diluted) for the corresponding period in 2001. The comparative results reflect, in part, the more favourable overall economic and investment market conditions which prevailed during the first quarter of 2001 as compared to the same period this year. In addition, the new accounting policies for goodwill and other intangible assets (adopted December 1, 2001) and income taxes (adopted December 1, 2000) described below have caused significant fluctuations in net income between the two periods. Accordingly, the Corporation believes it is more meaningful to focus on cash flow from operations for the purpose of comparing year-over-year performance.

Impacts of accounting changes

Effective December 1, 2001, the Corporation adopted the new accounting policy for goodwill and other intangible assets as required by Canadian accounting standards (Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3062) without restatement of prior periods. Under the new policy, goodwill and other intangible assets with an indefinite useful life are no longer amortized but are subject to annual impairment tests. Intangible assets that do not have an indefinite life will continue to be amortized over their estimated useful lives.

The Corporation's carrying value of goodwill amounted to \$114.3 million on the date of policy adoption. In addition, based on the terms of the contracts, industry economics and other factors, including management's interpretation of the new accounting standards, the Corporation determined that mutual fund management contracts with an aggregate carrying value of \$473.7 million as at December 1, 2001 have an indefinite useful life. However, if, due to changes in circumstances or the release of new accounting guidelines by the CICA on this subject, these management contracts are subsequently determined to have finite useful lives, they will then be amortized over their estimated remaining useful lives. The adoption of Section 3062, as described in Note 1 to the interim consolidated financial statements, increased net income for the three months ended February 28, 2002 by \$12.7 million. Presently, the Corporation does not expect any impairment losses to result from the initial impairment testing on the carrying value of goodwill which will be completed by the end of the second quarter.

The Corporation also adopted, effective December 1, 2001, a new accounting policy for the calculation of earnings per share in accordance with Section 3500 of the CICA Handbook. The impact of this change on the Corporation's basic and diluted per share amounts is not significant.

Effective December 1, 2000, the Corporation changed its method of accounting for income taxes from the deferral method to the liability method as required under Section 3465 of the CICA Handbook. The adoption of Section 3465, together with the reduction in federal income tax rates that were substantively enacted during the first quarter of 2001, increased net income by \$34.7 million for the three months ended February 28, 2001.

Revenue

Revenue of the wealth management operations was \$158.2 million for the three months ended February 28, 2002, a decline of 0.4% from \$158.9 million for the corresponding period in 2001. These amounts comprised the following:

(IN MILLIONS OF DOLLARS)

Three months ended February 28	2002		2001	
	Amount	% of Total	Amount	% of Total
Net management and advisory fees	\$ 132.9	84.0	\$ 132.7	83.6
Administration fees and other revenue	17.5	11.1	18.5	11.6
Deferred sales charges	7.3	4.6	7.2	4.5
Investment income	0.5	0.3	0.5	0.3
Total	\$ 158.2	100.0	\$ 158.9	100.0

Management and advisory fee revenue, net of distribution fees, increased to \$132.9 million for the three months ended February 28, 2002 from \$132.7 million for the same period a year ago. Management and advisory fees are calculated based on the average daily mutual fund assets managed by the Corporation. Average daily mutual fund assets under management were \$28.27 billion for the three months ended February 28, 2002 as compared to \$28.05 billion for the same period in 2001.

Mutual fund assets, including the AGF Harmony Pools, stood at \$28.70 billion as at February 28, 2002 with the equity funds representing 75.7% of these assets. This compared to \$27.83 billion (74.2% equity funds) and \$27.82 billion (73.8% equity funds), respectively, as at November 30, 2001 and February 28, 2001. During the first quarter of 2002, which includes much of the RRSP season, the Corporation continued to be one of the leaders in net sales amongst the Canadian independent mutual fund companies and achieved net mutual fund sales of \$646.4 million. In addition, market appreciation of fund portfolios added \$231.9 million to assets under management, as equity markets have advanced in response to encouraging news of economic recovery.

Administration fees and other revenue, which include third-party administration revenue and investment advisory fees, declined 5.0% to \$17.5 million for the three months ended February 28, 2002 from \$18.5 million a year ago. The decrease is mainly attributable to the timing of revenue earned in respect of certain third-party administration contracts.

On January 31, 2002, AdminSource Inc. ("AdminSource"), a wholly-owned subsidiary of AGF, acquired the third-party fund valuation and shareholder record keeping business of The Toronto-Dominion Bank ("TD Bank"). This acquisition expanded the customer base of this business segment to over 60 clients and contributed to a 56.7% increase in AdminSource's revenue for the three months ended February 28, 2002 as compared with the same period in 2001.

Investment advisory fee revenue increased 22.7% for the three months ended February 28, 2002 as compared to 2001. Total assets under management for high-net-worth individuals and institutional clients stood at \$5.87 billion as at February 28, 2002.

Deferred sales charge ("DSC") revenue amounted to \$7.3 million as compared to \$7.2 million for the corresponding period in the prior year. The amount of DSC revenue is a function of the level of redemptions and the applicable DSC schedule. At an annualized rate of 13.6% of mutual fund assets as at February 28, 2002, the Corporation's redemption rate continues to be below the industry average.

Expenses

Selling, general and administrative expenses ("SG&A") were \$29.7 million for the three months ended February 28, 2002, an increase of \$1.2 million over the same period in the prior year. The increase is attributable to higher costs incurred to expand the Corporation's third-party administration operations.

Trailing commissions increased by 10.6% to \$34.4 million for the three months ended February 28, 2002 from \$31.1 million in the previous year. Trailing commissions increased as a result of the higher

equity component of assets under management and a greater percentage of mutual funds currently purchased by investors on a front-end load basis.

Reflecting the growth in mutual fund assets advised by external investment advisors, investment advisory fees increased from \$11.9 million for the three months ended February 28, 2001 to \$12.3 million for the same period in 2002.

Amortization of deferred selling commissions increased 23.0% to \$28.1 million for the three months ended February 28, 2002 because of the continued financing by the Corporation of the selling commissions paid on mutual funds purchased on a deferred sales charge basis. Amortization of management and customer contracts and goodwill declined 73.9% to \$3.3 million for the three months ended February 28, 2002 as compared to \$12.6 million for the same period last year. Effective December 1, 2001, the Corporation ceased the amortization of goodwill and management contracts with an indefinite life as a result of the change in accounting policy described in Note 1 to the interim consolidated financial statements. The Corporation continues to amortize investment advisory and customer contracts with finite lives on a straight-line basis over their estimated useful lives.

Interest expense amounted to \$2.3 million for the three months ended February 28, 2002 as compared with \$4.5 million for the prior year. The decline reflects lower prevailing interest rates and significantly reduced levels of bank and other debt outstanding during the three months ended February 28, 2002 as compared to 2001.

The Corporation's effective income tax rate for the first quarter of 2002 was 22.1% as compared to the statutory rate of 38.8%. The effective rate includes the impact of the discontinuation of the amortization of goodwill and management contracts which resulted in a net reduction in future income taxes of \$1.6 million.

Trust Company Operations

AGF Trust Company (the "Trust Company") recorded a net loss of \$0.4 million for the three months ended February 28, 2002, as compared with net income of \$0.5 million for the same period last year. This loss is due to a decline in net investment income and an increase in expenses relating mainly to the new RRSP loan program.

The past three months has been a period of rapid growth for the Trust Company. The RRSP loan program, which was launched on December 3, 2001, has been very successful and as at February 28, 2002, the RRSP loan portfolio stood at \$56.4 million. Net investment income for the three months ended February 28, 2002 fell to \$1.0 million, compared with \$1.1 million for the three months ended February 28, 2001. While investment income increased by \$0.7 million to \$4.2 million for the three months ended February 28, 2002 compared with the same period last year, advance deposit gathering activities in anticipation of heavy loan volumes during the RRSP season increased investment expense by \$0.8 million compared with the same period last year. As RRSP loans are funded from these cash reserves, higher investment income at RRSP loan rates will be generated. The provision for loan losses has increased significantly, totaling \$0.6 million for the three months ended February 28, 2002, compared with \$0.1 million for the same period last year. This increase is due to the high volume of RRSP loans that were originated during the 2002 period.

The Trust Company's balance sheet and financial position remained sound. Total assets grew significantly to \$352.2 million at February 28, 2002, up 85.7% and 44.7% from February 28, 2001 and November 30, 2001 respectively. The assets to capital multiple stood at 13.6 times, up from 13.1 times at November 30, 2001 and well within the maximum permitted multiple of 17.5 times.

Cash Flow and Liquidity

Cash flow from operations (before net change in non-cash balances related to operations) declined 9.8% to \$68.8 million for the three months ended February 28, 2002 from \$76.3 million for the same period a year ago. Cash and short-term investments amounted to \$95.2 million as at February 28, 2002, an increase of \$42.4 million from November 30, 2001.

The Corporation paid \$39.2 million of selling commissions during the three months ended February 28, 2002 as compared with \$61.3 million in the first quarter of 2001. The decline in selling

commissions paid in the first quarter of 2002 versus 2001 reflects the lower level of gross mutual fund sales and an industry-wide trend towards a higher percentage of front-end load sales. Free cash flow from operations (defined as cash flow from operations less selling commissions paid) almost doubled from \$15.0 million for the three months ended February 28, 2001 to \$29.5 million in this year's comparable period.

During the three months ended February 28, 2002, the Corporation drew an additional \$44.5 million against its \$150.0 million revolving term loan facility, increasing the amount outstanding to \$63.3 million at February 28, 2002. The proceeds were used, in part, to fund the acquisition of the third-party fund valuation and record keeping business of TD Bank.

The Corporation has no off balance sheet financing other than the mutual fund limited partnerships and deferred selling commission financing agreement disclosed in Notes 12 and 13 to the consolidated financial statements for the year ended November 30, 2001. These financing arrangements were commonly used by mutual fund management companies to finance selling commissions paid on mutual funds sold on a deferred sales charge basis. The Corporation has generally been financing these selling commissions internally in recent years.

Given its strong operating cash flow and the available revolving term loan facility, the Corporation believes it has sufficient liquidity to support its business operations, including the funding of selling commissions, for the balance of fiscal 2002.

Financial Position

Total assets of the Corporation amounted to \$1.69 billion as at February 28, 2002 as compared to \$1.55 billion at November 30, 2001. Shareholders' equity increased \$29.0 million during the quarter to \$793.7 million as at February 28, 2002.

As at February 28, 2002, the Corporation's long-term debt (excluding the portion due within one year) stood at \$199.4 million, resulting in a debt to equity ratio of 0.25 to 1. This compares with a debt to equity ratio of 0.22 to 1 as at November 30, 2001.

Outlook

The Corporation has completed another successful RRSP season by posting strong net sales of mutual funds during the period and as of mid-March 2002, total assets under management have reached a record level of approximately \$36 billion. With consumer confidence and other economic indicators pointing to a recovery, the investment climate and mutual fund industry sales flows should continue to improve in the coming months.

On March 25, 2002, Brandes Investment Partners ("Brandes"), sub-advisor of AGF International Value Fund, AGF International Stock Class, AGF RSP International Value Fund and AGF Emerging Markets Value Fund announced their decision to break their investment advisory contracts in respect of these funds. The relationship is significant to wealth management operations as the funds advised by Brandes had net assets of \$10.3 billion as of March 25, 2002 and accounted for approximately 85% of the Corporation's net mutual fund sales during the three months ended February 28, 2002. Brandes will continue to sub-advise the funds for 90 days and the Corporation has an option to extend the termination date to December 31, 2002. The Corporation has launched a comprehensive worldwide search for replacement investment advisors for these funds and the selection could impact the level of mutual fund sales and redemptions in future months.

Forward Looking Statements

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

Consolidated Balance Sheets

(IN THOUSANDS OF DOLLARS)
(UNAUDITED)

	February 28, 2002	November 30, 2001
ASSETS		
Wealth Management Operations		
Current assets		
Cash and term deposits	\$ 13,905	\$ 1,445
Short-term investments	20,439	22,021
Accounts receivable and prepaid expenses	51,953	56,042
	<u>86,297</u>	<u>79,508</u>
Investment in associated company	27,029	27,435
Other investments	8,811	8,811
Management contracts (note 1)	473,670	473,670
Customer contracts, net of accumulated amortization (note 1)	104,286	82,069
Deferred selling commissions, net of accumulated amortization	490,512	479,409
Property and equipment, net of accumulated amortization	34,888	37,617
Goodwill, net of accumulated amortization (note 1)	114,260	114,260
	<u>1,339,753</u>	<u>1,302,779</u>
Trust Company Operations		
Cash and term deposits	60,855	29,355
Accounts receivable and other assets	7,798	5,569
Investments	4,843	4,843
Mortgages and consumer loans	278,683	203,544
	<u>352,179</u>	<u>243,311</u>
	<u>\$ 1,691,932</u>	<u>\$ 1,546,090</u>
LIABILITIES		
Wealth Management Operations		
Current liabilities		
Accounts payable and accrued liabilities	\$ 51,545	\$ 62,296
Long-term debt due within one year (note 4)	48,896	48,896
Income taxes payable	1,005	7,762
	<u>101,446</u>	<u>118,954</u>
Long-term debt (note 4)	199,390	165,481
Participation units	6,157	6,157
Future income taxes	265,271	266,834
Non-controlling interest in subsidiary	—	83
	<u>572,264</u>	<u>557,509</u>
Trust Company Operations		
Accounts payable and accrued liabilities	7,100	5,428
Deposits	318,907	218,446
	<u>326,007</u>	<u>223,874</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 3)	361,705	361,401
Retained earnings	431,486	402,964
Foreign currency translation adjustment	470	342
	<u>793,661</u>	<u>764,707</u>
	<u>\$ 1,691,932</u>	<u>\$ 1,546,090</u>

Consolidated Statements of Income

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

Three months ended February 28	2002	2001
Revenue		
Wealth Management Operations		
Net management and advisory fees	\$ 132,893	\$ 132,741
Administration fees and other revenue	17,536	18,451
Deferred sales charges	7,274	7,157
Investment income	515	518
	<u>158,218</u>	<u>158,867</u>
Trust Company interest, dividends and administration fees	4,370	3,644
	<u>162,588</u>	<u>162,511</u>
Expenses		
Wealth Management Operations		
Selling, general and administrative	29,666	28,456
Trailing commissions	34,395	31,090
Investment advisory fees	12,288	11,920
Amortization of deferred selling commissions	28,145	22,884
Amortization of management and customer contracts	3,289	10,445
Amortization of goodwill	—	2,175
Amortization of property and equipment	3,904	2,857
Interest expense	2,274	4,520
	<u>113,961</u>	<u>114,347</u>
Trust Company Operations		
Interest on deposits	3,014	2,318
General and administrative	1,641	651
Provision for loan losses	553	80
	<u>5,208</u>	<u>3,049</u>
	<u>119,169</u>	<u>117,396</u>
Income before income taxes and non-controlling interest	43,419	45,115
Income taxes		
Current	11,292	7,017
Future	(1,678)	(24,051)
	<u>9,614</u>	<u>(17,034)</u>
Net income before non-controlling interest	33,805	62,149
Non-controlling interest share of loss of subsidiary	83	92
Net income for the period	<u>\$ 33,888</u>	<u>\$ 62,241</u>
Earnings per share (note 1)		
Basic	\$ 0.38	\$ 0.70
Diluted	\$ 0.37	\$ 0.68

Consolidated Statements of Retained Earnings

(IN THOUSANDS OF DOLLARS)
(UNAUDITED)

Three months ended February 28	2002	2001
Retained earnings, beginning of period	\$ 402,964	\$ 258,838
Net income for the period	33,888	62,241
	436,852	321,079
Deduct:		
Dividends on Class A and Class B shares	5,366	4,424
Retained earnings, end of period	\$ 431,486	\$ 316,655

Consolidated Statements of Cash Flow

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

Three months ended February 28	2002	2001
Operating activities		
Net income for the period	\$ 33,888	\$ 62,241
Items not affecting cash -		
Amortization of deferred selling commissions	28,145	22,884
Future income taxes	(1,678)	(24,051)
Amortization of management and customer contracts	3,289	10,445
Amortization of goodwill	—	2,175
Amortization of property and equipment	3,904	2,857
Other	1,230	(276)
	<u>68,778</u>	<u>76,275</u>
Net increase in non-cash balances related to operations	(14,081)	(65,050)
	<u>54,697</u>	<u>11,225</u>
Financing activities		
Net change in Class B shares	304	132,305
Dividends	(5,366)	(4,424)
Increase (decrease) in bank loan	35,650	(97,450)
Decrease in notes and instalment payable	(1,747)	(1,752)
Increase in Trust Company deposits	100,461	9,173
	<u>129,302</u>	<u>37,852</u>
Investing activities		
Deferred selling commissions paid	(39,248)	(61,325)
Acquisition of third-party administration business (note 2)	(25,506)	—
Investment in associated company	—	(9,265)
Purchase of property and equipment	(1,175)	(7,120)
Purchase of investments	—	(30)
Purchase of investments-Trust Company Operations	—	(39)
Increase in Trust Company mortgages and consumer loans	(75,692)	(6,784)
	<u>(141,621)</u>	<u>(84,563)</u>
Increase (decrease) in cash and cash equivalents during the period	42,378	(35,486)
Balance of cash and cash equivalents, beginning of period	52,821	107,097
Balance of cash and cash equivalents, end of period	\$ 95,199	\$ 71,611
Represented by:		
Cash and term deposits		
Wealth Management Operations	\$ 13,905	\$ 29,807
Trust Company Operations	60,855	15,130
Short-term investments	20,439	26,674
	<u>\$ 95,199</u>	<u>\$ 71,611</u>
Cash flow from operations per share (before net change in non-cash balances related to operations)		
Basic	\$ 0.77	\$ 0.86
Diluted	\$ 0.75	\$ 0.83

notes to consolidated financial statements

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2002 AND FEBRUARY 28, 2001 (UNAUDITED)
(IN DOLLARS, EXCEPT AS OTHERWISE STATED)

These unaudited interim consolidated financial statements of AGF Management Limited ("AGF") have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies as AGF's consolidated financial statements for the year ended November 30, 2001, except for the changes in accounting policies described in note 1. These financial statements should be read in conjunction with the consolidated financial statements for the year ended November 30, 2001, as set out in AGF's 2001 Annual Report.

1. Changes in accounting policies

Goodwill and other intangible assets

On December 1, 2001, AGF adopted the Canadian Institute of Chartered Accountants' (CICA) Handbook section 3062, "Goodwill and Other Intangible Assets". A total of \$11.4 million of goodwill related to an investment in NCL (Securities) Limited, an associated company accounted for by the equity method, was reclassified to customer contracts as a result of the adoption of section 3062.

Management contracts have been determined to have an indefinite life and the carrying values are not subject to amortization. Other intangible assets having finite lives include customer contracts, customer relationships and investment advisory contracts. These intangible assets are being amortized on a straight-line basis, based on their estimated useful lives, which range from 5 to 15 years.

At the time of preparation of these interim consolidated financial statements, AGF had not yet completed its impairment testing on the carrying value of goodwill as at the policy adoption date. No impairment losses are expected as a result of the testing.

The provisions of section 3062 require that amortization of goodwill and intangible assets with an indefinite life cease upon adoption of section 3062. Adoption of this accounting policy resulted in a \$11.1 million decrease in amortization of goodwill and management contracts and a \$1.6 million decrease in future income tax expense in the three months ended February 28, 2002. Section 3062 also requires the following disclosures:

	\$(000)'s	
Three months ended February 28	2002	2001
Reported net income	\$ 33,916	\$ 62,241
Add back:		
Goodwill amortization	—	2,175
Management contract amortization, net of taxes	—	6,741
Net income adjusted for goodwill and management contract amortization	\$ 33,916	\$ 71,157
Earnings per share		
Basic - Reported	\$ 0.38	\$ 0.70
Basic - Adjusted	\$ 0.38	\$ 0.80
Diluted - Reported	\$ 0.37	\$ 0.68
Diluted - Adjusted	\$ 0.37	\$ 0.78

Earnings per share (EPS)

On December 1, 2001, AGF adopted CICA Handbook section 3500, "Earnings per share." The new recommendations require the use of the treasury stock method in computing diluted EPS. The requirements of section 3500 were adopted retroactively and basic and diluted EPS figures for prior periods have been restated. Upon restatement, AGF's basic EPS for the three months ended February 28, 2001 was unchanged and diluted EPS for the three months ended February 28, 2001 was increased by \$0.01.

Interim financial statements

On December 1, 2001, AGF adopted CICA Handbook section 1751, "Interim Financial Statements", which changes the requirements for the presentation and disclosure of interim financial statements and their accompanying notes.

2. Acquisition of third-party administration business from The Toronto-Dominion Bank

On January 31, 2002, AGF, through its wholly owned subsidiary AdminSource Inc., acquired the TD Bank's third-party shareholder record keeping and fund valuation business for cash consideration of \$25.5 million including acquisition costs. The transaction was an asset purchase and the entire purchase price was assigned to the intangible asset, Customer contracts and relationships. The intangible asset is being amortized over its estimated useful life of seven years. The acquired business, which is based in Toronto, provides shareholder record keeping and fund valuation services to a variety of investment management firms. AdminSource Inc. plans to integrate this business into its operations over the next 12 months. The results of operations of the acquired business have been included in these interim consolidated financial statements since the closing date of the transaction.

3. 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) Equity offering of Class B shares

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

(c) Movement during the period

The movement in capital stock during the three months ended February 28, 2002 is summarized as follows:

	Number of shares issued	Amount (000's)
Class B shares		
Balance, November 30, 2001	89,280,587	\$ 361,401
Issued through dividend reinvestment plan	382	10
Stock options exercised	143,743	294
Balance, February 28, 2002	89,424,712	361,705
Class A shares		
Balance, February 28, 2002 and November 30, 2001	57,600	—
Total stated capital		\$ 361,705

(d) Class B shares purchased for cancellation

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B shares through the facilities of The Toronto Stock Exchange. Present approval for such purchases extends through to February, 2003.

(e) Stock option plans

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 5,621,937 Class B shares could have been granted as at February 28, 2002. Stock options are vested to the extent of 25% to 33% of the individual's entitlement per annum.

The movement in stock options during the three months ended February 28, 2002 is summarized as follows:

	Number of options	Weighted average exercise price
Class B share options		
Balance outstanding, November 30, 2001	4,066,457	\$ 9.61
Options granted	—	
Options cancelled	6,583	\$ 11.16
Options exercised	(143,743)	\$ 2.05
Balance outstanding, February 28, 2002	3,929,297	\$ 9.88

4. Long-term debt

(000's)	February 28, 2002	November 30, 2001
Bank loans		
Fully amortizing term loan	\$ 132,750	\$ 141,600
Revolving term loan	63,300	18,800
Notes payable due November 22, 2004	14,291	14,906
Notes payable due April 30, 2013	28,928	30,059
Instalment payable due July 31, 2002	8,527	8,527
Loan notes due September 30, 2004	490	485
	<u>248,286</u>	<u>214,377</u>
Less: amount included in current liabilities	<u>48,896</u>	<u>48,896</u>
	<u>\$ 199,390</u>	<u>\$ 165,481</u>

Fully amortizing term loan

At February 28, 2002, the Corporation has drawn the facility in the form of a 90-day BA at an effective interest rate of 2.55% per annum.

Revolving term loan

As at February 28, 2002, the Corporation has drawn \$63.3 million against the available loan amount of \$150.0 million in the form of 5-day and 28-day BAs at an effective interest rate of 2.49% per annum.

5. Interest rate swap and foreign exchange hedge transactions

The Corporation has entered into, for hedging purposes, three interest rate swap transactions (the "Swap Transactions") with a Canadian chartered bank. The Swap Transactions expire between October 28, 2007 and January 27, 2008. They involve the exchange of three-month bankers' acceptance floating interest rates for fixed interest rates of 5.47% to 5.56% per annum. As at February 28, 2002, the aggregate notional amount of the Swap Transactions was \$56.7 million. The aggregate fair value of the Swap Transactions, which represents the amount that would be paid (received) by the Corporation if the transactions were terminated at February 28, 2002, was \$2,044,000.

To hedge its currency exposure and to fix the interest rate on borrowings in connection with a Japanese yen denominated investment, the Corporation has entered into a cross currency swap transaction which expires on November 29, 2004. It involves the exchange of three-month bankers' acceptance floating interest rates on a notional amount of CDN \$3,293,000 for a fixed interest rate of 0.67% per annum on a notional amount of JPY ¥256,000,000. The aggregate fair value of the cross currency swap transaction, which represents the amount that would be paid (received) by the Corporation if the transaction was terminated at February 28, 2002, was \$(213,000).

To hedge its currency exposure in connection with its investment in U.K.-based NCL (Securities) Limited, an associated company, the Corporation has entered into a foreign exchange forward contract to sell U.K. £14,500,000 on April 17, 2002 at an exchange rate of 2.2308 for CDN \$32,347,000. The fair value of the forward contract at February 28, 2002 has been included in the foreign currency translation adjustment.

6. Supplemental disclosure of cash flow information

Interest payments for the three months ended February 28, 2002 were \$5,313,000 (2001 - \$6,863,000).

Income tax payments for the three months ended February 28, 2002 were \$18,049,000 (2001 - \$21,935,000).



What are you doing after work?