AGF Management Limited
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three months ended February 29, 2012

What are you doing after work?

What are you doing after work?

AGF MANAGEMENT LIMITED
First Quarter Report to Shareholders for the three months ended February 29, 2012

AGF MANAGEMENT LIMITED REPORTS FIRST QUARTER FINANCIAL RESULTS

AGF reports earnings per share of $0.27; AUM increases 3.9% in the first quarter; AGF Trust loan originations increase by 255% from a year ago

Toronto | March 28, 2012

AGF Management Limited (AGF) today announced financial results for the first quarter ended February 29, 2012, with earnings per share (EPS) of $0.27 per share compared to $0.32 per share for the three months ended February 28, 2011. Amortization related to intangible assets acquired on the acquisition of Acuity reduced EPS by $0.04 in the first quarter of 2012.

Total assets under management (AUM) increased 3.9% to $47.8 billion for the quarter ended February 29, 2012, from $46.0 billion as of November 30, 2011. Total retail fund AUM, including retail pooled funds, increased 1.3% to $23.0 billion at the end of February 2012, compared to $22.7 billion as of the end of fiscal 2011. Institutional, sub-advisory accounts and high-net-worth AUM increased 6.5% to $24.9 billion from $23.3 billion at November 30, 2011.

"With the strong rebound in North American equity markets, coupled with the investments we have made in our asset management platform, we feel AGF is well positioned to experience positive momentum in its performance and continued growth in our assets," said Chairman and CEO Blake C. Goldring.

During the quarter, AGF Emerging Markets Fund extended its award-winning streak at the 2012 Canadian Lipper Awards ceremony, winning the best 3-year and 5-year returns in the Emerging Markets Equity category. AGF Global Resources Class was also awarded for having the best 5-year returns in the Natural Resources category.

Total consolidated revenue decreased to $155.5 million compared to $162.2 million in the first quarter of 2011, as a result of a 4.8% decrease in Investment Management Operations revenue. Net income decreased 10.6% to $26.1 million compared to $29.2 million in the first quarter of 2011.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to $64.5 million for the three months ended February 29, 2012, compared to $64.1 million for the three months ended February 28, 2011.

AGF Trust loan assets remained constant year-over-year although loan originations of $175.1 million were 254.5% higher than in the first quarter of 2011. Provision for loan losses decreased 47.1% to $1.8 million for the three months ended February 29, 2012, compared to $3.4 million in the same period in 2011, reflecting improved economic conditions and a stronger credit quality of the loan book. Trust EBITDA increased 22.1% to $10.5 million from $8.6 million in 2011 and EBITDA margin increased to 47.7% compared to 37.9% a year ago.

For the three months ended February 29, 2012, AGF declared a 27 cent per share dividend on Class A Voting common and Class B Non-Voting shares or $1.08 per share on an annualized basis.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis (MD&A) includes forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. 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, or future or conditional verbs such as 'may,' 'will,' 'should,' 'would' and 'could.' In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action on our part, is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations, business prospects, business performance and opportunities. While we consider these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important risk factors such as level of assets under our management, volume of sales and redemptions of our investment products, performance of our investment funds and of our investment managers and advisors, competitive fee levels for investment management products and administration, and competitive dealer compensation levels, size and default experience on our loan portfolio and cost efficiency in our loan operations and investment management 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. Other than specifically required by applicable laws, 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. For a more complete discussion of the risk factors that may impact actual results, please refer to the 'Risk Factors and Management of Risk' section of this MD&A.

Dear fellow shareholders,

North American markets rebounded strongly in early 2012 after the disappointing performance at the end of last year. Tempering the outlook for equities and the markets in general, are the ongoing sovereign credit worries and tensions in the Middle East. AGF has been through many market cycles over its 54 years and we have always been focused on the creation of shareholder value by executing our long-term strategy of building a global investment organization.

In the retail channel, our mutual fund sales were slower in the first quarter of 2012 compared to 2011, as global equities in particular, remain out of favour with retail investors. In the first quarter, we generated $570 million in gross sales. Although gross sales were down from the same period a year earlier, there was an encouraging and stabilizing trend in our redemptions, which were flat over the same period. We hope that this is an indication that a return to equities and sales growth will follow. We remain committed to our partnership with advisors to meet their needs and help them guide their clients through every market cycle, providing more AGF product choices today than ever before.

Our institutional channel continued its track record of asset growth, with several new mandates over the quarter and a robust pipeline of opportunities for the rest of 2012.

We offer an innovative and diverse lineup of award-winning products for our clients. AGF improved its investment performance, showing more four- and five-start rated funds versus a year ago. In fact, this quarter at the 2012 Canadian Lipper Awards, AGF Emerging Markets Fund continued its reign of success for the fourth consecutive year, winning the awards for best 3-year and 5-year returns in Emerging Markets Equity category. In addition, AGF Global Resources Class was rewarded for having the best 5-year returns in the Natural Resources Equity category.

The continued growth of AGF from a mutual fund company to a global investment management firm has diversified our business and made us a stronger company. However, as we grow and develop new capabilities in the lower fee but higher volume institutional business, we will experience some short-term pressure on earnings as we fully develop the operations to support all channels efficiently.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to $64.5 million for the three months ended February 29, 2012, compared to $64.1 million for the three months ending February 28, 2011. Earnings per share were slightly lower for the quarter, at $0.27 versus $0.32 one year ago. Amortization related to intangible assets acquired on the acquisition of Acuity reduced EPS by $0.04 in the first quarter of 2012.

Our Trust Company experienced significant success this quarter. Loan assets increased for the first time since 2008 as loan originations of $175.1 million were 254.5% higher than in the first quarter of 2011. EBITDA increased 22.1% to $10.5 million from $8.6 million in 2011. Our focus on a steady build-out of the mortgage channel with an increase in credit quality of the loans was reflected in the provision for loan losses, which decreased 47.1% to $1.8 million. The Trust Operations are on plan to show high quality growth for the remainder of the year.

With over 50 years of investment management experience, AGF has successfully diversified its client channels, products and operations, positioning AGF for enduring stability, future growth and expansion in Canada and abroad.

Sincerely,

Blake C. Goldring, M.S.M., CFA
Chairman and Chief Executive Officer
March 28, 2012

[1] Cash flow from operations, free cash flow and EBITDA are non-IFRS measures. Please refer to page 17 of this report for definitions of these metrics.

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

For the three months ended February 29, 2012

This Management's Discussion and Analysis (MD&A) is as of March 27, 2012, and presents an analysis of the financial condition of AGF Management Limited (AGF) and its subsidiaries as at February 29, 2012, compared to November 30, 2011. On December 1, 2011, AGF adopted the International Financial Reporting Standards (IFRS) for financial reporting purposes, using a transition date of December 1, 2010. The financial statements for the three months ended February 29, 2012, including required comparative information, have been prepared in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* and with International Accounting Standards (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB). Prior to the adoption of IFRS, AGF prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Unless otherwise noted, 2011 comparative has been prepared in accordance with IFRS.

The adoption of IFRS has not had an impact on AGF's operations, strategic decisions and cash flow. Information on the IFRS adjustments is provided in the Notes to Consolidated Financial Statements for the three months ended February 29, 2012.

The MD&A should be read in conjunction with our 2011 Annual MD&A and 2011 Annual Audited Consolidated Financial Statements and Notes. We also utilize non-IFRS financial measures to assess each of our operating segments and our overall performance. Details of non-IFRS measures used are outlined in the 'Key Performance Indicators and Non-IFRS Measures' section, which provides calculations of the non-IFRS measures along with reconciliation of non-IFRS financial measures to GAAP financial statements. All dollar amounts are in Canadian dollars unless otherwise indicated. 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. Percentage changes are calculated using numbers rounded to the decimals that appear in this MD&A.

There have been no material changes to the information discussed in the following sections of the 2011 Annual MD&A: 'Risk Factors and Management of Risk,' 'Contractual Obligations,' 'Intercompany and Related Party Transactions' and 'Government Regulations.'

Overview

AGF Management Limited consists of two distinct businesses: AGF Investments and AGF Trust. AGF Investments, with $47.8 billion in assets under management (AUM) as at February 29, 2012, is one of the largest independent Canadian-based investment management firms, with operations and investments in Canada, the United States, the United Kingdom, Ireland and Asia. AGF Trust, with $3.0 billion in loan assets as at February 29, 2012, offers mortgage, deposit and consumer lending products to clients of financial advisors and mortgage brokers.

The origin of our Company dates back to 1957 with the introduction of the American Growth Fund, the first mutual fund available to Canadians seeking to invest in the United States. As of February 29, 2012, our products and services include a diversified family of award-winning mutual funds, mutual fund wrap programs and pooled funds. AGF also manages assets on behalf of institutional investors including pension plans, foundations and endowments as well as for high-net-worth clients. AGF Trust is a complementary business that offers GICs, loans and mortgages through financial advisor and mortgage broker channels.

For purposes of this discussion, the operations of AGF 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.

The Investment Management Operations segment includes the results of our retail, institutional and high-net-worth client businesses. The Trust Company Operations segment includes the results of AGF Trust Company, and the Other segment includes our equity interest in Smith & Williamson Holdings Limited (S&WHL).

Strategy and Quarterly Overview

AGF Management Limited is committed to providing world-class financial solutions to clients in Canada and abroad. We look to expand our business through organic growth supplemented by strategic acquisitions while continuing to focus on our key financial priorities to create long-term value for shareholders, clients and unitholders.

Our Investment Management Operations provide a diverse suite of investment solutions to retail, institutional and high-net-worth clients. We are focused on delivering strong long-term investment performance and excellence in client service while continuing to build and maintain strong relationships with our distribution partners.

Our Trust Company Operations complement our Investment Management Operations and contribute to the profitability of AGF Management Limited. AGF Trust supports the AGF brand by effectively leveraging our financial advisor distribution channel through the delivery of value-added products and services.

During the first quarter of 2012:

- Total AUM decreased 8.8% from $52.5 billion at February 28, 2011, to $47.8 billion at February 29, 2012.
- Retail fund net redemptions were $680.0 million in the first quarter of 2012, compared to net redemptions of $402.0 million in the first quarter of last year.
- Revenue decreased 4.1% to $155.5 million compared to the same period in 2011, driven by a 4.8% decrease in Investment Management Operations revenue, which was related to lower AUM levels.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) increased slightly to $64.5 million compared to $64.1 million in the first quarter of 2011. EBITDA margin increased to 41.5% compared to 39.5% in the first quarter of 2011. The first quarter of 2011 included $4.6 million in acquisition and integration costs related to Acuity and a $1.0 million regulatory levy related to S&WHL. Adjusted EBITDA, excluding one-time expenses in 2011, decreased 7.5%.
- Diluted EPS in the first quarter of 2012 was $0.27 per share compared to $0.32 per share in the first quarter of 2011. Excluding one-time items referenced above, diluted EPS was $0.37 per share in the first quarter of 2011. Amortization related to intangible assets acquired on the acquisition of Acuity had a $0.04 impact to EPS in the first quarter of 2012.
- AGF Trust total loan assets remained constant year-over-year, as real estate secured loan assets increased 15.5%, offset by a decline in investment loans of 8.2% year-over-year. Loan originations of $175.1 million were 254.5% higher than in the first quarter of 2011, due to higher volumes associated with the RSP and mortgage loan products.
- AGF Trust EBITDA increased 22.1% to $10.5 million for the first quarter of 2012, as compared to $8.6 million a year ago, driven primarily by a decline in loan provisions due to both an improved credit quality of the loan book and economic conditions.
- We delivered value directly to our shareholders through dividend payments. Dividends paid, including dividends reinvested, on Class A Voting common shares and Class B Non-Voting shares were $25.1 million in the first quarter of 2012 compared to $22.6 million in the same period in 2011.
- Under the previous normal course issuer bid, 262,240 Class B Non-Voting shares were repurchased for a total consideration of $4.1 million.
- During the quarter, AGF Trust paid a $20 million dividend to AGF Management Limited.
- At the 2012 Canadian Lipper Awards, AGF Emerging Markets Fund continued its reign of success for the fourth consecutive year, winning the award for best 3-year and 5-year returns in the Emerging Markets Equity category. In addition, AGF Global Resources Class was rewarded for having the best 5-year returns in the Natural Resources Equity category.

Consolidated Operating Results

The table below summarizes our consolidated operating results for the three months ended February 29, 2012 and February 28, 2011:

($ millions) Three months ended	February 29, 2012	February 28, 2011	% change
Revenue			
Investment Management Operations	$ 132.1	$ 138.7	(4.8)%
Trust Company Operations	22.0	22.7	(3.1)%
Other	1.4	0.8	75.0%
	155.5	162.2	(4.1)%
Expenses			
Investment Management Operations	79.5	84.0	(5.4)%
Trust Company Operations	11.5	14.1	(18.4)%
	91.0	98.1	(7.2)%
EBITDA [1]	64.5	64.1	0.6%
Amortization	24.3	21.2	14.6%
Interest expense	3.4	1.9	78.9%
Income taxes	10.7	11.5	(7.0)%
Net income attributable to non-controlling interest	–	0.3	n/m
Net income attributable to equity owners of the Company	$ 26.1	$ 29.2	(10.6)%
Earnings per share - diluted	$ 0.27	$ 0.32	(15.6)%

[1] For the definition of EBITDA, see the 'Key Performance Indicators and Non-IFRS Measures' section. The items required to reconcile EBITDA to net income attributable to equity owners of the Company, a defined term under IFRS, are detailed above

Revenue for the three months ended February 29, 2012, decreased by 4.1% from the corresponding period in 2011. Revenue in the Investment Management Operations segment decreased 4.8% for the three months ended February 29, 2012. The Trust Company Operations segment reported a decrease in revenue of 3.1% in the three months ended February 29, 2012, compared to the same period in 2011. Revenue from Other, which represents the results of our 30.7% equity interest in S&WHL, increased 75.0% to $1.4 million for the three months ended February 29, 2012, compared to $0.8 million for the same period in 2011.

Expenses for the three months ended February 29, 2012, decreased 7.2% compared to the same period in 2011. Excluding one-time costs in 2011, expenses decreased 2.7%. Investment Management Operations' expenses, excluding one-time costs in 2011, were flat year-over-year. The Trust Company Operations' expenses decreased 18.4% in the three-month period ended February 29, 2012, compared to the same period in 2011. For further details refer to each of the segment discussions.

The impact of the above items resulted in a slight increase in EBITDA for the three-month period ended February 29, 2012, over the respective 2011 period. Excluding one-time costs in 2011, EBITDA decreased 6.1%. Amortization expense for the three months ended February 29, 2012, increased by 14.6% compared to the corresponding period in 2011. Amortization of deferred selling commissions for three months ended February 29, 2012, accounted for $16.9 million (2011 – $17.7 million) of the total amortization expense, while amortization related to definite life intangibles increased to $6.4 million related to the Acuity acquisition. Interest expense increased due to higher debt levels and increased rates.

Income tax expense for the three months ended February 29, 2012, was $10.7 million as compared to $11.5 million in the corresponding period in 2011. The effective tax rate for the three months ended February 29, 2012, was 29.0% compared to 28.1% in the same period of 2011. The increase in the effective tax rate for the three months ended February 29, 2012, compared to the same period in 2011, related to a number of items, including a change in earnings of foreign subsidiaries relative to the earnings of the consolidated group.

The impact of the above revenue and expense items resulted in net income attributable to equity owners of the Company of $26.1 million in the first quarter of 2012 as compared to $29.2 million in the prior year. Diluted earnings per share were $0.27 for the three months ended February 29, 2012, as compared to $0.32 in the same period of 2011. Excluding one-time costs in 2011, diluted earnings per share were $0.37 in the first quarter of 2011. Diluted EBITDA per share for the first quarter of 2012 was $0.67, compared to $0.70 in the first quarter of 2011. Excluding one-time costs, diluted EBITDA per share was $0.76 in the first quarter of 2011.

A further discussion of the results of each business segment follows for the three months ended February 29, 2012, compared to February 28, 2011.

Business Segment Performance

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

Investment Management Operations

Business and Industry Profile

We are an independent investment management operation servicing Canadian and international investors through our retail, institutional and high-net-worth businesses.

Our investment management teams provide a diverse range of investment strategies and philosophies and unique research-driven investment processes.

Our retail business delivers a wide range of products across a number of investment strategies including AGF mutual funds, the AGF Elements portfolios and the Harmony Private Investment Program. We compete with numerous domestic and foreign players serving the market. Our products are delivered through multiple channels, including advisors, financial planners, banks, life insurance companies and brokers. We have seven sales offices located across Canada serving regional advisors and their clients, while our strategic accounts team serves our corporate distribution partners.

Our institutional business offers a variety of investment mandates through pooled funds and segregated accounts. We compete domestically and globally as an institutional investment manager and have sales and client service offices in Canada, the United States, Europe and Asia serving pension funds, foundations, institutions, endowments and sovereign wealth funds.

Our high-net-worth business delivers investment management and counselling services in local markets in Canada. It includes the operations of Cypress Capital Management Limited in Vancouver; Highstreet Asset Management (Highstreet) in London, Ontario; and Doherty & Associates in Ottawa and Montreal.

Segment Strategy and Highlights

Building on our over 50-year tradition of being independent, fostering innovation and maintaining integrity, we work to provide excellent products and services across all client segments while building enduring relationships and delivering value to shareholders, clients and unitholders. Our goal is to deliver strong long-term investment performance and client service excellence to the retail mutual fund, institutional and high-net-worth markets. We continue to foster our relationships with advisors and strategic distribution partners and provide a diverse suite of investment solutions. We strive to build strong portfolio management teams to ensure continuity and strength in investment management and to leverage our in-house investment management expertise across multiple client channels.

In a consolidating industry, AGF's ability to increase scale strengthens our position as one of Canada's largest independent investment management firms. On February 1, 2011, AGF completed the acquisition of Acuity, which managed approximately $7.5 billion in retail and institutional assets. By the end of 2011, AGF fully integrated the operations of Acuity. The acquisition strengthened AGF's commitment to diversification and providing excellence in wealth management to meet the needs of a diverse range of clients in both the retail and institutional markets.

Assets Under Management

The primary sources of revenue for AGF's Investment Management Operations segment are management and advisory fees. The amount of management and advisory fees depends on the level and composition of AUM, which in turn is dependent upon investment performance and net sales. Under the management and investment advisory contracts between AGF and each of the mutual funds, we are entitled to monthly fees. These fees are 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 sub-advisory accounts and high-net-worth client 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 three months ended February 29, 2012 and February 28, 2011:

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**	**% change**
Mutual fund AUM, beginning of period	$ 21,986	$ 22,264	(1.2%)
Acquisition of Acuity[1]	–	2,845	n/m
Gross sales	557	921	(39.5%)
Redemptions	(1,211)	(1,319)	(8.2%)
Net mutual fund sales	(654)	(398)	64.3%
Market appreciation (depreciation) of fund portfolios	959	1,188	(19.3%)
Mutual fund AUM, end of period	$ 22,291	$ 25,899	(13.9%)
Retail pooled fund AUM, beginning of period	$ 717	$ –	n/m
Acquisition of Acuity[1]	–	923	n/m
Gross sales	13	11	18.2%
Redemptions	(39)	(15)	160.0%
Net retail pooled funds sales	(26)	(4)	550.0%
Market appreciation (depreciation) of fund portfolios	(7)	24	(129.2%)
Retail pooled fund AUM, end of period	$ 684	$ 943	(27.5%)
Total retail fund AUM (including retail pooled funds)	$ 22,975	$ 26,842	(14.4%)
Average daily retail fund AUM for the period	$ 22,713	$ 24,109	(5.8%)
Institutional and sub-advisory accounts AUM, beginning of period	$ 20,119	$ 17,585	14.4%
Acquisition of Acuity[1]	–	3,754	n/m
Net change in institutional and sub-advisory accounts	1,349	887	52.1%
Total institutional and sub-advisory accounts AUM	$ 21,468	$ 22,226	(3.4%)
High-net-w orth AUM	$ 3,397	$ 3,382	0.4%
Total AUM, end of period	$ 47,840	$ 52,450	(8.8%)

[1]Acuity w as acquired on February 1, 2011

Global market volatility resulted in a decrease in retail fund AUM, including retail pooled funds, of 14.4% to $23.0 billion at February 29, 2012, from $26.8 billion as at February 28, 2011. In the first quarter of 2012, net sales continued to decrease as a result of continued redemptions and lower gross sales. Retail fund net redemptions, including retail pooled funds, increased to $680.0 million from $402.0 million in the first quarter of last year. The average daily retail fund AUM for the three months ended February 29, 2012, decreased 5.8% to $22.7 billion, compared to $24.1 billion for the same period in 2011. Our institutional and sub-advisory accounts AUM decreased 3.4% to $21.5 billion from $22.2 billion in the first quarter of last year. Our high-net-worth AUM remained constant at $3.4 billion for the three months ended February 29, 2012, compared to the first quarter of 2011.

Stock market performance influences the level of AUM. During the three months ended February 29, 2012, the Canadian-dollar-adjusted S&P 500 Index increased 6.6%, the Canadian-dollar-adjusted NASDAQ Index increased 9.6%, the S&P/TSX Composite Index increased 4.3% and the MSCI World Index increased 6.7%. The aggregate market appreciation of our retail

fund portfolios for the three months ended February 29, 2012, divided by the average daily retail fund AUM for the period, was 4.2% after management fees and expenses paid by the funds.

The impact of the U.S. dollar depreciation relative to the Canadian dollar on the market value of AGF mutual funds for the three months ended February 29, 2012, has been a decrease in AUM of approximately $214.8 million (2011 – $332.8 million).

The impact of the euro depreciation relative to the Canadian dollar on the market value of AUM for the three months ended February 29, 2012, has been a decrease in AUM of approximately $50.8 million (2011 – increase of $12.1 million).

Financial and Operational Results

The table below highlights the Investment Management Operations segment results for the three months ended February 29, 2012 and February 28, 2011:

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**	**% change**
Revenue			
Management and advisory fees	$ 127.3	$ 132.5	(3.9)%
Deferred sales charges	5.7	5.9	(3.4)%
Investment income and other revenue	(0.9)	0.3	(400.0)%
	132.1	138.7	(4.8)%
Expenses			
Selling, general and administrative	43.1	39.7	8.6%
Business acquisition and integration	–	4.6	(100.0)%
Trailing commissions	34.3	37.4	(8.3)%
Investment advisory fees	2.1	2.3	(8.7)%
	79.5	84.0	(5.4)%
EBITDA [1]	52.6	54.7	(3.8)%
Amortization	24.1	20.8	15.9%
Income before taxes and non-segmented items	$ 28.5	$ 33.9	(15.9)%

[1] As previously defined, see the 'Key Performance Indicators and Non-IFRS Measures – EBITDA' section

Revenue

For the three months ended February 29, 2012, revenue for the Investment Management Operations segment decreased by 4.8% over the previous year, with changes in the categories as follows:

Management and Advisory Fees

Management and advisory fees are directly related to our AUM levels. The 5.8% decrease in average daily retail fund AUM and a 3.4% decrease in institutional and sub-advisory accounts AUM for the three months ended February 29, 2012, contributed to a 3.9% decrease in management and advisory fee revenue compared to 2011.

Deferred Sales Charges (DSC)

We receive deferred sales charges upon redemption of securities sold on the contingent DSC or low-load commission basis for which we finance the selling commissions paid to the dealer. The DSC ranges from 2.5% to 5.0%, depending on the commission option of the original subscription price of the funds purchased if the funds are redeemed within the first two years and declines to zero after three or seven years. DSC revenue fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of back-end assets. DSC revenues decreased by 3.4% in the first quarter of 2012 compared to 2011, reflecting lower redemption levels.

Investment Income and Other Revenue

Investment income and other revenue decreased by $1.2 million in the three months ended February 29, 2012, over the same period in 2011. The three months ended February 29, 2012, include a $3.4 million expense related to fair market value on future contingently returnable consideration related to the Acuity acquisition and put options on non-controlling interest, offset by gains related to the market to market on available for sale securities.

Expenses

For the three months ended February 29, 2012, expenses for the Investment Management Operations segment decreased 5.4% from the previous year. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased by $3.4 million or 8.6% in the first quarter of 2012 compared to the first quarter of 2011. The increase is made up of the following amounts:

($ millions) **Three months ended February 29**		**2012**
Decrease in compensation-related expenses	$	(0.5)
Increase in other expenses		5.1
Decrease in fund absorption expenses		(1.2)
	$	3.4

The following explains expense changes in the first quarter of 2012 compared to the same period in the prior year:

- Compensation-related expenses decreased $0.5 million, reflecting the decline in stock-based compensation reflecting a lower share price, offset by the Acuity acquisition and higher headcount levels.
- Other expenses increased $5.1 million due to IT costs combined with a full quarter of Acuity operations.
- Fund absorption expenses decreased $1.2 million, reflecting the achievement of our revenue commitment with Citigroup Fund Services, which reduced absorption.

Trailing Commissions

Trailing commissions paid to distribution depend 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. Annualized trailing commissions as a percentage of average daily retail fund AUM were 0.60% for the three months ended February 29, 2012, compared to 0.62% for the trailing 12-month period.

Investment Advisory Fees

External investment advisory fees remained decreased 8.7% for the three months ended February 29, 2012, as compared to the three months ended February 28, 2011.

EBITDA and EBITDA Margin

EBITDA for the Investment Management Operations segment were $52.6 million for the three months ended February 29, 2012, a 3.8% decrease from $54.7 million for the same period of the previous year. Excluding one-time acquisition and integration costs related to Acuity in 2011, EBITDA decreased 11.3%. EBITDA margin was 39.8% in the first quarter of 2012 compared to 39.4% in the first quarter of 2011. Adjusted EBITDA margin was 42.8% for the three months ended February 28, 2011.

Amortization

The category represents amortization of deferred selling commissions, customer contracts, other intangible assets, property, equipment and computer software. Deferred selling commission amortization represents the most significant category of amortization. We internally finance all selling commissions paid. These selling commissions are capitalized and amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Unamortized deferred selling commissions related to units redeemed prior to the end of the schedule are immediately expensed. Amortization expense related to deferred selling commissions was $16.9 million for the three months ended February 29, 2012, compared to $17.7 million for the same period of 2011.

During the three months ended February 29, 2012, we paid $10.2 million in selling commissions, compared to $14.5 million in the same period of 2011, reflecting lower sales in the quarter. As at February 29, 2012, the unamortized balance of deferred selling commissions financed was $161.2 million (November 30, 2011 – $217.6 million).

Intangible assets acquired as a result of the Acuity acquisition added amortization of approximately $5.6 million for the three months ended February 29, 2012. Customer contracts related to the Acuity acquisition are amortized over seven years and other intangible assets are amortized over periods of three and 10 years.

Pre-tax Profit Margin

Pre-tax profit margin decreased to 21.6% in 2012, compared to 24.4% for 2011, reflecting lower revenues as a result of lower AUM.

Trust Company Operations

Business and Industry Profile

AGF Trust has offered mortgage, deposit and consumer lending products to clients of financial advisors and mortgage brokers for over 20 years. Our products complement wealth management products sold by financial advisors and reinforce sales relationships with our parent company. We remain committed to helping financial advisors serve their clients and supporting AGF Investments Inc. in its mutual fund sales efforts.

The residential mortgage market in Canada remains a key driver of balance sheet growth for financial institutions of all sizes. The domestic housing sector, despite signs of stretched valuations in certain markets, continues to be supported by economic fundamentals. The mortgage brokers' share of total loan origination has been resilient in the past year, and our expectation is that mortgage brokers will retain a significant market share. Our strategy is to partner with select mortgage brokerage firms to capture a greater share of mortgage origination volumes. The depth of our management's experience in the broker channel, the strength of the AGF brand and our ability to deploy a substantial capital base relative to current lending assets will all support our efforts to grow our mortgage book.

Segment Strategy and Highlights

For the three months ended February 29, 2012, loan originations were $175.1 million compared to $49.4 million in the first quarter of 2011. Net loan write-offs were $4.5 million for the three months ended February 29, 2012, compared to $4.5 million in the corresponding period in 2011. AGF Trust loan assets remained constant from February 28, 2011.

AGF Trust is expanding its mortgage programs in both the broker and advisor channels, which are expected to gradually increase levels of new originations. A partnership program with a large national mortgage broker firm was launched in January 2011, featuring a co-branded mortgage with a distinctive compensation structure. AGF Trust plans to expand this program to other partners in 2012. AGF Trust views the mortgage broker market as an attractive source of high-quality loan originations. AGF Trust intends to introduce product offerings to better match the competitive dynamics of the mortgage broker marketplace and purchase mortgage assets that fit the Company's desired risk characteristics. In addition, AGF Trust continues to support the financial advisor channel and is looking to expand on the advisor-focused mortgage loan program introduced in 2010. The Company is also enhancing its RSP loan program and providing additional sales support to increase originations during the 2012 RSP season.

AGF Trust is well capitalized, with an assets-to-capital multiple of 9.3 and a total capital ratio of 26.0%.

Financial and Operational Results

The Trust Company Operations segment results for the three months ended February 29, 2012 and February 28, 2011 are as follows:

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**	**% change**
Interest income			
Loan interest	$ 37.6	$ 40.1	(6.2)%
Investment interest	3.8	4.2	(9.5)%
	41.4	44.3	(6.5)%
Interest expense			
Deposit interest	19.8	25.9	(23.6)%
Hedging interest income	(2.7)	(6.8)	60.3%
Other interest expense	5.4	4.4	22.7%
	22.5	23.5	(4.3)%
Net interest income	18.9	20.8	(9.1)%
Other revenue	1.8	1.3	38.5%
RSP loan securitization income, net of impairment	1.3	0.6	116.7%
Total revenue	22.0	22.7	(3.1)%
Expenses			
Selling, general and administrative	9.7	10.7	(9.3)%
Provision for loan losses	1.8	3.4	(47.1)%
	11.5	14.1	(18.4)%
EBITDA [1]	10.5	8.6	22.1%
Amortization	0.2	0.4	(50.0)%
Income before taxes and non-segmented items	$ 10.3	$ 8.2	25.6%

[1] For the definition of EBITDA, see the 'Key Performance Indicators and Non-IFRS Measures' section. The items required to reconcile EBITDA to net income, a defined term under IFRS, are detailed above

Revenue, Net Interest Income and Net Interest Margin

Net interest income, which is expressed net of interest on deposits and other interest expenses, was lower by 9.1% compared to the same period in 2011. The decrease is primarily related to a decrease in investment loans and HELOC receivable balances of 8.2% and 26.8%, respectively. The average net interest margin on lending products was 2.5% for the three months ended February 29, 2012 (2011 – 2.7%). AGF Trust manages its interest rate risk through the use of interest rate swaps. Interest expense includes hedging interest income of $2.7 million for the three months ended February 29, 2012 (2011 – $6.8 million). Other revenue increased 38.5% in the three months ended February 29, 2012, primarily due to a $0.9 million gain on sale of investments and a $0.2 million increase in hedge ineffectiveness, offset by a $0.3 million decrease related to lower fees and other income. During the period, the Trust Company recognized a nil writedown (2011 – $0.1 million) of its retained interest in securitized RSP loans and $1.3 million in securitization income (2011 – $0.6 million). These factors resulted in an overall revenue decrease of 3.1% in the three months ended February 29, 2012 as compared to the same period in 2011.

Selling, General and Administrative Expenses

SG&A expenses decreased $1.0 million or 9.3% to $9.7 million in the first quarter of 2012, compared to $10.7 million in the same period in 2011. The decrease reflects lower salaries and benefits as a result of lower bonus expense, lower deposit insurance and lower capital tax expense in the first quarter of 2012, compared to the same period in 2011.

Provision for Loan Losses

The total provision for loan losses decreased $1.6 million to $1.8 million in the first quarter of 2012, compared to $3.4 million in 2011, reflecting improved economic conditions and an improved credit quality of the loan book in 2012.

EBITDA and EBITDA Margin

As a result of the above factors, EBITDA increased 22.1% to $10.5 million for the three months ended February 29, 2012, compared to the same period in 2011. EBITDA margin increased to 47.7% from 37.9% over the same period of 2011.

Pre-tax Profit Margin

As a result of the factors outlined above, pre-tax margin of 46.8% in 2012 increased from 36.1% in 2011.

Operational Performance

The table below highlights our key operational measures for the segment for the three months ended February 29, 2012 and February 28, 2011:

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**	**% change**
Real estate secured loans[1]			
Insured mortgage loans	$ 584.1	$ 404.3	44.5%
Conventional mortgage loans	490.2	432.0	13.5%
HELOCs	187.1	255.7	(26.8)%
	1,261.4	1,092.0	15.5%
Investment loans[1]			
Secured investment loans	1,422.0	1,588.5	(10.5)%
RSP loans	361.4	353.7	2.2%
Other loans	0.3	1.5	(80.0)%
	1,783.7	1,943.7	(8.2)%
Total loan assets	3,045.1	3,035.7	0.3%
Other assets	837.5	827.7	1.2%
Total assets	3,882.6	3,863.4	0.5%
Net interest income	18.9	20.8	(9.1)%
RSP loan securitization income (loss), net of impairment	1.3	0.6	116.7%
Other revenue	1.8	1.3	38.5%
Non-interest expenses[2]	(9.9)	(11.1)	(10.8)%
Provision for loan losses	(1.8)	(3.4)	(47.1)%
Income before taxes and non-segmented items	$ 10.3	$ 8.2	25.6%
Efficiency ratio[3]	45.0%	48.9%	
Assets-to-capital multiple[3]	9.3	9.2	

[1] Includes loan provision and deferred sales commission

[2] Includes SG&A and amortization expenses

[3] For the definition of efficiency ratio and assets-to-capital multiple, see the 'Key Performance Indicators and Non-IFRS Measures' section

Loan Assets

Real estate secured loan assets increased by 15.5% year-over-year primarily due to expansion of the business in the loan origination channels. Secured investment loans decreased to $1.4 billion as at February 29, 2012, compared to the same period in 2011, while RSP loan balances and other loans increased $6.5 million or 1.8%.

Efficiency Ratio

The efficiency ratio is defined as non-interest expenses divided by the total of net interest income and non-interest income. It is a key industry performance indicator used to ensure expenses are contained as the Trust business grows. During the three months ended February 29, 2012, the efficiency ratio experienced a favourable change to 45.0% from 48.9% in the first quarter of 2011.

Balance Sheet

Total assets increased 0.5% to $3.9 billion as at February 29, 2012, compared to the same period in the previous year, and increased 5.4% compared to November 30, 2011. As at February 29, 2012, our assets-to-capital multiple stood at 9.3 times, compared to 9.2 times at the same time last year and 8.7 times at November 30, 2011. AGF Trust's total capital ratio was 26.0% as at February 29, 2012, compared to 26.9% at November 30, 2011. Liquid assets remained high, with $800.3 million in cash and cash equivalents as well as investments available for sale as at February 29, 2012 (2011 – $750.5 million).

Loan Portfolio Credit

The credit risk factors considered when assessing the collectability of the various loan portfolios are primarily based on the individual's ability and willingness to make future loan payments, coupled with the underlying collateral security held for each of the loan categories. The key risk factors considered include:

- Employment rates: higher unemployment rates will likely result in higher default rates as individuals' ability to pay deteriorates.
- Residential property prices and sales volume: declining residential property prices and reduced volumes of residential property sales may result in lower resale prices and longer disposal times, thereby increasing losses incurred on the disposition of the property.
- Equity market performance: declining global equity markets present increased risk on the secured investment loan portfolio as the value of the underlying collateral is lower. While the Trust Company has recourse to the personal assets of clients with respect to investment loans, the global macroeconomic situation and employment levels may impede the Trust Company's ability to realize on the full value of the loan.

The general allowance for real estate secured loan losses decreased to $6.8 million as compared to $7.1 million a year ago. Approximately 54.4% of real estate secured loan assets, excluding HELOCs, are insured. The general allowance for investment loan losses decreased to $13.4 million from $14.5 million in 2011. We have security for non-RSP investment loans, consisting of mutual funds and other investments. The value of this collateral fluctuates with the changes in the underlying investments. The amount of RSP loans written off, net of recoveries (excluding securitized RSP loans) was $2.3 million for the three months ended February 29, 2012 (2011 – $2.0 million). For the balance of our loan products, the amount written off net of recoveries was $2.3 million (2011 – $2.5 million).

Liquidity and Capital Resources

Consolidated cash flow generated from operating activities, before net change in non-cash balances related to operations, was $51.9 million for the three months ended February 29, 2012, compared to $52.0 million in the prior year. The primary uses of cash during the quarter were as follows:

- We paid $21.0 million in cash consideration related to the acquisition of Acuity, with an additional $7.1 million payable in cash within two years.
- We paid $10.2 million in selling commissions, which were capitalized and are being amortized for accounting purposes, compared to $14.5 million in 2011.
- We paid $25.1 million in dividends in 2012 compared to $22.6 million in 2011.
- We repurchased 262,240 shares for $4.1 million for the three months ended February 29, 2012.
- Consolidated cash and cash equivalents of $406.3 million increased by $159.7 million from the November 30, 2011 level of $246.6 million (2011 – decreased by $12.7 million). Aside from cash held in the Trust Company Operations segment, which is held to fund loans to clients and GIC maturities, AGF had $55.9 million of cash as at February 29, 2012 (2011 – $44.3 million).
- During the first quarter, AGF Trust paid a $20 million dividend to AGF Management Limited.

On January 28, 2011, we arranged a four-year non-amortizing acquisition facility with two Canadian chartered banks. The facility allowed for a one-time drawdown of $185.0 million.

We also have a four-year prime rate-based revolving term loan facility to a maximum of $300.0 million, of which $274.9 million was available to be drawn as at February 29, 2012. The loan 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, pay quarterly dividends and fund any future share buybacks.

Capital Management Activities

We actively manage our capital to maintain a strong and efficient capital base to maximize risk-adjusted returns to shareholders, to invest in future growth opportunities, including acquisitions, and to ensure that the regulatory capital requirements are met for each of our subsidiary companies.

AGF capital consists of shareholders' equity. On an annual basis, AGF prepares a five-year plan detailing projected operating budgets and capital requirements. Each of AGF's operating segments are required to prepare and submit a five-year operating plan and budget to AGF's Finance Committee for approval prior to seeking Board approval. AGF's Finance Committee consists of the Chairman and CEO, the Vice-Chairman, Executive Vice-President and CFO, and the Executive Vice-President and Chief Operating Officer. Once approved by the Finance Committee, the five-year plans are reviewed and approved by AGF's Board of Directors. These plans become the basis for the payment of dividends to shareholders, the repurchase of Class B Non-Voting shares and, combined with the reasonable use of leverage, the source of funds for acquisitions.

Investment Management Operations – Regulatory Capital

A significant objective of the Capital Management program is to ensure regulatory requirements are met for capital. Our Investment Management businesses, in general, are not subject to significant regulatory capital requirements in each of the jurisdictions in which they are registered and operate. The cumulative amount of minimum regulatory capital across all of our Investment Management Operations is approximately $6.0 million.

AGF Trust – Capital Management Framework

AGF Trust's regulatory capital consists primarily of common shareholders' equity, preferred shares and subordinated debentures. Regulatory capital is a factor that allows the AGF Trust Board of Directors (Trust Board) to assess the stability and security in relation to the overall risks inherent in AGF Trust's activities.

AGF Trust actively manages regulatory capital levels in conjunction with management's internal assessment of capital. Consideration is given to many factors including regulatory guidance, strategic planning, shareholder interests, interests of depositors and internally generated target capital ratios. Minimum regulatory capital requirements are set by the *Trust and Loan Companies Act* and the Office of the Superintendant of Financial Institutions (OSFI). AGF Trust adopted the Standardized Approach for credit risk and the Basic Indicator Approach for operational risk.

A key component of AGF Trust's capital framework is its internal capital adequacy assessment process (ICAAP). This process attributes capital for identified risks in proportion to the assessed risk. Risks are assessed using both qualitative and quantitative factors. The process also incorporates a variety of stress-testing approaches to evaluate the income and capital impacts of potential stress events.

Normal Course Issuer Bid

In January 2012, the Company's Board of Directors authorized the renewal of AGF's normal course issuer bid for the purchase of up to 7,435,369 Class B Non-Voting shares, or 10% of the public float for such shares. The Company received approval from the Toronto Stock Exchange on January 25, 2012, for the renewal of its normal course issuer bid. This allows AGF to purchase up to 7,435,369 Class B Non-Voting shares through the facilities of the Toronto Stock Exchange (or as otherwise permitted by the Toronto Stock Exchange) between January 27, 2012 and January 26, 2013. The Class B Non-Voting shares may be repurchased from time to time at prevailing market prices or such other price as may be permitted by the Toronto Stock Exchange.

During the three months ended February 29, 2012, under the previous normal course issuer bid, 262,240 Class B Non-Voting shares were repurchased for a total consideration of $4.1 million at an average price of $15.73.

The Toronto Stock Exchange approved early termination of AGF's previous normal course issuer bid effective January 26, 2012. The previous normal course issuer bid allowed for the repurchase of up to 7,430,257 Class B Non-Voting shares between March 7, 2011 and March 6, 2012, at prevailing market prices. Under the previous normal course issuer bid, AGF purchased 765,740 Class B Non-Voting shares for a total consideration of $12.2 million at an average price of $15.94, which includes the aforementioned shares.

Dividends

For the three months ended February 29, 2012, we declared a 27 cents per share dividend on Class A Voting common and Class B Non-Voting shares. This dividend will be payable on April 20, 2012, to shareholders of record on April 8, 2012.

The holders of Class B Non-Voting and Class A Voting common 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 revolving loan or acquisition facilities or where such payment of dividends would create a default.

Our Board of Directors may determine that Class B Non-Voting shareholders shall have the right to elect to receive part or all of such dividend in the form of a stock dividend. They also determine whether a dividend in Class B Non-Voting shares is substantially equal to a cash dividend. This determination is 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 the dividends paid by AGF on Class B Non-Voting shares and Class A Voting common shares for the years indicated:

Years ended November 30	2012 [1]	2011	2010	2009	2008
Per share	$ 0.54	$ 1.07	$ 1.04	$ 1.00	$ 0.95
Percentage increase	–	3%	4%	5%	22%

[1] Represents the total dividends paid in January 2012 and to be paid in April 2012

We review our dividend distribution policy on a quarterly basis, taking into account our financial position, profitability, cash flow and other factors considered relevant by our Board of Directors. The quarterly dividend paid on January 20, 2012, was $0.27 per share.

Outstanding Share Data

Set out below is our outstanding share data as at February 29, 2012. For additional detail, see Note 9 to the Q1 2012 Consolidated Financial Statements.

($ millions) Three months ended	February 29, 2012	February 28, 2011
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	96,055,728	95,420,011
Stock Options		
Outstanding options	5,389,684	5,865,679
Exercisable options	3,429,610	3,288,064

Key Performance Indicators and Non-IFRS Measures

We measure the success of our business strategies using a number of key performance indicators (KPIs), which are outlined below. With the exception of revenue, the following KPIs are non-IFRS measures, which are not defined under IFRS. They should not be considered as an alternative to net income attributable to equity owners of the Company or any other measure of performance under IFRS. Segment discussions include a review of KPIs that are relevant to each segment.

a) Consolidated Operations

Revenue

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

We derive our revenue principally from a combination of:

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

EBITDA

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

Please see the Consolidated Operating Results section on page 6 of this MD&A for a schedule showing how EBITDA reconciles to our IFRS financial statements.

Cash Flow from Operations

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

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**
Net cash used in operating activities	$ (40.8)	$ (71.9)
Less:		
Net changes in non-cash working capital balances related to operations	(117.4)	(165.3)
Proceeds (purchase) of AGF Trust investments	43.9	64.8
Interest expense	3.3	1.9
AGF Trust interest expense	(4.6)	(11.3)
Deferred selling commissions paid	(10.2)	(14.5)
Current income tax expense, net of payment	(7.7)	0.5
Cash flow from operations	$ 51.9	$ 52.0

Free Cash Flow from Operations

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

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**
Cash flow from operations (defined above)	$ 51.9	$ 52.0
Less:		
Deferred selling commissions paid	10.2	14.5
Free cash flow	$ 41.7	$ 37.5

EBITDA Margin

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

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**
EBITDA	$ 64.5	$ 64.1
Divided by revenue	155.5	162.2
EBITDA margin	41.5%	39.5%

Pre-tax Profit Margin

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

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**
Net income attributable to equity owners of the Company	$ 26.1	$ 29.2
Add: income taxes	10.7	11.5
Income before taxes	$ 36.8	$ 40.7
Divided by revenue	155.5	162.2
Pre-tax profit margin	23.7%	25.1%

Return on Equity (ROE)

We monitor ROE to assess the profitability of the consolidated Company on an annual basis. We calculate ROE by dividing net income attributable to equity owners of the Company by average shareholders' equity.

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**
Net income attributable to equity owners of the Company (annualized)	$ 104.4	$ 116.8
Divided by average shareholders' equity	1,135.3	1,193.1
Return on equity	9.2%	9.8%

Long-term Debt to EBITDA Ratio

Long-term debt to EBITDA ratio provides useful information to management and investors as an indicator of our ability to service our long-term debt. We define long-term debt to EBITDA ratio as long-term debt at the end of the year divided by EBITDA for the year.

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**
Long-term debt[1]	$ 335.5	$ 308.3
Divided by EBITDA (annualized)	258.0	256.4
Long-term debt to EBITDA	130.0%	120.2%

[1] Includes deferred cash consideration related to the Acuity acquisition

b) Investment Management Operations

Assets Under Management (AUM)

The amount of AUM is critical to our business since these assets generate fees from our mutual fund, institutional and sub-advisory accounts and high-net-worth relationships. AUM will fluctuate in value as a result of investment performance, sales and redemptions. Mutual fund sales and AUM determines a significant portion of our expenses because we pay upfront commissions on gross sales and trailing commissions to financial advisors as well as investment advisory fees based on the value of AUM.

Investment Performance

Investment performance, which represents market appreciation (depreciation) of fund portfolios and 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 investment performance will reduce our AUM levels and result in lower management fee revenues. Strong relative investment performance may also contribute to growth in gross sales or reduced

levels of redemptions. Conversely, poor relative investment performance may result in lower gross sales and higher levels of redemptions. Refer to the 'Risk Factors and Management of Risk' section of this report for further information.

Net Sales (Redemptions)

Gross sales and redemptions are monitored separately and the sum of these two amounts comprises net sales (redemptions). Net sales (redemptions), together with investment performance and fund expenses, determine the level of average daily retail fund AUM, which is the basis on which management fees are charged. The average daily retail fund AUM is equal to the aggregate average daily net asset value of the AGF retail funds. We monitor AUM in our institutional, sub-advisory and high-net-worth businesses separately. We do not compute an average daily retail fund AUM figure for them.

EBITDA Margin – Investment Management

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

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**
EBITDA	$ 52.6	$ 54.7
Divided by revenue	132.1	138.7
EBITDA margin	39.8%	39.4%

Pre-tax Profit Margin – Investment Management

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

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**
Income before taxes and non-segmented items	$ 28.5	$ 33.9
Divided by revenue	132.1	138.7
Pre-tax profit margin	21.6%	24.4%

c) Trust Company Operations

Loan Assets

In the Trust Company Operations segment, new originations, net of repayments, drive the outstanding balance of loans on which we charge interest. Loan asset growth contributes to increases in our revenue. Conversely, a decline in loan assets will negatively impact our revenue.

Net Interest Income

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

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**
Interest income	$ 41.4	$ 44.3
Less: interest expense	22.5	23.5
Net interest income	$ 18.9	$ 20.8

Net Interest Margin

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

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**
Annualized net interest income	$ 75.6	$ 83.2
Divided by average quarterly total loan balance	3,019.4	3,064.7
Net interest margin	2.5%	2.7%

Efficiency Ratio

The efficiency ratio is a financial services industry KPI that measures the efficiency of the organization. We use this ratio to monitor expenses, excluding loan loss provisions. The ratio is calculated from AGF Trust results by dividing non-interest expenses by the total of net interest income and non-interest income.

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**
Selling, general and administrative expenses	$ 9.7	$ 10.7
Add: amortization expense	0.2	0.4
Non-interest expense	9.9	11.1
Other revenue	$ 1.8	$ 1.3
RSP loan securitization income, net of impairment	1.3	0.6
Non-interest income	3.1	1.9
Net interest income	$ 18.9	$ 20.8
Add: non-interest income	3.1	1.9
Total of net interest income and non-interest income	22.0	22.7
Efficiency ratio	45.0%	48.9%

EBITDA Margin – Trust

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

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**
EBITDA	$ 10.5	$ 8.6
Divided by revenue	22.0	22.7
EBITDA margin	47.7%	37.9%

Pre-tax Profit Margin – Trust

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

($ millions) **Three months ended**	**February 29, 2012**	**February 28, 2011**
Income before taxes and non-segmented items	$ 10.3	$ 8.2
Divided by revenue	22.0	22.7
Pre-tax profit margin	46.8%	36.1%

Assets-to-Capital Multiple

Federally regulated deposit-taking institutions (DTIs) are expected to meet an assets-to-capital multiple test. The assets-to-capital multiple is determined by dividing the DTI's total assets by its total regulatory capital, and expresses the extent by which capital is leveraged into the assets of the DTI.

($ millions)	February 29, 2012	November 30, 2011
Total assets per OSFI[1] guidelines	$ 3,895.8	$ 3,731.3
Divided by adjusted Tier 1 and Tier 2 capital	418.2	429.7
Assets-to-capital multiple	9.3	8.7

[1] OSFI is the Office of the Superintendent of Financial Institutions

Impaired Loans as a Percentage of Loans Outstanding

Impaired loans as a percentage of loans outstanding is calculated by dividing total impaired loans by total loans outstanding.

($ millions)	February 29, 2012	November 30, 2011
Impaired loans	$ 19.2	$ 25.9
Divided by total loans outstanding[1]	3,045.2	2,951.6
Impaired loans as a percentage of loans outstanding	0.6%	0.9%

[1] Includes loan provision and deferred sales commission of $21.1 million as at February 29, 2012, and $22.7 million as at November 30, 2011

Significant Accounting Policies

A summary of AGF's significant accounting policies can be found in Note 3 of our Q1 2012 Consolidated Interim Financial Statements.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

Pursuant to IFRS 3 "Business Combinations," business combinations completed on or after December 1, 2010, were accounted for using the acquisition method of accounting. Under the acquisition method of accounting, the consideration transferred in a business combination is measured at fair value at the date of acquisition. This consideration includes any cash paid plus the fair value at the date of exchange of assets given, liabilities incurred and equity instruments issued by the Company or its subsidiaries. The consideration transferred also includes contingent consideration arrangements recorded at fair value. Directly attributable acquisition-related costs are expensed in the current period and reported within operating expenses. At the date of acquisition, the Company recognizes the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business. The identifiable assets acquired and the liabilities assumed are initially recognized at fair value. Where the fair value of consideration paid is less than the fair value of net assets acquired, the excess is recognized in the Consolidated Statement of Income. Any pre-existing equity interests in an acquiree are remeasured to fair value at the date of the business combination and any resulting gain or loss is recognized in the Consolidated Statement of Income.

Business combinations completed prior to December 1, 2010, were accounted for using the purchase method under previous GAAP. The fundamental requirements of the purchase method of accounting are similar to the acquisition method of accounting described above except that, among other differences, the purchase method required that share consideration issued by the acquirer be measured by reference to its market price for a reasonable period before and after the acquisition was announced; acquisition-related costs were included as part of the fair value of the purchase consideration; contingent consideration was generally not recognized initially as part of the consideration transferred; and identifiable assets acquired and liabilities assumed were adjusted to reflect fair values only to the extent of the acquirer's interest in the acquiree when that interest was less than 100%. Furthermore, where the fair value of consideration paid was less than the fair value of net assets acquired, the excess amount was first deducted proportionally from the purchase price allocated to certain acquired non-current assets until their carrying amounts were reduced to nil. Only then was any remaining excess recognized in the Consolidated Statement of Income.

A non-controlling interest may be measured at fair value or at the proportionate share of identifiable net assets acquired. Under previous GAAP, a non-controlling interest was recorded at the proportionate share of the carrying value of the acquiree.

Section 1601 carries forward existing guidance on aspects of the preparation of consolidated financial statements subsequent to the acquisition date other than those pertaining to a non-controlling interest. Section 1602 provides guidance on the treatment of a non-controlling interest after acquisition in a business combination and requires a non-controlling interest to be presented clearly in equity, but separately from the parent's equity; the amount of consolidated net income and other comprehensive income attributable to the parent and to a non-controlling interest to be clearly identified and presented on the Consolidated Statement of Income and Consolidated Statement of Comprehensive Income, respectively; and changes in ownership interests of a subsidiary that do not result in a loss or acquisition of control to be accounted for as an equity transaction.

Adoption of International Financial Reporting Standards

AGF adopted IFRS effective December 1, 2011, with a transition date of December 1, 2010. The adoption of IFRS has not had a material impact on AGF's operations, strategic decisions and cash flow. AGF's IFRS accounting policies are provided in Note 3 of the Consolidated Financial Statements. In addition, Note 21 of the Consolidated Financial Statements presents reconciliations between AGF's GAAP results and IFRS results and explanations of the adjustments on transition to IFRS. The reconciliation includes the Consolidated Statement of Financial Position for the transition date of December 1, 2010, the quarter ended February 28, 2011 and the year ended November 30, 2011. It also includes reconciliations of the Consolidated Statements of Income, Comprehensive Income and Cash Flows for the quarter ended February 28, 2011 and year ended November 30, 2011.

Effect of the Transition to IFRS

Until November 30, 2011, AGF prepared its consolidated financial statements in accordance with GAAP. The following sets out, by accounting topic, the main differences between the Company's GAAP accounting policies applied at that date and the IFRS accounting policies adopted.

1. Deferred sales commissions – Under GAAP, sales commissions paid to brokers on mutual fund securities sold on a DSC basis were recorded at cost and amortized on a straight-line basis over the applicable DSC schedule (which ranges from three to seven years). No adjustment was recognized to the cost on redemption of mutual funds and the DSC asset is tested annually for impairment. Under IFRS, sales commissions will continue to be recorded at cost and amortized similar to GAAP; however, upon redemption, the asset is derecognized and the unamortized amount will be charged to income through amortization. As a result, we recorded a charge to opening retained earnings of $39.2 million, net of tax of $13.7 million, with a corresponding reduction of $52.9 million to deferred sales commission assets.
2. Finite-life intangibles – Under both IFRS and GAAP, customer contracts are amortized on a straight-line basis over the period that the economic benefit is expected to arise. Under IFRS, the unamortized customer contracts for which client attrition occurs is immediately charged to net income and included in the amortization of customer contracts. Under GAAP, the amortization of customer contracts is not adjusted for client attrition. As a result, we recorded a charge to opening retained earnings of $0.8 million, net of tax of $0.2 million, with a corresponding reduction of $1.0 million to customer contracts.
3. Goodwill – Under GAAP, goodwill is tested at the reporting unit level. Under IFRS, goodwill must be tested at the lowest identifiable cash generating unit (CGU) level at which management monitors internally. Management has reviewed its CGUs and has identified Highstreet as a separate CGU. As a result, the Company determined that the carrying amount of Highstreet CGU exceeded its recoverable amount, indicating an impairment of goodwill at December 1, 2010, and subsequently at August 31, 2011. Under GAAP, goodwill associated with Highstreet was tested under the Investment Management reporting segment. As a result, we recorded an impairment charge to opening retained earnings of $24.0 million with an offsetting reduction of $24.0 million to the goodwill recorded on the acquisition of Highstreet.
4. Written put options on non-controlling interests – Under GAAP, put options written by the Company on non-controlling interests were accounted for as cash-settled share-based payments and carried at the intrinsic value of the vested options. Under IFRS, to the extent that such options are associated with the shareholder's employment, they are treated as cash-settled share-based payments and are recorded based on the fair value of the vested portion of the options, determined using graded vesting. As a result, we recorded a charge to opening retained earnings of $8.3 million and a credit to current liabilities of $8.3 million.

5. Investments in AGF mutual funds and investments available for sale – Under GAAP, investments in AGF mutual funds were designated as available for sale (AFS). These assets are initially recorded at fair value on the settlement date in the consolidated statement of financial position and are remeasured at fair value with unrealized gains and losses recognized in OCI until the financial asset was disposed of or became impaired. Under IFRS, investments in AGF mutual funds are designated as fair value through profit and loss. As a result, we recorded a charge to opening retained earnings of $0.9 million, net of tax of $0.2 million, with an offset of $1.1 million to OCI.
6. Termination fees – Under GAAP, termination fees associated with contracts with referral agents, where the agent continues to have a relationship with the client, are recognized as an expense upon termination. Under IFRS, this cost is recognized over the service period or the contractual period. As a result, we recorded a charge to opening retained earnings of $0.9 million, net of tax of $0.3 million, with a corresponding adjustment to accrued liabilities of $1.2 million.

Furthermore, we assessed the exemptions to full restatement that are permitted under IFRS 1. We applied the following exemptions that impact business combinations, cumulative translation account (CTA) and securitization. Under IFRS 1, a company can elect to (a) restate retrospectively all business combinations after a particular date in accordance with IFRS 3, or (b) apply IFRS 3 prospectively, whereby the value at transition is considered deemed cost under IFRS. Under both options, goodwill must be tested for impairment at transition and on an annual basis thereafter or more frequently if required. We have elected to apply IFRS 3 prospectively. In addition, IFRS 1 allows entities to elect to reset the CTA through retained earnings at transition. AGF has applied this election. This resulted in a reclassification from accumulated other comprehensive income (AOCI) to a charge to retained earnings of $29.9 million. During 2010, a revision was made to IFRS 1 that amended the derecognition date from January 1, 2004, to the date of transition. As a result, we did not recognize securitized assets on the balance sheet at transition.

In addition to the above mentioned adjustments, the financial statements presented under IFRS include certain reclassifications and changes in presentation, compared to those under GAAP.

Impact of IFRS on Earnings Volatility

In periods where redemptions of AGF's funds increase significantly, AGF's earnings will become less volatile under IFRS than under GAAP, as any increase in redemption fee revenue will be offset by an increase in amortization to reflect the derecognition of the DSC asset. In periods where there is an increase in attrition levels of clients acquired through acquisitions and recorded as customer contracts, earnings will become more volatile under IFRS than under GAAP as the unamortized balance of the customer contract will be charged to net income in the period the attrition occurs.

Managing Risk

AGF is subject to a number of company and non-company specific risk factors that may impact our operating and financial performance. These risks and the management of those risks are detailed in our 2011 Annual MD&A in the section entitled 'Risk Factors and Management of Risk.' The Company has not identified any material changes to the risk factors affecting its business or in the management of those risks. Refer to Note 19 of the Consolidated Financial Statements and Notes for risks arising from the use of financial instruments.

Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of the Internal Controls over Financial Reporting (ICFR) and Disclosure Controls and Procedures. There has been no material weaknesses identified relating to the design of the ICFR. On February 1, 2011, the Company completed its acquisition of Acuity. During the first quarter of 2011, certain internal controls over financial reporting were impacted and interim controls were relied upon. The financial reporting processes were fully integrated with AGF in the second quarter of 2011.

Selected Quarterly Information

($ millions, except per share amounts) **For the three-month period ended**	IFRS **Feb. 29, 2012**	IFRS **Nov. 30, 2011**	IFRS **Aug. 31, 2011**	IFRS **May 31, 2011**
Revenue	$ 155.5	$ 159.9	$ 174.4	$ 180.8
Cash flow [1]	51.9	50.0	55.1	68.3
EBITDA [2]	64.5	65.9	72.6	76.2
Pre-tax income	36.8	37.5	30.0	47.0
Net income attributable to equity owners of the Company	26.1	25.1	16.7	33.9
EBITDA per share				
Basic	$ 0.67	$ 0.69	$ 0.76	$ 0.80
Diluted	$ 0.67	$ 0.69	$ 0.75	$ 0.79
Earnings per share attributable to equity owners of the Company				
Basic	$ 0.27	$ 0.26	$ 0.17	$ 0.35
Diluted	$ 0.27	$ 0.26	$ 0.17	$ 0.35
Weighted average basic shares	95,662,657	95,230,703	95,518,051	95,568,899
Weighted average fully diluted shares	96,372,419	95,932,850	96,446,821	96,794,115

($ millions, except per share amounts) **For the three-month period ended**	IFRS **Feb. 28, 2011**	GAAP **Nov. 30, 2010**	GAAP **Aug. 31, 2010**	GAAP **May 31, 2010**
Revenue	$ 162.2	$ 155.9	$ 148.7	$ 153.8
Cash flow [1]	52.0	50.1	51.8	61.9
EBITDA [2]	64.1	66.1	61.0	62.6
Pre-tax income	41.0	43.3	38.7	38.3
Net income attributable to equity owners of the Company	29.2	30.9	27.8	27.5
EBITDA per share				
Basic	$ 0.71	$ 0.75	$ 0.68	$ 0.70
Diluted	$ 0.70	$ 0.74	$ 0.68	$ 0.69
Earnings per share attributable to equity owners of the Company				
Basic	$ 0.32	$ 0.35	$ 0.31	$ 0.31
Diluted	$ 0.32	$ 0.34	$ 0.31	$ 0.30
Weighted average basic shares	90,799,935	88,616,451	89,286,335	89,332,374
Weighted average fully diluted shares	92,010,135	89,665,401	90,232,708	90,482,468

[1] Cash flow from operations as previously defined, see 'Key Performance Indicators and Non-IFRS Measures – Cash Flow from Operations' section

[2] As previously defined, see 'Key Performance Indicators and Non-IFRS Measures – EBITDA' section

Additional Information

Additional information relating to the Company can be found in our Consolidated Financial Statements and accompanying notes for the three months ended February 29, 2012, our 2011 Annual MD&A and Consolidated Financial Statements, our 2011 Annual Information Form (AIF) and other documents filed with applicable securities regulators in Canada. They may be accessed at www.sedar.com.

AGF Management Limited
CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended February 29, 2012

What are you doing after work?

(unaudited) (in thousands of Canadian dollars)	Note	February 29, 2012	November 30, 2011	December 1, 2010
Assets				
Current Assets				
Cash and cash equivalents		$ 406,311	$ 246,634	$ 456,921
Investments	4	472,269	517,486	503,963
Accounts receivable, prepaid expenses and other assets		54,744	71,805	65,544
Derivative financial instruments	7	8,200	10,038	15,914
Current portion of retained interest from securitization	5	–	38,939	21,334
Real estate secured and investment loans due within one year	7	504,736	465,489	437,558
		1,446,260	1,350,391	1,501,234
Retained interest from securitization	5	–	–	17,365
Real estate secured and investment loans	7	2,540,420	2,486,128	2,692,198
Investment in associated company		76,822	76,616	77,049
Management contracts		715,769	715,769	504,269
Customer contracts, net of accumulated amortization		32,184	35,971	10,326
Goodwill		254,588	254,588	149,689
Other intangibles, net of accumulated amortization		19,370	21,959	–
Deferred selling commissions, net of accumulated amortization		161,248	167,950	190,966
Property, equipment and computer software, net of amortization		10,891	11,027	11,230
Deferred income tax assets		13,185	13,339	14,107
Derivative financial instruments	7	8,864	14,271	15,338
Other assets		9,883	7,310	6,226
Total assets		$ 5,289,484	$ 5,155,319	$ 5,189,997
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities		$ 60,823	$ 101,934	$ 103,465
Income tax liability	14	15,358	23,104	14,314
Provision for Elements Advantage		3,331	4,137	3,084
Secured financing	5	75,643	41,998	–
Acquisition consideration payable	6	5,682	31,663	–
Derivative financial instrument		1,613	1,747	1,277
Deposits due within one year	7	1,802,046	1,769,709	1,883,511
		1,964,496	1,974,292	2,005,651
Deposits	7	1,188,496	1,260,090	1,798,052
Long-term debt	8	328,281	308,269	143,678
Secured financing	5	397,313	196,626	–
Acquisition consideration payable	6	5,224	10,717	–
Deferred income tax liabilities		196,529	198,822	147,437
Derivative financial instrument		2,791	3,302	–
Provision for Elements Advantage		2,274	2,506	3,883
Other long-term liabilities		6,747	10,924	13,326
Total liabilities		4,092,151	3,965,548	4,112,027
Equity				
Equity attributable to owners of the Company				
Capital stock	9	573,643	560,838	439,216
Contributed surplus		25,501	24,797	22,580
Retained earnings		591,124	594,804	599,667
Accumulated other comprehensive loss	10	6,546	8,860	16,010
		1,196,814	1,189,299	1,077,473
Non-controlling interest		519	472	497
Total equity		1,197,333	1,189,771	1,077,970
Total liabilities and equity		$ 5,289,484	$ 5,155,319	$ 5,189,997

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

(unaudited)		Three months ended	
(in thousands of Canadian dollars, except per share data)	Note	February 29, 2012	February 28, 2011
Revenue			
Management and advisory fees		$ 127,349	$ 132,541
Deferred sales charges		5,678	5,930
RSP loan securitization income, net of impairment	5	1,262	619
Share of profit of associated company		1,403	845
Other income		999	1,510
AGF Trust net interest income	11	18,810	20,781
Total revenue		155,501	162,226
Expenses			
Selling, general and administrative	12	52,872	50,436
Business acquisition and integration	6, 12	–	4,568
Trailing commissions		34,255	37,415
Investment advisory fees		2,060	2,290
Amortization of deferred selling commissions		16,866	17,653
Amortization of customer contracts		3,786	1,799
Amortization of other intangibles		2,589	698
Amortization of property, equipment and computer software		1,068	1,031
Provision for AGF Trust loan losses	7	1,798	3,375
Interest expense		3,332	1,929
		118,626	121,194
Income before income taxes		**36,875**	**41,032**
Income tax expense (benefit)			
Current	14	12,596	14,071
Deferred	14	(1,902)	(2,549)
		10,694	11,522
Net income for the period		**$ 26,181**	**$ 29,510**
Net income attributable to:			
Equity owners of the Company		$ 26,134	$ 29,232
Non-controlling interest		47	278
		$ 26,181	$ 29,510
Earnings per share for the year attributable to the equity owners of the Company			
Basic	15	$ 0.27	$ 0.33
Diluted	15	$ 0.27	$ 0.32

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

(unaudited) (in thousands of Canadian dollars)	Three months ended February 29, 2012	February 28, 2011
Net income for the period	$ 26,181	$ 29,510
Other comprehensive income (losses), net of tax		
Cumulative translation adjustment		
Foreign currency translation adjustments related to net investments in foreign operations	(1,190)	(702)
	(1,190)	(702)
Net unrealized gains (losses) on available for sale securities		
Unrealized losses	(1,007)	(9,266)
Reclassification of realized gain to earnings	(602)	(25)
	(1,609)	(9,291)
Net unrealized gains (losses) on cash flow hedge		
Unrealized gains	218	–
Reclassification of realized loss to earnings	267	–
	485	–
Total other comprehensive income (loss), net of tax	$ (2,314)	$ (9,993)
Comprehensive income	$ 23,867	$ 19,517
Comprehensive income attributable to:		
Equity holders of the Company	$ 23,820	$ 19,239
Non-controlling interest	47	278
	$ 23,867	$ 19,517

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

(unaudited)

(in thousands of Canadian dollars)	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Attributable to equity owners of the Company	Non-controlling interest	Total equity
Balance, December 1, 2010	$ 439,216	$ 22,580	$ 599,667	$ 16,010	**$ 1,077,473**	$ 497	**$ 1,077,970**
Net income for the period	–	–	29,232	–	**29,232**	278	**29,510**
Other comprehensive loss (net of tax)	–	–	–	(9,993)	**(9,993)**	–	**(9,993)**
Comprehensive income (loss) for the period	–	–	29,232	(9,993)	**19,239**	278	**19,517**
Issued through dividend reinvestment plan	483	–	–	–	**483**	–	**483**
Stock options	3,517	800	–	–	**4,317**	–	**4,317**
Issued on acquisition of Acuity	114,679	–	–	–	**114,679**	–	**114,679**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting	–	–	(23,069)	–	**(23,069)**	–	**(23,069)**
Dividends to non-controlling interest	–	–	–	–	**–**	(225)	**(225)**
Balance, February 28, 2011	$ 557,895	$ 23,380	$ 605,830	$ 6,017	**$ 1,193,122**	$ 550	**$ 1,193,672**
Balance, December 1, 2011	$ 560,838	$ 24,797	$ 594,804	$ 8,860	**$ 1,189,299**	$ 472	**$ 1,189,771**
Net income for the period	–	–	26,134	–	**26,134**	47	**26,181**
Other comprehensive loss (net of tax)	–	–	–	(2,314)	**(2,314)**	–	**(2,314)**
Comprehensive income (loss) for the period	–	–	26,134	(2,314)	**23,820**	47	**23,867**
Issued through dividend reinvestment plan	670	–	–	–	**670**	–	**670**
Stock options	356	704	–	–	**1,060**	–	**1,060**
AGF Class B Non-Voting shares repurchased for cancellation	(1,543)	–	(2,581)	–	**(4,124)**	–	**(4,124)**
Issued on acquisition of Acuity	13,322	–	–	–	**13,322**	–	**13,322**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax	–	–	(26,649)	–	**(26,649)**	–	**(26,649)**
Increase in ownership interest in Highstreet Partners Limited	–	–	(584)	–	**(584)**	–	**(584)**
Balance, February 29, 2012	$ 573,643	$ 25,501	$ 591,124	$ 6,546	**$ 1,196,814**	$ 519	**$ 1,197,333**

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

(unaudited) (in thousands of Canadian dollars)	Note	Three months ended February 29, 2012	February 28, 2011
Operating Activities			
Net income for the period		$ 26,181	$ 29,510
Adjustments for			
Amortization		24,309	21,181
Interest expense		3,332	1,929
AGF Trust interest expense, net of payments		(4,632)	(11,281)
Income tax expense, net of payments		(9,581)	(2,093)
RSP loan securitization income, net of impairment		(1,262)	(619)
Provision for AGF Trust loan losses		1,798	3,375
Stock-based compensation		914	3,424
Share of profit of associated company		(1,403)	(845)
Deferred selling commissions paid		(10,164)	(14,523)
Purchase of AGF Trust investments	4	(29,862)	(39,580)
Proceeds from sale of AGF Trust investments	4	73,765	104,336
Other		3,208	(1,395)
		76,603	93,419
Net change in non-cash working capital balances related to operations			
Accounts receivable		18,898	(1,118)
Other assets		34,971	3,071
Accounts payable and accrued liabilities		(37,147)	(19,460)
Other liabilities		(12,977)	(11,945)
Net change in balances related to AGF Trust deposits and loans	18	(121,125)	(135,832)
		(117,380)	(165,284)
Net cash used in operating activities		(40,777)	(71,865)
Financing Activities			
Repurchase of Class B Non-Voting shares for cancellation		(4,124)	–
Issue of Class B Non-Voting shares		333	3,127
Dividends paid		(25,107)	(22,586)
Increase in secured financing	5	234,333	–
Increase in long-term debt related to Facility 1	8	20,000	17,000
Increase in long-term debt related to Facility 2 and Acquisition facility	8	–	185,000
Investment Management interest paid		(2,918)	(2,597)
Net cash provided by financing activities		222,517	179,944
Investing Activities			
Increase in ownership interest in Highstreet Partners Limited	6	(584)	–
Acquisition of Acuity Funds Ltd. and Acuity Investment Management, net of cash acquired	6	(20,976)	(173,415)
Purchase of property, equipment and computer software		(932)	(489)
Purchase of Investment Management investments	4	(3,159)	(1,497)
Proceeds from sale of Investment Management investments	4	3,588	4,028
Net cash used in investing activities		(22,063)	(171,373)
Increase (decrease) in cash and cash equivalents		159,677	(63,294)
Balance of cash and cash equivalents, beginning of period		246,634	456,921
Balance of cash and cash equivalents, end of period		$ 406,311	$ 393,627
Represented by:			
Investment Management cash and cash equivalents		$ 55,861	$ 44,330
AGF Trust cash and cash equivalents		350,450	349,297
		$ 406,311	$ 393,627
Supplemental disclosure of cash flow information:			
Interest paid - AGF Trust		$ 27,176	$ 34,785
Income taxes paid		20,275	13,615

(The accompanying notes are an integral part of the consolidated interim financial statements.)

Notes to Consolidated Interim Financial Statements

For the three months ended February 29, 2012 (unaudited)

Note 1: General Information

AGF Management Limited (AGF or the Company) is a limited liability company incorporated and domiciled in Canada under the *Business Corporations Act* (Ontario). The address of its registered office and principal place of business is Toronto-Dominion Bank Tower, 66 Wellington Street West, Toronto, Ontario.

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

These consolidated interim financial statements were authorized for issue by the Board of Directors on March 27, 2012.

Note 2: Basis of Preparation and Adoption of IFRS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP) as set out in the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (IFRS), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these consolidated interim financial statements. In the consolidated financial statements, the term ‘Canadian GAAP’ refers to Canadian GAAP before the adoption of IFRS.

These consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in Note 21, the Company has consistently applied the same accounting policies in its opening IFRS consolidated statement of financial position at December 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 21 discloses the impact of the transition to IFRS on the Company’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting estimates from those used in the Company’s consolidated financial statements for the year ended November 30, 2011.

The policies applied in these consolidated interim financial statements are based on IFRS issued and outstanding as of the date the Board of Directors authorized the statements for issue. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending November 30, 2012, could result in restatement of these consolidated interim financial statements, including the transition adjustments recognized on changeover to IFRS.

These consolidated interim financial statements should be read in conjunction with the Company’s Canadian GAAP annual consolidated financial statements for the year ended November 30, 2011, and in consideration of the IFRS transition disclosures included in Note 21 to these consolidated interim financial statements and the additional annual disclosures included in Note 22.

Note 3: Significant Accounting Policies, Judgments and Estimation Uncertainty

3.1 Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value.

3.2 Consolidation

(a) Subsidiaries

The consolidated financial statements include the accounts of the Company and its directly and indirectly owned subsidiaries. Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Intercompany transactions and balances are eliminated on consolidation. For subsidiaries where the Company does not own all of the equity, the non-controlling shareholders' interest is presented in the consolidated statement of financial position as non-controlling interest (NCI) and the related income is disclosed as a separate line in the consolidated statement of income.

The principal subsidiaries of AGF are as follows:

	Principal activity	Country of incorporation	Interest held
AGF Investments Inc.	Investment management	Canada	100%
AGF Investments America Inc.	Investment management	Canada	100%
Acuity Funds Ltd.	Investment management	Canada	100%
Acuity Investment Management Inc.	Investment management	Canada	100%
AGF International Advisors Company Limited	Investment management	Ireland	100%
AGFIA Limited	Investment management	Ireland	100%
AGF Asset Management Asia Limited	Investment management	Singapore	100%
Doherty & Associates Limited	Investment management	Canada	100%
Cypress Capital Management Limited	Investment management	Canada	100%
Highstreet Asset Management Inc.	Investment management	Canada	84.7%
AGF Trust Company	Trust company	Canada	100%
AGF Securities (Canada) Limited	Securities dealer	Canada	100%
20/20 Financial Corporation	Holding company	Canada	100%

On March 1, 2012, the Company announced the amalgamation of Acuity Funds Ltd. and AGF Investments Inc. The continuing amalgamated entity will be known as AGF Investments Inc.

(b) Associates

Associates are entities over which the Company has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Company holds a 30.7% interest in Smith & Williamson Holdings Limited (S&WHL), an independent U.K.-based company providing private client investment management, financial advisory and tax and accounting services.

The Company's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

AGF's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition other comprehensive income (loss) is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by AGF.

The Company assesses at each period-end whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amounts (being the higher of fair value less costs to sell and value in use) and charged to the consolidated statement of income.

3.3 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Canadian dollars, which is AGF Management Limited's functional currency.

The financial statements of entities that have a functional currency different from that of AGF Management Limited (foreign operations) are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). Resulting changes are recognized in net income on the consolidated statement of income, except for unrealized translation gains and losses related to investments in foreign associated companies, which are reported in other comprehensive income.

(b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the consolidated statement of financial position date and non-monetary assets and liabilities are translated at historical exchange rates. Foreign currency income and expenses are translated at average exchange rates prevailing throughout the year. Unrealized translation gains and losses and all realized gains and losses are included in net income on the consolidated statement of income.

Changes in the fair value of monetary debt instruments denominated in foreign currencies classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the investment and other changes in its carrying amount. Translation differences related to changes in amortized cost are recognized in net income and other changes in carrying amount are recognized in other comprehensive income.

3.4 Assets Under Management (AUM)

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 statement of financial position.

3.5 Cash and Cash Equivalents

Cash represents highly liquid temporary deposits, while cash equivalents consists of bank term deposits, both of which are readily convertible to known amounts of cash, are subject to insignificant risk of changes in fair value and have short-term maturities of less than three months at inception.

3.6 Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss (FVTPL)

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in the category unless they are designated as hedges.

Acquisition consideration payable is classified as FVTPL and is recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the consolidated statement of income under other income. Transaction costs on FVTPL financial instruments are accounted for in net income as incurred.

(ii) Available for sale

Available for sale assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company's available for sale assets consist of retained interest from securitization and investments in debt and equity securities.

Available for sale assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available for sale investments are classified as current, while retained interest from securitization is classified as current if the underlying securitized assets mature within 12 months.

Interest on available for sale investments, calculated using the effective interest method, is recognized in the consolidated statement of income as part of other income. Dividends on available for sale equity instruments are recognized in the consolidated statement of income as part of other income when the payment is received. When an available for sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the consolidated statement of income and are included in other income.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables consist of accounts receivable, real estate secured and investment loans and other assets.

Accounts receivable and other assets are initially recognized at the amount expected to be received, less, when material, a discount to reduce the asset balance to fair value. Subsequently, accounts receivable and other assets are measured at amortized cost using the effective interest method less a provision for impairment.

Real estate secured loans and investment loans are recorded at amortized cost using the effective interest rate method and net of an allowance for loan losses. Accrued but uncollected interest on uninsured real estate secured loans and investment loans are recorded as revenue and are included with the respective loan asset. Principal payments on real estate secured loans and investment loans that are contractually due to and expected to be collected by the Company in the 12-month period from the consolidated statement of financial position date are classified as current assets.

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

Refer to Note 3.7 for the Company's accounting for securitizations, Note 3.8 for details of the Company's allowance for loan losses and Note 3.9 for impaired loans.

(iv) Financial liabilities at amortized cost

Financial liabilities at amortized cost include accounts payable and accrued liabilities, secured financing, long-term debt, deposits, acquisition consideration payable, and other long-term liabilities.

Accounts payable and accrued liabilities, long-term debt and other long-term liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, these balances are measured at amortized cost using the effective interest method.

Deposits primarily consist of GICs that require the Company to pay a fixed interest rate until the maturity date of the certificate. Deposits are carried at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due or the deposit matures within 12 months of the consolidated statement of financial position date. Otherwise, they are presented as non-current liabilities.

(v) Derivative financial instruments

Derivative instruments are used to manage the Company's exposure to interest rate 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. 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. In accordance with IAS 39, the accumulated ineffectiveness of hedging relationships must be measured, and the ineffective portion of changes in fair value must be recognized in the consolidated statement of income. Where hedge accounting cannot be applied, changes in fair value are recognized in the consolidated statement of income.

- **Fair Value Hedges**

  Fair value hedge transactions predominantly use interest rate swaps to hedge the changes in the fair value of an asset, liability or firm commitment. Derivative financial instruments, held for fair value hedging purposes, are recognized at fair value and the changes in the fair value are recognized in the consolidated statement of income under other income. Changes in the fair value of the hedged items attributable to the hedged risk are also recognized in the consolidated statement of income under other income, with a corresponding adjustment to the

carrying amount of the hedged items in the consolidated statement of financial position. When the derivative instrument no longer qualifies as an effective hedge or the hedging instrument is sold or terminated prior to maturity, hedge accounting is discontinued prospectively. The cumulative adjustment of the carrying amount of the hedged item related to a hedging relationship that ceases to be effective is recognized in income over the remaining period to maturity on an effective yield basis. Furthermore, if the hedged item is sold or terminated prior to maturity, hedge accounting is discontinued and the cumulative adjustment of the carrying amount of the hedged item is then immediately recognized in other income.

- **Cash Flow Hedges**
  Cash flow hedges are used to hedge the Company's exposure to fluctuating interest rates on its long-term debt. The effective portion of the change in fair value of the derivative instruments designated as cash flow hedges, net of taxes, is recorded in other comprehensive income (OCI), while the ineffective portion is recognized in the consolidated statement of income under other income. Amounts recorded in OCI are subsequently recognized in the consolidated statement of income consistent with the timing of the recognition of cash flows associated with the hedged instruments. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income.

Transaction costs related to financial instruments at fair value through profit or loss are accounted for as expense on initial recognition. For all other financial instruments, transaction costs are included in the initial carrying amount in the consolidated statement of financial position.

3.7 Accounting for Securitizations

The Company has securitized certain RSP secured loans, insured real estate secured loans and uninsured real estate secured loans through the sale of these loans to a securitization trust. RSP secured loan securitizations were derecognized on the consolidated statement of financial position under IASB amendments to IFRS 1, which allowed the grandfathering of certain securitization transactions occurring prior to an entity's transition date instead of the fixed mandatory date of January 1, 2004. For securitization transactions occurring after the transition date, the Company applied the derecognition requirements in IAS 39. To qualify for derecognition from the consolidated statement of financial position, the transferee must have the unrestricted right to sell the securitized assets, and the risks and rewards of ownership of the securitized assets must be substantially transferred to the transferee.

If a securitization does not meet the derecognition criteria, the Company continues to recognize the full carrying amount of the secured assets on the consolidated statement of financial position, the transaction is treated as a secured financing, and is accounted for as a secured financing. When securitized assets are recognized on the consolidated statement of financial position, they continue to be classified as loans and receivables, and are recorded at amortized cost using the effective interest rate method, net of accrued but uncollected interest and any allowance for loan losses.

For derecognized RSP loans, the Company retains certain financial assets as retained interests in the securitization. The retained interests are carried at fair value determined using the present value of future expected cash flows. A gain or loss on the sale of loan receivables is recognized immediately in income. In determining the gain or loss on sale, management estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, expected credit losses, the cost of servicing the assets and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by management. If actual cash flows differ from the Company's estimate of future cash flows, the gains on the retained interest are recorded in OCI. Any losses are first recognized in OCI to the extent there is an offsetting gain and any excess is recognized in the consolidated statement of income under RSP loan securitization income (loss), net of impairment.

Servicing fee revenues related to the securitization are reported within RSP loan securitization income (loss), net of impairment in the consolidated statement of income. Where a servicing asset or liability is recognized, the amount is recorded in other assets or liabilities in the consolidated statement of financial position.

Retained interests are tested regularly for other-than-temporary impairment and, if required, the retained interest's carrying value is reduced to fair value by a charge in the consolidated statement of income.

The Company's real estate secured loan securitizations are recognized as secured. Under the terms of the real estate secured loan securitizations, the Company retains the risks and rewards of ownership, the transferee does not have the unrestricted right to pledge or sell the securitized loan assets, and the Company retains the unrestricted right to repurchase

more than 10% of the securitized assets. In its securitization transactions, the Company provides a credit enhancement in the form of a cash collateral account for the protection of investors in the securitization trusts. For the insured real estate secured loan securitizations, cash collateral equal in value to 0.25% of the notional amount of the securitized mortgages was pledged as part of the secured financing transaction. For the non-insured mortgage loan securitization, cash collateral equal to 2% of the notional amount of the securitized mortgages was pledged as part of the secured financing transaction.

Refer to Note 5 for additional disclosure regarding the securitizations and related consolidated statement of financial position and consolidated statement of income impacts.

3.8 Allowance for Loan Losses

The allowance for loan losses consists of loans that have been assessed on a collective basis (collective allowance) and loans that have been assessed on an individual basis (individual allowance). Allowances are based on management's assessment at each consolidated statement of financial position date whether objective evidence of impairment exists for an individual loan or group of loans with similar risk characteristics.

The criteria used to determine if objective evidence of impairment exists include:

(i) significant financial difficulty of the borrower;
(ii) delinquencies in interest or principal payments; and
(iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

If objective evidence of impairment exists for an individual loan, the impairment loss for the loan is measured individually, and the carrying value of the loan is reduced to the present value of its estimated realizable amount through the use of individual provisions. AGF Trust's provision methodology takes into account losses on individually assessed loans that are currently one-to-90 days in arrears, and for which objective evidence of impairment exists. If no objective evidence of impairment exists for an individual loan, it is collectively assessed for evidence of impairment with a group of loans sharing the same risk characteristics. AGF Trust's collective provision methodology takes into account portfolio-specific credit factors, general economic factors, geographic exposure, historical loss experience, as well as Probability of Default (PD) and Loss Given Default (LGD).

3.9 Impaired Loans

Loans are classified as impaired when objective evidence of impairment exists for an individually assessed loan. Loans that are insured by the federal government, an agency thereof or another third-party insurer are 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 90 days.

When a loan is identified as impaired, the carrying amount of the loan is reduced by the amount of the measured impairment loss through the use of individual provisions and the individual allowance account to adjust 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 statement 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.

3.10 Intangibles

(a) Goodwill and Management Contracts

Goodwill represents the excess of the fair value of consideration paid over the fair value of the Company's share of the identifiable net assets, including management contracts, of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Management contracts have been determined to have an indefinite life.

(b) Customer Contracts and Other Intangibles

Customer contracts and other intangibles are stated at cost, net of accumulated amortization and impairment, if any. Amortization is computed on a straight-line basis over seven to 15 years based on the estimated useful lives of these assets. Unamortized customer contracts and other intangibles for which client attrition occurs is immediately charged to net income and included in the amortization of customer contracts.

(c) Deferred Selling Commissions

Selling commissions paid to brokers on mutual fund securities sold on a deferred sales charge (DSC) basis are recorded at cost and are amortized on a straight-line basis over the period that the associated economic benefits are expected to arise, which corresponds with the applicable DSC schedule and ranges from three to seven years. Unamortized deferred selling commissions related to units redeemed prior to the end of the expected investment period are immediately charged to net income and included in the amortization of deferred selling commissions.

3.11 Property, Equipment and Computer Software

Property, equipment and computer software, which consists of furniture and equipment, computer hardware, computer software and leasehold improvements is stated at cost, net of accumulated amortization and impairment, if any. Amortization is calculated using the following methods based on the estimated useful lives of these assets:

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

3.12 Impairment of Non-financial Assets

Assets that have an indefinite useful life, for example, goodwill and management contracts, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.13 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured as the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

In November 2005, the Company launched AGF Elements, which consists of five diversified fund-of-fund portfolios. Four of these portfolios include the Elements Advantage Commitment, which is a commitment to the investor that if their portfolio does not match or outperform its customized benchmark over a three-year period, AGF will provide each individual investor up to 90 basis points in additional units. This will be calculated based on the value of such investment at the end of its related three-year period.

The Company records a provision of up to 30 basis points per year of each investor's AUM and the Company's expectation of amounts ultimately to be reimbursed to the investor, adjusted for redemptions, until the end of the three-year measurement period of each investment made by such investor. If an individual investor's returns match or exceed the corresponding benchmark, amounts previously recorded as a provision are reversed and recognized in net income.

3.14 Current and Deferred Income Tax

Income tax consists of current and deferred tax. Income tax is recognized in the consolidated statement of income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the date of the consolidated statement of financial position and are expected to apply when the

deferred tax asset is realized or liability settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are presented as non-current.

3.15 Revenue Recognition

Revenue is recognized to the extent that is it probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. In addition to these general principles, AGF applies the following specific revenue recognition policies:

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 parties and selling-commission financing entities.

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

Interest income earned on real estate secured and investment loans are recognized on an accrual basis in the period earned using the effective interest method.

3.16 Employee Benefits

(a) Stock-based Compensation and Other Stock-based Payments

The consolidated financial statements include the accounts of the Company and its directly and indirectly owned subsidiaries. Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies. The Company has stock-based compensation plans as described in Note 13. The Company utilizes the fair-value-based method of accounting for stock-based compensation. The fair value of stock-based compensation, determined using an option pricing model, is recorded over the vesting period as a charge to net earnings with a corresponding credit to contributed surplus.

The Company also has a share purchase plan under which employees can have a percentage of their annual earnings withheld subject to a maximum of 6% to purchase AGF's Class B Non-Voting shares. The Company matches up to 60% of the amounts contributed by the employee. The Company's contribution vests immediately and is recorded as a charge to net income in the period that the benefit is earned. All contributions are used by the plan trustee to purchase Class B Non-Voting shares on the open market.

The Company has a Restricted Share Unit (RSU) plan for senior employees under which certain employees are granted RSUs of Class B Non-Voting shares. These units vest three years from the grant date. AGF will redeem all of the participants' share units in cash equal to the value of one Class B Non-Voting share for each RSU. Compensation expense and the related liability are recorded equally over the three-year vesting period, taking into account fluctuations in the market price of Class B Non-Voting shares, dividends paid and forfeitures.

The Company has a Partners Incentive Plan (PIP) for senior employees of its Investment Management Operations segment, under which certain employees are designated to participate. The plan consists of a number of points, which are allocated among participating employees. The value of each point is determined using a funding rate that is based on a set percentage of targeted earnings before interest and tax (EBIT) that defines the funding pool for the year. At the end of each fiscal year, the funding pool is adjusted up or down to reflect the Company's EBIT performance. The adjusted dollar value is then settled in the form of RSUs or stock options. Stock options are granted under the Company's stock option plan, which is described in Note 13. RSUs are granted under the PIP. These units vest evenly over three years from the grant date. Upon vesting, the Company will redeem the participants' RSUs in cash value equal to the value of one Class B Non-Voting share for each RSU. During the first year of the plan, compensation expense and the related liability is expensed based on the targeted funding pool over a graded four-year vesting period. Upon granting of the RSU or stock option, the remaining expense is accounted for under the RSU or stock option model.

The Company has a Performance Share Unit (PSU) plan for senior employees under which certain employees are granted PSUs of Class B Non-Voting shares. Compensation expense and the related liability are recorded equally over the vesting period, taking into account the likelihood of the performance criteria being met, fluctuations in the market price of Class B Non-Voting shares, dividends paid and forfeitures. These PSUs vest three years from the grant date provided employees meet certain performance criteria. AGF will redeem all of the participants' PSUs in cash equal to the value of one Class B Non-Voting share for each PSU.

The Company has a Deferred Share Unit (DSU) plan for non-employee Directors and certain employees. The plan enables Directors of the Company to elect to receive their remuneration in DSUs. These units vest immediately and compensation expense and the related liability are charged to net income in the period the DSUs are granted. DSUs granted to certain employees vest between one to 10 years from the grant date. Compensation expense and the related

liability are recorded equally over the respective vesting periods, taking into account fluctuations in the market price of Class B Non-Voting shares, dividends paid and forfeitures. On termination, AGF will redeem all of the participants' DSUs in cash equal to the value of one Class B Non-Voting share at the termination date for each DSU.

The Company has entered into a put agreement with the non-controlling shareholders of one of its subsidiaries. Under the agreement, the Company is obligated to purchase shares from the non-controlling shareholders at a price determined by a specified multiple of earnings. The Company accounts for the obligation as a share-based payment at fair value. The fair value of the obligation is determined as the difference between the earnings multiple specified in the agreement with the shareholders and a market multiple based on precedent transactions. Changes in the fair value of the put agreement are recorded in net income.

(b) Termination Benefits

The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan or letter of termination without possibility of withdrawal.

3.17 Capital Stock

AGF Class A Voting common shares and Class B Non-Voting shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds, net of tax.

3.18 Dividends

Dividend distribution to AGF shareholders is recognized in the Company's consolidated financial statements in the period in which the dividends are approved by the Board of Directors.

3.19 Earnings per Share

Basic earnings per share are calculated by dividing net income applicable to common shares by the daily weighted average number of shares outstanding. Diluted earnings per share are calculated using the daily weighted average number of shares that would have been outstanding during the year had all potential common shares been issued at the beginning of the year, or when other potentially dilutive instruments were granted or issued, if later.

The treasury stock method is 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.

3.20 Accounting Standards Issued but Not Yet Applied

In November 2009, the IASB issued IFRS 9 ─ Financial Instruments (IFRS 9), which has not yet been adopted by the Company. Also, in May 2011, the IASB issued the following standards, which have not yet been adopted by the Company: IFRS 10 ─ Consolidated Financial Statements (IFRS 10), IFRS 11 ─ Joint Arrangements (IFRS 11), IFRS 12 ─ Disclosure of Interests in Other Entities (IFRS 12), IAS 27 ─ Separate Financial Statements (IAS 27), IFRS 13 ─ Fair Value Measurement (IFRS 13) and amended IAS 28 ─ Investments in Associates and Joint Ventures (IAS 28). In addition, in June 2011, the IASB amended IAS 19 ─ Employee Benefits (IAS 19), which has not yet been adopted by the Company. Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with the exception of IFRS 9, which is effective for annual period beginning on or after January 1, 2015, and early adoption is permitted for all new standards. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements. The following is a brief summary of the new and amended standards:

(a) IFRS 9 – Financial Instruments

IFRS 9 contains requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 – Financial Instruments: Recognition and Measurement (IAS 39) for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss (FVTPL). IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at FVTPL or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit and loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at FVTPL would generally be recorded in OCI.

(b) IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation—Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements.

(c) IFRS 11 – Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

(d) IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

(e) IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

(f) IAS 19 – Employee Benefits

IAS 19 has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. The amended standard removes the option to use the 'corridor approach,' whereby actuarial gains and losses are deferred, and it also removes the option to recognize actuarial gains and losses immediately through income. Instead, it requires immediate recognition of actuarial gains and losses in other comprehensive income as they arise, without subsequent recycling to net income. Past service cost (which will now include curtailment gains and losses) will no longer be recognized over a service period. Instead, past service costs will be recognized immediately in the period of a plan amendment. Pension benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments), and (ii) finance expense or income. The finance expense or income component will be calculated based on the net defined benefit asset or liability. The amendments clarify that benefits requiring future services (e.g., stay bonuses) are not termination benefits in the scope of IAS 19 and this may result in a different pattern of recognition of such costs. A number of other amendments have been made to recognition, measurement and classification including redefining short-term and other long-term benefits, guidance on the treatment of taxes related to benefit plans, guidance on risk/cost-sharing features, and expanded disclosures.

(g) Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10-13.

3.21 Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period in which the estimate is revised if the revision affects both current and future period.

Key areas of estimation where management has made difficult, complex or subjective judgments – often about matters that are inherently uncertain – include provision for useful lives of depreciable assets, commitments and contingencies, and the recoverability of property, equipment and computer software, as well as the specific items discussed below.

(a) Allowance for Loan Losses

The allowance for loan losses is based on management's assessment at each consolidated statement of financial position date whether objective evidence of impairment exists for an individual loan or group of loan with similar risk characteristics. This assessment is based on quantitative and qualitative data and management's judgment is required to evaluate whether such data is indicative of impairment. Refer to Note 3.8 and Note 7 for further details on the allowance for loan losses.

(b) Impairment of Non-financial Assets

The assessment of impairment of non-financial assets uses cash flow projections based on financial budgets approved by management covering a five-year period. Management determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used is based on management's forecast. The discount rates used are pre-tax and reflect specific risks in relation to the relevant CGU. Refer to Note 3.12 for further details on the impairment of non-financial assets.

(c) Stock-based Compensation and Other Stock-based Payments

In determining the fair value of stock-based rewards and the related charge to the consolidated statement of income, the Company makes assumptions about future events and market conditions. In particular, judgment must be formed as to the likely number of shares that will vest, and the fair value of each award granted. The fair value of stock options granted is determined using the Black-Scholes option-pricing model which is dependent on further estimates, including the Company's future dividend policy and the future volatility in the price of the Class B Non-Voting shares. Refer to Note 13 for the assumptions used. Such assumptions are based on publicly available information and reflect market expectation. In addition, in determining the fair value of the obligation related to the put agreement with non-controlling shareholders of one of its subsidiaries, the Company estimates the market multiple based on precedent transactions. Different assumptions about these factors to those made by AGF could materially affect reported net income.

(d) Performance-related Compensation

In determining the charge for performance-related compensation to the consolidated statement of income, management uses a financial forecast of year-end results and fund performance that is updated quarterly. Forecasts require management judgment and are subject to risk that actual events may be significantly different from those forecasted. If actual events deviate from the assumptions made by the Company, then the reported performance-related compensation may be materially different.

(e) Income Taxes

The Company is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. AGF recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(f) Critical Judgments in Applying the Entity's Accounting Policies

The application of the Company's accounting policies may require management to make judgments, apart from those involving estimates, that can affect the amounts recognized in the consolidated financial statements. Such judgments include the determination of the finite or indefinite life of intangible assets and the determination of whether or not to apply hedge accounting. Refer to relevant accounting policies in Note 3 for further details.

Note 4: Investments

(in thousands of Canadian dollars)	February 29, 2012	November 30, 2011
AGF Trust		
Canadian government debt - Federal[1]	$ –	$ 31,753
Canadian government debt - Provincial[1]	427,796	442,572
Mortgage-backed securities	22,021	22,149
	449,817	496,474
Investment Management		
Canadian government debt - Federal	300	299
AGF mutual funds and other	16,262	15,673
Equity securities	5,890	5,040
	22,452	21,012
	$ 472,269	$ 517,486

[1] Includes investments issued and/or guaranteed by the Canadian government or agencies of the Government of Canada

The following table presents a breakdown of AGF Trust's investments by maturity, excluding retained interest from securitization:

February 29, 2012 (in thousands of Canadian dollars)	Credit rating	1 year or less	1 to 5 years	Greater than 5 years	Total
AGF Trust					
Canadian government debt - Federal	–	$ –	$ –	$ –	$ –
Canadian government debt - Provincial	A to AAA	85,133	342,663	–	427,796
Mortgage-backed securities	AAA	–	10,360	11,661	22,021
		$ 85,133	$ 353,023	$ 11,661	$ 449,817

November 30, 2011 (in thousands of Canadian dollars)	Credit rating	1 year or less	1 to 5 years	Greater than 5 years	Total
AGF Trust					
Canadian government debt - Federal	AAA	$ –	$ –	$ 31,753	$ 31,753
Canadian government debt - Provincial	A to AAA	102,042	340,530	–	442,572
Mortgage-backed securities	AAA	–	10,496	11,653	22,149
		$ 102,042	$ 351,026	$ 43,406	$ 496,474

AGF Trust's investments include federal and provincial guaranteed bonds, mortgage-backed securities (MBSs) and floating-rate notes (FRNs) with original terms to maturity greater than three months. As at February 29, 2012, $55.0 million of AGF Trust's investments were FRNs subject to repricing (November 30, 2011 – $56.8 million) and $394.8 million were fixed-rate securities (November 30, 2011 – $439.7 million).

Investment Management's investment in Canadian government debt is a fixed-rate treasury bond with a maturity date within one year and a credit rating of AAA.

During the three months ended February 29, 2012, and February 28, 2011, no impairment charges were required.

Note 5: Securitization of AGF Trust Loans

AGF Trust's financing activities include the securitization of certain RSP loans, insured real estate secured loans and uninsured real estate secured loans under agreements that assign the underlying RSP loans and real estate secured loans to a securitization trust. In these securitizations, the Company retains certain risks of ownership and obligations to pay future cash flows to the transferee. There are no expected credit losses on securitized insured real estate secured loans as they are insured against default, and the Company maintains collective and individual loan allowances for its securitized RSP loans and uninsured real estate secured loans. In all securitizations, the transferee has no recourse to other assets of the Company in the event of failure of debtors to pay their securitized loans when due.

At February 29, 2012, the carrying amount of retained interests related to securitized RSP loans was nil (November 30, 2011 – $38.9 million). The Company securitized $111.7 million of insured real estate secured loans in December 2011 and $130.5 million of non-insured real estate secured loans in February 2012. At February 29, 2012, the total carrying amount of the securitized real estate secured assets was $474.4 million (November 30, 2011 – $236.0 million), and consists of $339.2 million of insured real estate secured loans (November 30, 2011 – $236.0 million) and $135.2 million of uninsured real estate secured loans (November 30, 2011 – nil).

(a) RSP Loan Securitization

In January 2012, the Company exercised its right under the securitization agreement to reacquire all securitized RSP loans. The Company made a cash payment of $2.7 million to the securitization trust, which consists of $17.3 million in payment obligations, partly offset by the receipt of cash collateral of $14.6 million. On reacquisition, RSP loans totalling $39.6 million were recorded on the consolidated statement of financial position, retained interests of $38.5 million related to the securitization were removed from the consolidated statement of financial position, and the Company recorded a gain on repurchase of $1.1 million.

(b) Assets Pledged as Collateral

Real estate secured loans used in securitization activities are pledged against secured financing. In addition, cash collateral equal in value to 0.25% of the notional amount of the securitized insured real estate secured loans, and 2.0% of the notional value of uninsured real estate secured loans was pledged as part of the secured financing transaction. The pledged cash collateral was $3.6 million at February 29, 2012 (November 30, 2011 – $0.6 million).

(c) Secured Financing

Secured financing represents the funding received through securitization of the Company's real estate secured loans. As at February 29, 2012, the Company's secured financing totalled $473.0 million (November 30, 2011 – $238.5 million) and consists of insured real estate secured loan financing of $342.5 million (November 30, 2011 – $238.5 million) and uninsured real estate secured loan financing of $130.5 million (November 30, 2011 – nil).

Note 6: Acquisitions

(a) Acquisition of Acuity Funds Ltd. and Acuity Investment Management Inc.

On February 1, 2011, the Company completed its acquisition of 100% of the shares of Acuity Funds Ltd. and Acuity Investment Management Inc. (Acuity) for a purchase price of $335.5 million. Acuity is included in the Company's Investment Management Operations segment and manages retail and institutional assets. Goodwill of $118.3 million was recognized as the fair value of consideration paid in excess of the fair value of separately recognized tangible and intangible assets acquired, net of liabilities assumed.

The fair values of net assets acquired and consideration paid are summarized in the table below:

(in thousands of Canadian dollars)		
Net assets acquired		
Cash	$	4,842
Other assets		10,646
Management contracts		211,500
Customer contracts		39,278
Non-competition agreement[1]		21,900
Finite-life management contracts[1]		5,500
Trademark[1]		1,600
Goodw ill		118,325
Liabilities		(14,028)
Future income taxes		(64,014)
	$	335,549
Consideration paid		
Cash	$	178,257
Cash payments due February 1, 2012		18,391
Cash payments due February 1, 2013		3,644
Cash payments due February 1, 2014		3,579
Issuance of Class B Non-Voting shares		55,683
Issuance of Class B Non-Voting shares held in escrow		58,996
Issuance of Class B exchangeable preferred shares, redeemable February 1, 2012		9,756
Issuance of Class C exchangeable preferred shares, redeemable February 1, 2012		2,517
Issuance of Class D exchangeable preferred shares, redeemable February 1, 2013		2,400
Issuance of Class E exchangeable preferred shares, redeemable February 1, 2014		2,326
	$	335,549

[1] Grouped as other intangibles on the consolidated statement of financial position

The non-competition agreement, finite-life management contracts, and trademarks are stated at cost (being the fair value at the date of acquisition), net of accumulated amortization and impairment, if any, on the consolidated statement of financial position under other intangibles. Amortization is computed on a straight-line basis over three to 10 years based on the estimated useful lives of these assets.

The deferred cash payments and Class B, C, D and E exchangeable preferred shares are subject to an adjustment based on Acuity's net sales of institutional AUM between the date of acquisition and the payment or redemption date of these preferred shares. As at February 29, 2012, the maximum adjustment to the acquisition consideration payable is an increase of $3.4 million and a decrease of $2.9 million. The Class B, C, D and E exchangeable preferred shares are to be settled by the issuance of a variable number of AGF Class B Non-Voting shares, the number of which is determined by reference to a fixed exchange ratio. The deferred cash payments and Class B, C, D and E exchangeable preferred shares are accounted for as contingently returnable consideration carried at fair value and have been classified on the consolidated statement of financial position as acquisition consideration payable.

The Class B Non-Voting shares held in escrow, as part of the consideration paid outlined in the above table, are released to the Acuity vendors between August 1, 2011, and February 1, 2014. Dividends declared on the Class B Non-Voting shares are paid to the vendors during the escrow period. During the three months ended February 29, 2012, 3,105,516 Class B Non-Voting shares were released from escrow and 370,236 Class B Non-Voting shares continue to be held in escrow. Prior to the acquisition, the Company also advanced $14.0 million to Acuity, which was converted into common shares of Acuity upon closing and has been reflected above as cash consideration paid.

On February 1, 2012, $34.3 million was paid to the Acuity vendors, consisting of $21.0 million in cash and a settlement of the Class B and C exchangeable preferred shares through the issuance 828,452 Class B Non-Voting shares valued at $13.3 million.

The following is a summary of the fair values of contingently returnable consideration as at February 29, 2012, and November 30, 2011:

(in thousands of Canadian dollars)	February 29, 2012	November 30, 2011
Cash payments due February 1, 2012	$ –	$ 19,693
Cash payments due February 1, 2013	3,664	3,563
Cash payments due February 1, 2014	3,396	3,306
Issuance of Class B exchangeable preferred shares, redeemable February 1, 2012	–	9,515
Issuance of Class C exchangeable preferred shares, redeemable February 1, 2012	–	2,455
Issuance of Class D exchangeable preferred shares, redeemable February 1, 2013	2,018	1,984
Issuance of Class E exchangeable preferred shares, redeemable February 1, 2014	1,828	1,864
	$ 10,906	$ 42,380
Less: current portion	5,682	31,663
	$ 5,224	$ 10,717

The following is a summary of post-acquisition amounts included in the Company's consolidated statement of income for the three months ended February 29, 2012, and February 28, 2011:

Three months ended (in thousands of Canadian dollars)	February 29, 2012	February 28, 2011
Revenue	$ 15,796	$ 7,403
Net income[1]	4,329	2,488

[1] Excluding integration costs and fair value adjustments related to the acquisition consideration payable

During the three months ended February 29, 2012, the Company recognized nil (2011 – $4.6 million) in expenses related to the acquisition and integration of Acuity and a $2.8 million loss (2011 – $0.9 million loss) related to the fair value adjustment on the acquisition consideration payable.

On March 1, 2012, the Company announced the amalgamation of Acuity Funds Ltd. and AGF Investments Inc. The continuing amalgamated entity will be known as AGF Investments Inc.

(b) Acquisition of Highstreet Partners Ltd.

In the first quarter of 2012, the Company increased its ownership interest in Highstreet Partners Ltd. to 84.7% for cash consideration of $0.6 million. The payment was recorded as an adjustment to retained earnings.

Note 7: AGF Trust

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

	Term to contractual repricing				
(in thousands of Canadian dollars)	Variable rate	1 year or less	1 to 5 years	February 29, 2012	November 30, 2011
Mortgage loans	$ 98,722	$ 352,882	$ 626,456	$ 1,078,060	$ 987,246
Home equity lines of credit (HELOCs)	187,924	–	–	187,924	196,065
Total real estate secured loans	286,646	352,882	626,456	1,265,984	1,183,311
Investment loans	1,799,962	310	39	1,800,311	1,793,022
	2,086,608	353,192	626,495	3,066,295	2,976,333
Less: allowance for loan losses				(27,693)	(30,422)
Add: net deferred sales commissions and commitment fees				6,554	5,706
				3,045,156	2,951,617
Less: current portion				(504,736)	(465,489)
				$ 2,540,420	$ 2,486,128

(a) Real Estate Secured and Investment Loans

The table above represents the period of contractual repricing of interest rates on outstanding amounts. Principal repayments due on real estate and investment loans due within one year as at February 29, 2012, were $504.7 million (November 30, 2011 – $462.2 million).

As at February 29, 2012, AGF Trust's mortgage portfolio consists of a combination of fixed rate and variable rate residential mortgages with a weighted average term to repricing of 1.7 years (November 30, 2011 – 1.5 years) and a weighted average yield of 4.8% (November 30, 2011 – 5.2%). Insured mortgage loans, excluding loan loss allowance, deferred commissions and pending representment, were $582.2 million as at February 29, 2012 (November 30, 2011 – $529.3 million). HELOCs, which totalled $188.0 million as at February 29, 2012 (November 30, 2011 – $196.1 million), had an average interest rate of 4.9% (November 30, 2011 – 4.9%). Investment loans, excluding RSP loans, totalled $1.4 billion as at February 29, 2012 (November 30, 2011 – $1.5 billion), and had an average interest rate (based on the prime interest rate) of 4.8% (November 30, 2011 – 4.8%). RSP loans totalled $368.8 million as at February 29, 2012 (November 30, 2011 – $324.6 million), and had an average interest rate of 6.1% (November 30, 2011 – 6.1%). The average interest rate on all investment loans as at February 29, 2012, was 5.0% (November 30, 2011 – 5.0%). Mortgage and HELOC loans are secured primarily by residential real estate. Secured investment loans of $1.4 billion (November 30, 2011 – $1.5 billion) are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately $1.2 billion (November 30, 2011 – $1.2 billion).

(b) Loans by Province and by Type

The following tables are a breakdown of the total value and total number of loans by province and by type:

February 29, 2012 (in millions of Canadian dollars)	Insured mortgage loans	Conventional mortgage loans	Secured investment loans	RSP loans	HELOC receivables	Finance loans	Total
British Columbia	$ 49.2	$ 51.6	$ 265.5	$ 30.6	$ 9.8	$ –	$ 406.7
Alberta	111.6	115.0	155.0	38.8	149.9	0.1	570.4
Ontario	288.7	226.5	699.2	109.8	10.3	0.1	1,334.6
Quebec	108.1	74.9	109.5	156.4	0.2	0.1	449.2
Other	24.6	27.7	202.0	33.2	17.8	0.1	305.4
Total value of loans	$ 582.2	$ 495.7	$ 1,431.2	$ 368.8	$ 188.0	$ 0.4	$ 3,066.3

February 29, 2012 (number of loans)	Insured mortgage loans	Conventional mortgage loans	Secured investment loans	RSP loans	HELOC receivables	Finance loans	Total
British Columbia	465	531	4,042	3,846	49	18	8,951
Alberta	166	214	2,736	3,730	625	63	7,534
Ontario	1,664	1,163	11,418	13,485	68	57	27,855
Quebec	124	162	2,030	18,423	3	62	20,804
Other	643	495	2,921	3,443	129	143	7,774
Total number of loans	3,062	2,565	23,147	42,927	874	343	72,918

November 30, 2011 (in millions of Canadian dollars)	Insured mortgage loans	Conventional mortgage loans	Secured investment loans	RSP loans	HELOC receivables	Finance loans	Total
British Columbia	$ 34.1	$ 49.5	$ 272.7	$ 27.7	$ 10.6	$ –	$ 394.6
Alberta	97.3	107.0	161.2	33.6	155.8	0.1	555.0
Ontario	270.8	210.5	716.9	97.9	10.7	0.1	1,306.9
Quebec	111.2	67.7	111.0	135.9	0.2	0.1	426.1
Other	15.9	23.3	206.0	29.5	18.8	0.2	293.7
Total value of loans	$ 529.3	$ 458.0	$ 1,467.8	$ 324.6	$ 196.1	$ 0.5	$ 2,976.3

November 30, 2011 (number of loans)	Insured mortgage loans	Conventional mortgage loans	Secured investment loans	RSP loans	HELOC receivables	Finance loans	Total
British Columbia	129	175	4,133	3,238	54	21	7,750
Alberta	423	508	2,830	2,956	652	87	7,456
Ontario	1,632	1,099	11,696	11,144	71	65	25,707
Quebec	663	489	2,051	14,386	3	86	17,678
Other	86	136	2,987	2,736	136	188	6,269
Total number of loans	2,933	2,407	23,697	34,460	916	447	64,860

(c) Impaired Loans

As at February 29, 2012, impaired loans were $19.5 million (November 30, 2011 – $25.9 million) and $11.9 million (November 30, 2011 – $14.0 million), net of the specific allowance for loan losses.

(in thousands of Canadian dollars)	February 29, 2012	November 30, 2011
Impaired Loans		
Insured mortgage loans	$ 3,263	$ 4,345
Conventional mortgage loans	13,027	16,541
Secured investment loans	888	1,404
RSP loans	1,019	2,306
HELOC receivables	958	1,257
	$ 19,155	$ 25,853

The following tables provide an aging of loans:

February 29, 2012 (in thousands of Canadian dollars)	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total
Insured mortgage loans	$ 557,372	$ 10,380	$ 1,672	$ 1,000	$ 11,874	$ 582,298
Conventional mortgage loans	468,446	13,032	978	584	12,722	495,762
Secured investment loans	1,417,070	11,347	1,970	592	258	1,431,237
RSP loans	364,372	2,855	658	463	377	368,725
HELOC receivables	181,959	2,890	848	338	1,889	187,924
Finance loans	349	–	–	–	–	349
	$ 2,989,568	$ 40,504	$ 6,126	$ 2,977	$ 27,120	$ 3,066,295

November 30, 2011 (in thousands of Canadian dollars)	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total
Insured mortgage loans	$ 496,132	$ 14,818	$ 2,098	$ 1,792	$ 14,478	$ 529,318
Conventional mortgage loans	429,270	10,006	1,590	898	16,164	457,928
Secured investment loans	1,451,403	13,390	1,826	704	536	1,467,859
RSP loans	319,590	2,323	622	314	1,775	324,624
HELOC receivables	191,518	1,737	610	325	1,875	196,065
Finance loans	539	–	–	–	–	539
	$ 2,888,452	$ 42,274	$ 6,746	$ 4,033	$ 34,828	$ 2,976,333

(d) Mortgages in Legal Action

As at February 29, 2012, there are $16.5 million (2011 – $22.0 million) of insured mortgages in legal action. In addition, the following table provides a summary of conventional mortgages in legal action, which includes demand for payment, power of sale and foreclosures. The table details opening mortgages in legal action for the period and related changes to the pool, being additions, discharged mortgages other than sold, proceeds on foreclosed mortgages discharged and related losses, to arrive at the ending balance of mortgages in legal action.

(in thousands of Canadian dollars)	February 29, 2012	February 28, 2011
Balance outstanding, beginning of the period	$ 15,455	$ 28,297
Additions	4,619	4,559
Discharged mortgages other than sold	(4,689)	(2,930)
Proceeds on foreclosed mortgages discharged	(2,431)	(3,278)
Loss on foreclosed mortgages discharged	(1,030)	(797)
Balance outstanding, end of the period	$ 11,924	$ 25,851

(e) Allowance for Credit Losses

The continuity in the allowance for loan losses is as follows:

(in thousands of Canadian dollars)	February 29, 2012		
	Individual allowances	Collective allowances	Total allowances
Balance, beginning of the period	$ 9,972	$ 20,450	$ 30,422
Amounts written off	(5,277)	–	(5,277)
Recoveries	750	–	750
Provision for loan losses	2,071	(273)	1,798
Balance, end of the period	$ 7,516	$ 20,177	$ 27,693
Breakdown by category:			
Insured mortgage loans	$ –	$ 1,300	$ 1,300
Conventional mortgage loans	3,809	5,093	8,902
Secured investment loans	1,317	8,103	9,420
RSP loans	2,033	5,251	7,284
HELOC receivables	357	430	787
	$ 7,516	$ 20,177	$ 27,693

(in thousands of Canadian dollars)	February 28, 2011		
	Individual allowances	Collective allowances	Total allowances
Balance, beginning of the period	$ 12,509	$ 22,197	$ 34,706
Amounts written off	(5,149)	–	(5,149)
Recoveries	631	–	631
Provision for (recovery of) loan losses	3,911	(536)	3,375
Balance, end of the period	$ 11,902	$ 21,661	$ 33,563
Breakdown by category:			
Insured mortgage loans	$ –	$ 2,300	$ 2,300
Conventional mortgage loans	6,640	4,239	10,879
Secured investment loans	1,376	5,232	6,608
RSP loans	3,709	9,300	13,009
HELOC receivables	177	590	767
	$ 11,902	$ 21,661	$ 33,563

(f) AGF Trust Deposits

(in thousands of Canadian dollars)	Term to maturity				
	Demand	1 year or less	1 to 5 years	February 29, 2012	November 30, 2011
Deposits	$ 3,387	$ 1,798,659	$ 1,195,298	$ 2,997,344	$ 3,036,998
Less: deferred sales commissions				(6,802)	(7,199)
Less: current portion				(1,802,046)	(1,769,709)
Long-term deposits				$ 1,188,496	$ 1,260,090

As at February 29, 2012, deposits generally consists of GICs with a weighted average term to maturity of 1.1 years (November 30, 2011 – 1.2 years) and a weighted average interest rate of 2.7% (November 30, 2011 – 2.7%). Approximately 10.7% (November 30, 2011 – 10.3%) of deposits mature within 90 days.

(g) Interest Rate Swaps

To hedge its exposure to fluctuating interest rates, AGF Trust has entered into interest rate swap transactions with four Canadian chartered banks, as noted below. The swap transactions expire between March 2012 and March 2015. They involve the exchange of either the one-month bankers' acceptance (BA) rate or the three-month BA rate to receive fixed interest rates. The swap contracts designated as fair value hedging instruments for deposits are used by AGF Trust for balance sheet matching purposes and to manage interest expense volatility. As at February 29, 2012, the aggregate notional amount of the swap transactions was $1.9 billion (November 30, 2011 – $2.0 billion). The aggregate fair value of the swap transactions, which represents the amount that would be received by AGF Trust if the transactions were terminated at February 29, 2012, was $17.1 million (November 30, 2011 – $24.3 million). During the three months ended February 29, 2012, the ineffective portion of accumulated changes in fair value of hedging relationships recognized in the consolidated statement of income amounted to a loss of less than $0.1 million (2011 – $0.3 million loss), as it relates to fair value hedging relationships.

February 29, 2012 (in thousands of Canadian dollars)	**Notional amount of swap**	**Fair value**	**Maturity date**	**Fixed interest rate received**
	$ 1,115,000	$ 6,190	2012	0.92% - 5.01%
	570,000	5,280	2013	0.90% - 2.71%
	200,000	2,224	2014	1.09% - 2.82%
	50,000	3,370	2015	2.48% - 2.93%
	$ 1,935,000	$ 17,064		

November 30, 2011 (in thousands of Canadian dollars)	**Notional amount of swap**	**Fair value**	**Maturity date**	**Fixed interest rate received**
	$ 60,000	$ 54	2011	1.30% - 4.17%
	1,280,000	10,847	2012	0.92% - 5.01%
	510,000	7,068	2013	0.90% - 2.71%
	80,000	2,850	2014	2.09% - 2.82%
	50,000	3,489	2015	2.48% - 2.93%
	$ 1,980,000	$ 24,308		

Note 8: Long-term Debt

(in thousands of Canadian dollars)	**February 29, 2012**	**November 30, 2011**
Revolving term loans[1]		
Facility 1	$ 19,956	$ –
Facility 2	124,292	124,269
Acquisition facility[1]	184,033	184,000
	$ 328,281	$ 308,269

[1] Net of transaction costs and discount

On August 31, 2011, the Company, through its subsidiary AGF Investments Inc., amended and restated its loan agreements. All facilities are now under one syndicated agreement with two Canadian chartered banks as follows:

(a) Revolving Term Loans

On August 31, 2011, the Company amended and restated its revolving committed term loan (Facility 1). Facility 1 is a syndicated revolving term loan with two Canadian chartered banks and with a maximum aggregate principal of $300.0 million (November 30, 2011 – $300.0 million). Advances under Facility 1 are made available by prime-rate loans in U.S. or Canadian dollars, under BAs or by issuance of letters of credit. Facility 1, if not renewed, is due in full on January 28, 2015. As at February 29, 2012, AGF had drawn $20.0 million (November 30, 2011 – nil) against Facility 1 in the form of a one-month BA at an effective average interest rate of 2.7% per annum.

On August 31, 2011, the Company arranged an additional syndicated revolving committed term loan with two major Canadian chartered banks (Facility 2). Facility 2 is a five-year revolving term loan with a maximum aggregate principal of $125.0 million. Advances under Facility 2 are made available by prime-rate loans in U.S. or Canadian dollars, under BAs or by issuance of letters of credit. Facility 2, if not renewed, is due in full on August 31, 2016. As at February 29, 2012,

AGF had drawn down $125.0 million (November 30, 2011 – $125.0 million) against Facility 2 in the form of a one-month BA at an effective average interest rate of 2.7% per annum (November 30, 2011 – 2.7%).

Facility 1 and Facility 2 are guaranteed by AGF Management Limited and certain subsidiaries, including the Acuity group of companies and 20/20 Financial Corporation.

To hedge the Company's exposure to fluctuating interest rates on its long-term debt, AGF has entered into an interest rate swap transaction with a Canadian chartered bank. The swap transaction expires in July 2016 and involves the exchange of the one-month BA rate to receive a fixed interest rate of 3.8%. The swap contract is designated as a cash flow hedging instrument and is used to mitigate interest expense volatility on Facility 2. As at February 29, 2012, the notional amount of the swap transaction was $125.0 million (November 30, 2011 – $125.0 million). Refer to Note 19 for further details on the Company's derivative instruments.

(b) Acquisition Facility

On August 31, 2011, the Company amended its syndicated four-year non-amortizing term loan credit facility with two Canadian chartered banks (acquisition facility). The acquisition facility was originally arranged on January 28, 2011, to partially fund the acquisition of Acuity, and consists of a one-time drawdown of $185.0 million. The facility must be fully repaid by January 28, 2015, and is not renewable. Advances under the facility are made available by way of Canadian-dollar prime-rate loans or Canadian-dollar BAs. As at February 29, 2012, AGF had drawn $185.0 million (November 30, 2011 – $185.0 million) against the facility in the form of a one-month BA at an effective average interest rate of 2.7% per annum (November 30, 2011 – 2.7%).

The acquisition facility is guaranteed by AGF Management Limited and certain subsidiaries, including the Acuity group of companies and 20/20 Financial Corporation. Refer to Note 6 for further details of the Company's acquisition of Acuity.

Note 9: Capital Stock

(a) Authorized Capital

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

(b) Changes During the Period

The change in capital stock is summarized as follows:

Three months ended	**February 29, 2012**			**February 28, 2011**		
(in thousands of Canadian dollars, except share amounts)	**Shares**		**Stated value**	**Shares**		**Stated value**
Class A Voting common shares	57,600	$	–	57,600	$	–
Class B Non-Voting shares						
Balance, beginning of the period	95,406,796	$	560,838	88,606,196	$	439,216
Issued through dividend reinvestment plan	42,370		670	25,062		483
Stock options exercised	40,350		356	301,550		3,517
Issued on acquisition of Acuity	828,452		13,322	6,487,203		114,679
Repurchased for cancellation	(262,240)		(1,543)	–		–
Balance, end of the period	96,055,728	$	573,643	95,420,011	$	557,895

(c) Class B Non-Voting Shares Purchased for Cancellation

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B Non-Voting shares through the facilities of the TSX (or as otherwise permitted by the TSX). Under its normal course issuer bid, AGF may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,435,369 shares through to January 26, 2013. During the three months ended February 29, 2012, 262,240 Class B Non-Voting shares were repurchased at a cost of $4.1 million and the excess paid of $2.6 million over the recorded capital stock value of the shares repurchased for cancellation was charged to retained earnings. No shares were repurchased during the three months ended February 28, 2011.

Note 10: Accumulated Other Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Foreign currency translation	Available for sale securities	Cash flow hedge	Total
Opening Balance				
Other comprehensive income	$ –	$ 22,407	$ –	$ 22,407
Income tax expense	–	(6,397)	–	(6,397)
Balance, November 30, 2010	–	16,010	–	16,010
Transactions during the year ended November 30, 2011				
Other comprehensive income (loss)	50	(5,469)	(4,772)	(10,191)
Income tax recovery (expense)	(6)	1,854	1,193	3,041
Balance, November 30, 2011	44	12,395	(3,579)	8,860
Transactions during the period ended February 29, 2012				
Other comprehensive income (loss)	(1,196)	(2,492)	646	(3,042)
Income tax recovery (expense)	6	883	(161)	728
Balance, February 29, 2012	$ (1,146)	$ 10,786	$ (3,094)	$ 6,546

Note 11: AGF Trust Net Interest Income

Three months ended (in thousands of Canadian dollars)	February 29, 2012	February 28, 2011
AGF Trust interest income		
Loan interest	$ 37,582	$ 40,078
Investment interest	3,772	4,207
	41,354	44,285
AGF Trust interest expense		
Deposit interest	19,810	25,940
Hedging interest income	(2,708)	(6,766)
Other interest expense	5,442	4,330
	22,544	23,504
AGF Trust net interest income	$ 18,810	$ 20,781

Note 12: Expenses by Nature

Three months ended (in thousands of Canadian dollars)	February 29, 2012	February 28, 2011
Selling, general and administrative		
Employee benefit expense	$ 31,545	$ 32,930
Sales and marketing	2,798	2,885
Information technology and facilities	7,063	6,147
Professional fees	5,701	3,677
Other	5,765	4,797
	$ 52,872	$ 50,436
Business acquisition and integration		
Employee benefit expense	$ –	$ 1,718
Professional fees	–	2,850
	$ –	$ 4,568

Note 13: 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 4,160,766 Class B Non-Voting shares could have been granted as at February 29, 2012 (2011 – 4,123,521).

The stock options are issued at a price not less than the market price of the Class B Non-Voting 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, vest at the end of the term of the option.

The change in stock options during the three months ended February 29, 2012, and 2011 is summarized as follows:

Three months ended	February 29, 2012			February 28, 2011		
	Options		Weighted average exercise price	Options		Weighted average exercise price
Class B Non-Voting share options						
Balance, beginning of the period	5,399,429	$	17.51	5,540,399	$	16.35
Options granted	501,255		15.87	678,780		19.03
Options forfeited	(4,750)		8.24	(1,900)		8.24
Options expired	(465,900)		17.05	(50,050)		18.94
Options exercised	(40,350)		8.24	(301,550)		10.37
Balance, end of the period	5,389,684	$	17.47	5,865,679	$	16.95

During the three months ended February 29, 2012, 501,255 stock options were granted (2011 – 678,780) and compensation expense and contributed surplus of $0.5 million (2011 – $0.4 million) were recorded. The fair value of options granted during the three months ended February 29, 2012, has been estimated at $3.10 per share (2011 – $4.43 per share) using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the three months ended February 29, 2012:

Risk-free interest rate	1.3%
Expected dividend yield	6.8%
Expected share price volatility	41.8%
Option term	5.0 years

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

The change in share units during the three months ended February 29, 2012 and 2011 is as follows:

Three months ended	February 29, 2012	February 28, 2011
	Number of share units	Number of share units
Outstanding, beginning of the period		
Non-vested	338,168	487,761
Issued		
Initial grant	606,514	315,877
In lieu of dividends	5,327	6,409
Settled in cash	–	(3,726)
Forfeited and cancelled	(14,217)	(11,383)
Outstanding, end of the period	935,792	794,938

Compensation recovery for the three months ended February 29, 2012, related to these share units was $0.2 million (2011 – $2.1 million expense).

(c) Deferred Share Unit (DSU)

As at February 29, 2012, 206,404 (2011 – 57,183) DSUs were outstanding. Compensation expense related to these DSUs for the three months ended February 29, 2012, was $0.1 million (2011 – $0.1 million).

(d) Partners Incentive Plan (PIP)

Compensation expense related to this incentive plan was recorded in payroll costs and amounted to $0.5 million for the quarter ended February 29, 2012 (2011 – $0.6 million).

(e) Put Agreement with Non-controlling Shareholders

As at February 29, 2012, the Company has recorded a $6.6 million (November 30, 2011 – $5.5 million) liability related to the put agreement with non-controlling shareholders of one of its subsidiaries. In the three months ended February 29, 2012, the Company recorded a loss of $1.1 million (2011 – gain of $0.7 million) related to the change in the fair value of the put agreement.

Note 14: Income Taxes

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated effective tax rate for the three months ended February 29, 2012, was 29.0% (2011 – 28.1%).

Note 15: Earnings per Share

Three months ended (in thousands of Canadian dollars, except per share amounts)	**February 29, 2012**	**February 28, 2011**
Numerator		
Profit for the period attributable to the equity holders of the Company	$ 26,134	$ 29,232
Denominator		
Weighted average number of shares – basic	95,662,657	89,112,595
Dilutive effect of employee stock options	709,762	1,044,990
Weighted average number of shares – diluted	96,372,419	90,157,585
Earnings Per Share		
Basic	$ 0.27	$ 0.33
Diluted	$ 0.27	$ 0.32

Note 16: Dividends per Share

The dividends paid in the three months ended February 29, 2012, and February 28, 2011, were $25.8 million ($0.27 per share) and $23.1 million ($0.26 per share), respectively. On March 27, 2012, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of $0.27 per share in respect of the three months ended February 29, 2012, amounting to a total dividend of approximately $26.0 million. These consolidated financial statements do not reflect this dividend payable.

Note 17: Related Party Transactions

The Company is controlled by Blake C. Goldring, who indirectly owns all of the voting shares of Goldring Capital Corporation, which owns 80% of the Company's Class A Voting common shares. The remaining 20% of the Class A Voting common shares are held by the Vice-Chairman of AGF, who is also a Director.

The remuneration of Directors and other key management personnel of AGF are as follows:

Three months ended (in thousands of Canadian dollars)	**February 29, 2012**	**February 28, 2011**
Salaries and other short-term employee benefits	$ 1,613	$ 1,684
Share-based payments	558	428
	$ 2,171	$ 2,112

Note 18: Supplemental Disclosure of Cash Flow Information

Three months ended (in thousands of Canadian dollars)	**February 29, 2012**	**February 28, 2011**
Net decrease in AGF Trust deposits	**$** (26,254)	$ (222,085)
Net decrease in AGF Trust real estate secured and investment loans	(94,871)	86,253
Net change in balances related to AGF Trust deposits and loans	**$** (121,125)	**$** (135,832)

Note 19: Financial Risk Management

Risk Management

In the normal course of business, the Company manages risks that arise as a result of its use of financial instruments. These risks include market, liquidity and credit risk.

Market Risk

Market risk is the risk that the fair value of or cash flows associated with financial instruments will fluctuate because of changes in market factors. Market risk includes fair value risk, interest rate risk and foreign currency risk. The Company is exposed to these risks directly through its financial instruments.

Fair Value Risk

Fair value risk is the risk of loss due to adverse changes in prices other than from changes in interest rates and foreign currency.

The Company is exposed to fair value risk on certain investments available for sale and certain derivative positions. The Company's investments that have fair value risk include mutual funds managed by the Company of $16.3 million (2011 – $16.5 million) and equity securities of $5.9 million (2011 – $6.7 million) as at February 29, 2012. Based on the carrying value of these investments at February 29, 2012, the effect of a 10% decline or increase in the value of investments would result in a $1.8 million (2011 – $1.7 million) pre-tax unrealized gain or loss to pre-tax income and a $0.4 million (2011 – $0.5 million) pre-tax unrealized gain or loss to pre-tax other comprehensive income.

The Company is also exposed to fair value risk on its acquisition consideration payable associated with future share payments. The Class D and E exchangeable preferred shares are to be settled by the issuance of a variable number of AGF Class B Non-Voting shares, the number of which is determined by reference to a fixed exchange ratio. As at February 29, 2012, the effect of a $1.00 increase or decrease in the market value of the AGF Class B Non-Voting shares would result in a $0.4 million (2011 – $1.2 million) pre-tax gain or loss to pre-tax income.

The Company is exposed to fair value risk on a put agreement with non-controlling shareholders of one of its subsidiaries. The fair value of the obligation is determined as the difference between the earnings multiple specified in the agreement and a market multiple based on precedent transactions. As at February 29, 2012, the effect of a 10% increase or decrease in the market multiple would result in a $0.5 million pre-tax gain or loss to pre-tax income.

Details of the Company's derivative instruments are as follows:

February 29, 2012 (in thousands of Canadian dollars)	**Interest rate**	**Hedging item maximum maturity date**	**Notional amount**	**Fair value**
Derivatives used to manage interest rate exposure on deposits	0.90% - 5.01%	2015	1,935,000	17,064
Derivative used to manage changes in interest rate exposure on long-term debt	3.83%	2016	125,000	(4,404)

November 30, 2011 (in thousands of Canadian dollars)	**Interest rate**	**Hedging item maximum maturity date**	**Notional amount**	**Fair value**
Derivatives used to manage interest rate exposure on deposits	0.90% - 5.01%	2015	2,075,000	24,309
Derivative used to manage changes in interest rate exposure on long-term debt	3.83%	2016	125,000	(5,049)

Interest Rate Risk

Interest rate risk, inclusive of credit spread risk, is the risk of loss due to the following: changes in the level, slope and curvature of the yield curve; the volatility of interest rates; mortgage prepayment rates; changes in the market price of credit and the creditworthiness of a particular client.

The Company, through AGF Trust, is exposed to interest rate risk primarily through its cash and cash equivalents, investments, real estate secured and investment loans receivable and deposits, managed and supervised by AGF Trust's Asset and Liability Committee. AGF Trust employs a number of techniques to manage this risk, including the matching of asset and liability terms. AGF Trust also uses interest rate swaps to manage any residual mismatches. At February 29, 2012, a 1% increase in interest rates in the aforementioned financial instruments would result in an increase in annual net interest income of approximately $3.8 million (2011 – $3.3 million), while a 1% decrease in interest rates would result in a decrease of net interest income of approximately $3.9 million (2011 – $3.3 million).

The Company, excluding AGF Trust, is also exposed to interest rate risk through its floating-rate debt and cash balances. In the third quarter of 2011, AGF entered into an interest rate swap to manage interest rate exposure on the Facility 2 portion of its long-term debt. As at February 29, 2012, the effect of a 1% change in the variable interest rates on the average balances for the year would have resulted in an annualized change in interest expense of approximately $2.0 million (2011 – $2.5 million).

Foreign Currency Risk

Foreign currency risk is the risk of loss due to changes in spot and forward rates and the volatility of currency exchange rates. The Company is subject to foreign exchange risk on its foreign currency denominated assets and liabilities held by its foreign subsidiaries. These subsidiaries retain minimal monetary exposure to the local currency, as the majority of revenues are earned in Canadian dollars and salaries and wages are primarily paid on a monthly basis and represent the majority of the local currency expenses. As such, these foreign subsidiaries have limited use of financial instruments denominated in local currencies, thus resulting in minimal foreign exchange risk.

Liquidity Risk

Liquidity risk arises from the possibility that the Company cannot meet a demand for cash resources when required or meet its financial obligations.

The Company manages its liquidity risk through the management of its capital structure and financial leverage. In its Investment Management segment, the Company manages its liquidity by monitoring actual and projected cash flows to ensure that it has sufficient liquidity through cash received from operations as well as borrowings under its credit and acquisition facilities. The key liquidity requirements within this segment are the funding of commissions paid on mutual funds, dividends paid to shareholders and the repayment of its acquisition facility. The Company is subject to certain financial loan covenants under its credit and acquisition facilities and has met all of these conditions.

AGF Trust manages liquidity risk through deposit-taking activities and through the securitization of loans. The key liquidity requirements within this segment are the funding of mortgages and loans and the ability to pay out maturing GICs. AGF Trust's overall liquidity risk is managed by its treasury department and is supervised by AGF Trust's Asset and Liability Committee in accordance with the policies for management of assets and liabilities, liquidity and loan financing activities. These policies aim to ensure that AGF Trust has sufficient cash resources to meet its current and future financial obligations in the regular course of business and under a variety of conditions.

Management monitors cash resources daily to ensure that AGF Trust's liquidity measurements are within the limits established by policies. In addition, management meets regularly to assess the timing of cash inflows and outflows related to loan and deposit maturities, and to review various possible stress scenarios. AGF Trust aims to maintain a prudent reserve of unencumbered liquid assets that are readily available if required. It strives to maintain a stable volume of base deposits that originate from its deposit brokerage clientele.

The Company's internal audit department reviews the compliance of AGF Trust's liquidity policies. Internal audit reports are presented to the Audit Committee of the Trust Board for review.

The following table presents contractual terms to maturity of the financial liabilities owed by the Company:

February 29, 2012 (in thousands of Canadian dollars)	Demand	1 year or less	1 to 5 years
Accounts payable and accrued liabilities	$ –	$ 60,823	$ –
Income tax liability	–	15,358	–
Provision for Elements Advantage	–	3,331	2,274
Long-term debt	–	–	330,000
Secured financing	–	75,643	397,313
Deposits*	3,387	1,823,023	1,260,849
Acquisition consideration payable	–	4,052	4,169
Other liabilities	–	–	6,747
Total	$ 3,387	$ 1,982,230	$ 2,001,352

November 30, 2011 (in thousands of Canadian dollars)	Demand	1 year or less	1 to 5 years
Accounts payable and accrued liabilities	$ –	$ 101,934	$ –
Income tax liability	–	23,104	–
Provision for Elements Advantage	–	4,137	2,506
Long-term debt	–	–	310,000
Secured financing	–	41,998	196,626
Deposits*	4,050	1,728,617	1,300,172
Acquisition consideration payable	–	20,448	9,176
Other liabilities	–	–	10,924
Total	$ 4,050	$ 1,920,238	$ 1,829,404

* Includes future interest payments and excludes deferred selling commission

Credit Risk

Credit risk is the potential of financial loss arising from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Company. The Company's overall credit risk strategy and credit risk policy are developed by senior management and further refined at the business unit level, through the use of policies, processes and internal controls designed to promote business activities while ensuring these activities are within the standards of risk tolerance levels. As at February 29, 2012, financial assets of $4.0 billion (November 30, 2011 – $3.8 billion), consisting of cash and cash equivalents, investments, real estate secured loans and investment loans, accounts receivable and other assets, were exposed to credit risk up to the maximum of their respective carrying value.

Cash and cash equivalents consist primarily of highly liquid temporary deposits with Canadian banks, an Irish government guaranteed bank and non-Irish banks in Ireland, as well as bank term deposits.

Investments subject to credit risk consist primarily of FRNs, senior debt instruments, investments in mutual funds of AGF and other securities. For investing activities done through AGF Trust, policies have been established that identify the types and rating of debt investments in which AGF Trust can invest. These policies also restrict AGF Trust's transactions primarily to major chartered banks and recognized investment dealers who are members of the Investment Industry Regulatory Organization of Canada (IIROC). AGF Trust maintains a list of approved securities dealers and counterparties that are reviewed at least annually by the Trust Board. AGF Trust uses external credit rating agencies in assessing the credit quality of certain investments in financial assets. The credit rating agencies used include DBRS, S&P and Moody's. Refer to Note 4 for a breakdown of the credit ratings for AGF Trust's investments.

The Company's most significant credit risk is through AGF Trust's real estate secured loans and investment loans. AGF Trust mitigates this risk through stringent credit policies and lending practices. These policies aim to ensure that the authority to approve credit applications is appropriately delegated by senior management of AGF Trust, depending on the risk and the amount of the credit application. The credit policies also provide guidelines for pricing based on risk, for reviewing any collateral pledged for a credit application, for monitoring of impaired loans and for establishing and reviewing loan loss provisions to ensure they are adequate. The policies establish risk limits for credit concentration by counterparty, geographic location and other risk factors that would impact AGF Trust's credit risk profile.

At February 29, 2012, AGF Trust's loan assets totalled $3.0 billion (November 30, 2011 – $3.0 billion) and consist of mortgage loans, investment loans, RSP loans, finance loans and HELOC receivables. Of this amount, $1.1 billion (November 30, 2011 – $1.0 billion) was represented by mortgage loans and $0.2 billion (November 30, 2011 – $0.2 billion) was represented by HELOC receivables, both of which are secured by residential real estate. At February 29, 2012, 54.0% of mortgage loans were insured by Canada Mortgage and Housing Corporation (CMHC) or another insurer (November 30, 2011 – 53.7%). Conventional uninsured mortgages have loan-to-value ratios of less than 80% of the appraised value of the property at the time the mortgage loan was granted.

Residential mortgages represent the largest component of the total mortgage portfolio, comprising 96.9% as at February 29, 2012 (November 30, 2011 – 96.4%). AGF Trust's credit risk on these loans is also mitigated through the use of collateral, primarily in the form of residential real estate. Under AGF Trust's lending criteria, management reviews all mortgage loans on a regular basis to determine the appropriate allowance for loss required by AGF Trust. Risk is also mitigated through residential mortgage insurance through CMHC or another insurer. As at February 29, 2012, AGF Trust's insured residential mortgage portfolio was $582.2 million, net of deferred sales commission and allowances (November 30, 2011 – $527.5 million).

Credit risk for HELOCs and investment loans is mitigated by collateral in the form of residential mortgages and investment funds, respectively. Investment loans, excluding RSP loans, of $1.6 billion as at February 29, 2012 (November 30, 2011 – $1.5 billion), are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately $1.2 billion as at February 29, 2012 (November 30, 2011 – $1.2 billion).

RSP loans are used by borrowers to purchase assets in a retirement savings plan. The creditworthiness of each borrower is assessed prior to approval of the loan. Predictive scorecards are used to determine the probability of default and bankruptcy of the borrowers. On a regular basis, AGF Trust reviews the credit quality in the portfolio. Loans in arrears are also reviewed regularly to determine the appropriate loan loss reserves.

Derivative financial instruments expose AGF Trust to credit risk to the extent that if a counterparty default occurs, market conditions are such that AGF Trust would incur a loss in replacing the defaulted transaction. AGF Trust negotiates derivative master netting agreements with counterparties with which it contracts. These agreements reduce credit risk exposure. AGF Trust assesses the creditworthiness of the counterparties to minimize the risk of counterparty default under the agreements. AGF Trust only uses major chartered banks with a minimum credit rating of AA as counterparties.

Capital Management

The Company's objectives when managing capital are to:

- Provide returns for shareholders through the payment of dividends, the repurchase of Class B Non-Voting shares and the reasonable use of leverage.
- Ensure that AGF Trust maintains the level of capital to adequately protect depositors and to meet the requirements of its principal regulator, the Office of the Superintendent of Financial Institutions Canada (OSFI).

The Company's capital consists of shareholders' equity. The AGF Capital Committee is responsible for the management of capital. The AGF Board of Directors is responsible for overseeing the Company's capital policy and management. The Company reviews its five-year capital plan annually.

The Investment Management businesses, in general, are not subject to significant regulatory capital requirements in each of the jurisdictions in which they are registered and operate.

AGF Trust's regulatory capital requirements are determined in accordance with guidelines issued by OSFI, which are based on a framework of risk-based capital standards developed by the Bank for International Settlements (BIS).

AGF Trust's regulatory capital consists of Tier 1 capital and Tier 2 capital, less certain deductions. Tier 1 capital consists of common shares, retained earnings, non-cumulative preference shares and contributed surplus. Gains on the sale of securitized assets and retained interests from securitized assets are deducted from Tier 2 capital. Tier 2 capital consists of subordinated debt and eligible collective allowances. Retained interests from securitization are deducted from Tier 2 capital. For Tier 1 and Tier 2 capital, the deductions related to retained interests on securitization are subject to a 50/50 allocation.

Regulatory capital ratios are reported monthly to management and quarterly to AGF Trust's Board of Directors. As at February 29, 2012, AGF Trust continues to be in compliance with its regulatory capital requirements. The regulatory capital ratios and assets-to-capital multiple for AGF Trust are as follows:

(in thousands of Canadian dollars)	February 29, 2012	November 30, 2011
Tier 1 capital	$ 296,333	$ 308,025
Total regulatory capital	418,176	429,716
Risk-weighted assets	1,609,569	1,599,973
Tier 1 capital ratio	18.4%	19.3%
Total capital ratio	26.0%	26.9%
Assets-to-capital multiple	9.3	8.7

Note 20: Segment Information

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

Three months ended February 29, 2012 (in thousands of Canadian dollars)	Investment Management Operations	Trust Company Operations	Other[1]	Total
Revenue	$ 132,119	$ 21,979	$ 1,403	$ 155,501
Operating expenses	79,480	11,505	–	90,985
Amortization	24,095	214	–	24,309
Interest expense	–	–	3,332	3,332
Segment income before taxes	$ 28,544	$ 10,260	$ 4,735	$ 36,875
Total assets	$ 1,406,812	$ 3,882,672	$ –	$ 5,289,484

Three months ended February 29, 2011 (in thousands of Canadian dollars)	Investment Management Operations	Trust Company Operations	Other[1]	Total
Revenue	$ 138,749	$ 22,632	$ 845	$ 162,226
Operating expenses	84,018	14,066	–	98,084
Amortization	20,791	390	–	21,181
Interest expense	–	–	1,929	1,929
Segment income before taxes	$ 33,940	$ 8,176	$ 2,774	$ 41,032
Total assets	$ 1,476,339	$ 3,863,410	$ –	$ 5,339,749

[1] Other revenue relates to share of profit of S&WHL

Note 21: Transition to IFRS

First-time Application of IFRS

Until December 1, 2011, AGF prepared its consolidated financial statements in accordance with Canadian GAAP. The Company followed the provisions of IFRS 1 in preparing its opening IFRS consolidated statement of financial position as of the date of transition, December 1, 2010. Certain of the Company's IFRS accounting policies used for this opening consolidated statement of financial position differed from its Canadian GAAP policies applied at the same date. The resulting adjustments arose from events and transactions before the date of transition to IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively. Therefore, as required by IFRS 1, those adjustments were recognized directly through retained earnings (or another category of equity where appropriate) as of December 1, 2010. There are some exceptions required and some exceptions permitted by IFRS 1. AGF's first-time adoption decisions regarding

these exemptions are detailed below. Other options available under IFRS 1, which are not discussed here, are not material to the Company's consolidated financial statements.

- **Business Combinations**

  IFRS 1 provides the option to apply IFRS 3, "Business Combinations," prospectively from the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. The Company elected to apply IFRS 3 prospectively to business combinations occurring after its transition date. Business combinations prior to the transition date have not been restated.

- **Cumulative Translation Differences**

  IFRS permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with IAS 21, "The effects of changes in foreign exchange rates," from the date a subsidiary or equity method investee was formed or acquired. The Company elected to reset to zero all cumulative translation gains and losses at the transition date related to investments in foreign operations through an adjustment to retained earnings.

- **Securitization**

  In November 2010, the IASB approved amendments to IFRS 1 with regard to the derecognition exemption, which provides the option to grandfather certain securitization transactions occurring prior to an entity's transition date instead of the fixed mandatory date of January 1, 2004. The Company elected to apply the derecognition requirements in IAS 39 prospectively for transactions occurring on or after the transition date.

Effect of the Transition to IFRS

Until November 30, 2011, AGF prepared its consolidated financial statements in accordance with Canadian GAAP. The following sets out, by accounting topic, the main differences between the Company's Canadian GAAP accounting policies applied at that date and the IFRS accounting policies adopted.

(A) Finite-life intangibles

Under both IFRS and Canadian GAAP, customer contracts are amortized on a straight-line basis over the period that the economic benefit is expected to arise. Under IFRS, the unamortized customer contracts for which client attrition occurs is immediately charged to net income and included in the amortization of customer contracts. Under Canadian GAAP, the amortization of customer contracts was not adjusted for client attrition.

(B) Deferred selling commissions

Under Canadian GAAP, sales commissions paid to brokers on mutual fund securities sold on a DSC basis were recorded at cost and amortized on a straight-line basis over the applicable DSC schedule (which ranges from three to seven years). No adjustment was recognized to the cost on redemption of mutual funds and the DSC asset is tested annually for impairment. Under IFRS, sales commissions will continue to be recorded at cost and amortized similar to Canadian GAAP; however, upon redemption, the asset will be derecognized and the unamortized amount will be charged to income through amortization.

(C) Investments in AGF mutual funds and investments available for sale

Under Canadian GAAP, investments in AGF mutual funds were designated as available for sale (AFS). These assets were initially recorded at fair value on the settlement date in the consolidated statement of financial position and remeasured at fair value with unrealized gains and losses recognized in OCI until the financial asset was disposed of or became impaired. Under IFRS, investments in AGF mutual funds are designated as fair value through profit and loss.

(D) Goodwill

Under Canadian GAAP, goodwill is tested at the reporting unit level. Under IFRS, goodwill must be tested annually at the lowest identifiable cash generating unit (CGU) level at which management monitors internally. Management has reviewed its CGUs and has identified its Highstreet business as a separate CGU. As a result, the Company determined that the carrying amount of the Highstreet CGU exceeded its recoverable amount, indicating an impairment of goodwill at December 1, 2010 and subsequently at August 31, 2011. Under Canadian GAAP, goodwill associated with Highstreet was tested under the Investment Management reporting segment.

(E) Written put options on non-controlling interests

Under Canadian GAAP, put options written by the Company on non-controlling interests were accounted for as cash-settled share-based payments and carried at the intrinsic value of the vested options. Under IFRS, to the extent that such options are associated with the shareholder's employment, they are treated as cash-settled share-based payments and are recorded based on the fair value of the vested portion of the options, determined using graded vesting.

(F) Termination fees

Under Canadian GAAP, termination fees associated with contracts with referral agents, where the agent continues to have a relationship with the client, are recognized as an expense upon termination. Under IFRS, this cost is recognized over the service period or the contractual period.

(G) OCI tax changes

Under Canadian GAAP, changes in tax rates or laws relating to items previously recognized in OCI have been recognized in the consolidated statement of income. Under IFRS, the effect of these changes should be recognized in OCI or equity and charged directly to those items.

(H) Transaction costs

Under Canadian GAAP, entities could elect an accounting policy to account for transaction costs incremental to the acquisition of financial instruments either by capitalizing them on the consolidated statement of financial position or by recognizing them immediately on the consolidated statement of income. Under IFRS, transactions costs must be accounted for as an expense for financial instruments at fair value through profit or loss and capitalized to the initial carrying amount for all other financial instruments.

(I) Presentation reclassifications

Certain amounts have been reclassified to conform to IFRS, including deferred income tax assets and liabilities and accrued interest. Under IFRS, deferred income tax assets and liabilities must be classified as non-current whereas under Canadian GAAP, deferred tax assets and liabilities were classified as current or non-current as appropriate. In addition, under IFRS, accrued interest is included in the financial statement line related to the financial assets and liabilities it is associated with. Previously, accrued interest on loans and GICs was recorded in accounts receivable or accounts payable as appropriate.

Reconciliations of the Company's consolidated statement of financial position prepared under Canadian GAAP and IFRS, including the impacts on shareholders' equity, as of December 1, 2010, February 28, 2011, and November 30, 2011, are as follows:

(in thousands of Canadian dollars) December 1, 2010	Canadian GAAP	IFRS 1 election	Finite-life intangibles (A)	Deferred selling commissions (B)	Investments (C)	Goodwill (D)	NCI put (E)	Termination fees (F)	OCI tax (G)	Presentation reclassification (I)	IFRS
Assets											
Current Assets											
Cash and cash equivalents	$ 456,550	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 371	$ 456,921
Investments	503,963	–	–	–	–	–	–	–	–	–	503,963
Accounts receivable, prepaid expenses and other assets	88,809	–	–	–	–	–	–	–	–	(23,265)	65,544
Derivative financial instruments	6,154	–	–	–	–	–	–	–	–	9,760	15,914
Current portion of retained interest from securitization	21,334	–	–	–	–	–	–	–	–	–	21,334
Real estate secured and investment loans due within one year	433,537	–	–	–	–	–	–	–	–	4,021	437,558
	1,510,347	–	–	–	–	–	–	–	–	(9,113)	1,501,234
Retained interest from securitization	17,365	–	–	–	–	–	–	–	–	–	17,365
Real estate secured and investment loans	2,688,677	–	–	–	–	–	–	–	–	3,521	2,692,198
Investment in associated company	77,049	–	–	–	–	–	–	–	–	–	77,049
Management contracts	504,269	–	–	–	–	–	–	–	–	–	504,269
Customer contracts, net of accumulated amortization	11,383	–	(1,057)	–	–	–	–	–	–	–	10,326
Goodwill	173,708	–	–	–	–	(24,019)	–	–	–	–	149,689
Deferred selling commissions net of accumulated amortization	243,861	–	–	(52,895)	–	–	–	–	–	–	190,966
Property, equipment and computer software, net of accumulated depreciation	11,230	–	–	–	–	–	–	–	–	–	11,230
Deferred income tax assets	–	–	–	–	–	–	–	–	–	14,107	14,107
Derivative financial instruments	9,746	–	–	–	–	–	–	–	–	5,592	15,338
Other assets	6,226	–	–	–	–	–	–	–	–	–	6,226
Total assets	$ 5,253,861	$ –	$ (1,057)	$ (52,895)	$ –	$ (24,019)	$ –	$ –	$ –	$ 14,107	$ 5,189,997
Liabilities											
Current Liabilities											
Accounts payable and accrued liabilities	$ 240,053	$ –	$ –	$ –	$ –	$ –	$ 8,264	$ 746	$ –	$ (145,598)	$ 103,465
Income tax liability	14,314	–	–	–	–	–	–	–	–	–	14,314
Provision for Elements Advantage	3,084	–	–	–	–	–	–	–	–	–	3,084
Deferred income tax liabilities	18,024	–	–	–	–	–	–	–	–	(18,024)	–
Deposits due within one year	1,814,701	–	–	–	–	–	–	–	–	68,810	1,883,511
	2,091,453	–	–	–	–	–	8,264	746	–	(94,812)	2,005,651
Deposits	1,721,264	–	–	–	–	–	–	–	–	76,788	1,798,052
Long-term debt	143,678	–	–	–	–	–	–	–	–	–	143,678
Deferred income tax liabilities	129,574	–	(236)	(13,687)	–	–	–	(345)	–	32,131	147,437
Provision for Elements Advantage	3,883	–	–	–	–	–	–	–	–	–	3,883
Other long-term liabilities	12,818	–	–	–	–	–	–	508	–	–	13,326
Total liabilities	4,102,670	–	(236)	(13,687)	–	–	8,264	909	–	14,107	4,112,027
Equity											
Equity attributable to owners of the Company											
Capital stock	439,216	–	–	–	–	–	–	–	–	–	439,216
Contributed surplus	22,580	–	–	–	–	–	–	–	–	–	22,580
Retained earnings	702,017	(29,936)	(821)	(39,208)	879	(24,019)	(8,264)	(909)	(72)	–	599,667
Accumulated other comprehensive income	(13,119)	29,936	–	–	(879)	–	–	–	72	–	16,010
	1,150,694	–	(821)	(39,208)	–	(24,019)	(8,264)	(909)	–	–	1,077,473
Non-controlling interest	497	–	–	–	–	–	–	–	–	–	497
Total equity	1,151,191	–	(821)	(39,208)	–	(24,019)	(8,264)	(909)	–	–	1,077,970
Total liabilities and equity	$ 5,253,861	$ –	$ (1,057)	$ (52,895)	$ –	$ (24,019)	$ –	$ –	$ –	$ 14,107	$ 5,189,997

(in thousands of Canadian dollars) February 28, 2011	Canadian GAAP	IFRS 1 election	Finite-life intangibles (A)	Deferred selling commissions (B)	Investments (C)	Goodwill (D)	NCI put (E)	Termination fees (F)	OCI tax (G)	Transaction costs (H)	Presentation reclassification (I)	IFRS
Assets												
Current Assets												
Cash and cash equivalents	$ 393,326	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 301	$ 393,627
Investments	424,894	–	–	–	–	–	–	–	–	–	–	424,894
Accounts receivable and prepaid expenses and other assets	88,208	–	–	–	–	–	–	–	–	–	(21,970)	66,238
Derivative financial instruments	4,806	–	–	–	–	–	–	–	–	–	10,637	15,443
Current portion of retained interest from securitization	20,958	–	–	–	–	–	–	–	–	–	–	20,958
Real estate secured and investment loans due within one year	416,812	–	–	–	–	–	–	–	–	–	3,637	420,449
	1,349,004	–	–	–	–	–	–	–	–	–	(7,395)	1,341,609
Retained interest from securitization	17,633	–	–	–	–	–	–	–	–	–	–	17,633
Real estate secured and investment loans	2,612,353	–	–	–	–	–	–	–	–	–	2,906	2,615,259
Investment in associated company	77,092	–	–	–	–	–	–	–	–	–	–	77,092
Management contracts	715,769	–	–	–	–	–	–	–	–	–	–	715,769
Customer contracts, net of accumulated amortization	49,007	–	(1,202)	–	–	–	–	–	–	–	–	47,805
Goodwill	289,705	–	–	–	–	(24,019)	–	–	–	–	–	265,686
Other intangibles, net of accumulated amortization	28,302	–	–	–	–	–	–	–	–	–	–	28,302
Deferred selling commissions net of accumulated amortization	240,748	–	–	(51,304)	–	–	–	–	–	–	–	189,444
Property, equipment and computer software, net of accumulated depreciation	12,886	–	–	–	–	–	–	–	–	–	–	12,886
Deferred income tax assets	–	–	–	–	–	–	–	–	–	–	13,990	13,990
Derivative financial instruments	3,629	–	–	–	–	–	–	–	–	–	4,489	8,118
Other assets	6,156	–	–	–	–	–	–	–	–	–	–	6,156
Total assets	$ 5,402,284	$ –	$ (1,202)	$ (51,304)	$ –	$ (24,019)	$ –	$ –	$ –	$ –	$ 13,990	$ 5,339,749
Liabilities												
Current Liabilities												
Accounts payable and accrued liabilities	$ 207,296	$ –	$ –	$ –	$ –	$ –	$ 8,631	$ 766	$ –	$ –	$ (132,538)	$ 84,155
Income tax liability	11,183	–	–	–	–	–	–	–	–	–	–	11,183
Provision for Elements Advantage	3,212	–	–	–	–	–	–	–	–	–	–	3,212
Acquisition consideration payable	31,338	–	–	–	–	–	–	–	–	–	–	31,338
Deferred income tax liabilities	25,788	–	–	–	–	–	–	–	–	–	(25,788)	–
Deposits due within one year	1,607,175	–	–	–	–	–	–	–	–	–	87,071	1,694,246
	1,885,992	–	–	–	–	–	8,631	766	–	–	(71,255)	1,824,134
Deposits	1,699,805	–	–	–	–	–	–	–	–	–	45,467	1,745,272
Long-term debt	344,621	–	–	–	–	–	–	–	–	(765)	–	343,856
Acquisition consideration payable	12,205	–	–	–	–	–	–	–	–	–	–	12,205
Deferred income tax liabilities	182,947	–	(269)	(13,534)	–	–	–	(349)	–	–	39,778	208,573
Provision for Elements Advantage	3,545	–	–	–	–	–	–	–	–	–	–	3,545
Other long-term liabilities	7,965	–	–	–	–	–	–	527	–	–	–	8,492
Total liabilities	4,137,080	–	(269)	(13,534)	–	–	8,631	944	–	(765)	13,990	4,146,077
Equity												
Equity attributable to owners of the Company												
Capital stock	557,895	–	–	–	–	–	–	–	–	–	–	557,895
Contributed surplus	23,380	–	–	–	–	–	–	–	–	–	–	23,380
Retained earnings	706,653	(29,936)	(933)	(37,770)	717	(24,019)	(8,631)	(944)	(72)	765	–	605,830
Accumulated other comprehensive income	(23,274)	29,936	–	–	(717)	–	–	–	72	–	–	6,017
	1,264,654	–	(933)	(37,770)	–	(24,019)	(8,631)	(944)	–	765	–	1,193,122
Non-controlling interest	550	–	–	–	–	–	–	–	–	–	–	550
Total equity	1,265,204	–	(933)	(37,770)	–	(24,019)	(8,631)	(944)	–	765	–	1,193,672
Total liabilities and equity	$ 5,402,284	$ –	$ (1,202)	$ (51,304)	$ –	$ (24,019)	$ –	$ –	$ –	$ –	$ 13,990	$ 5,339,749

(in thousands of Canadian dollars)

November 30, 2011	Canadian GAAP	IFRS 1 election	Finite-life intangible (A)	Deferred selling commissions (B)	Investments (C)	Goodwill (D)	NCI put (E)	Termination fees (F)	OCI tax (G)	Transaction costs (H)	Presentation reclassification (I)	IFRS
Assets												
Current Assets												
Cash and cash equivalents	$ 246,631	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 3	$ 246,634
Investments	517,486	–	–	–	–	–	–	–	–	–	–	517,486
Accounts receivable and prepaid expenses and other assets	88,251	–	–	–	–	–	–	–	–	–	(16,446)	71,805
Derivative financial instruments	3,737	–	–	–	–	–	–	–	–	–	6,301	10,038
Current portion of retained interest from securitization	38,939	–	–	–	–	–	–	–	–	–	–	38,939
Real estate secured and investment loans due within one year	462,181	–	–	–	–	–	–	–	–	–	3,308	465,489
	1,357,225	–	–	–	–	–	–	–	–	–	(6,834)	1,350,391
Real estate secured and investment loans	2,483,157	–	–	–	–	–	–	–	–	–	2,971	2,486,128
Investment in associated company	76,616	–	–	–	–	–	–	–	–	–	–	76,616
Management contracts	715,769	–	–	–	–	–	–	–	–	–	–	715,769
Customer contracts, net of accumulated amortization	37,951	–	(1,980)	–	–	–	–	–	–	–	–	35,971
Goodwill	292,033	–	–	–	–	(37,445)	–	–	–	–	–	254,588
Other intangibles, net of accumulated amortization	22,014	–	(55)	–	–	–	–	–	–	–	–	21,959
Deferred selling commissions net of accumulated amortization	217,649	–	–	(49,699)	–	–	–	–	–	–	–	167,950
Property, equipment and computer software, net of accumulated depreciation	11,027	–	–	–	–	–	–	–	–	–	–	11,027
Deferred income tax assets	–	–	–	–	–	–	–	–	–	–	13,339	13,339
Derivative financial instruments	10,408	–	–	–	–	–	–	–	–	–	3,863	14,271
Other assets	7,310	–	–	–	–	–	–	–	–	–	–	7,310
Total assets	$ 5,231,159	$ –	$ (2,035)	$ (49,699)	$ –	$ (37,445)	$ –	$ –	$ –	$ –	$ 13,339	$ 5,155,319
Liabilities												
Current Liabilities												
Accounts payable and accrued liabilities	$ 198,824	$ –	$ –	$ –	$ –	$ –	$ 5,451	$ 716	$ –	$ –	$ (103,057)	$ 101,934
Income tax liability	23,104	–	–	–	–	–	–	–	–	–	–	23,104
Provision for Elements Advantage	4,137	–	–	–	–	–	–	–	–	–	–	4,137
Secured financing	41,998	–	–	–	–	–	–	–	–	–	–	41,998
Acquisition consideration payable	31,663	–	–	–	–	–	–	–	–	–	–	31,663
Deferred income tax liabilities	16,690	–	–	–	–	–	–	–	–	–	(16,690)	–
Derivative financial instrument	1,747	–	–	–	–	–	–	–	–	–	–	1,747
Deposits due within one year	1,706,434	–	–	–	–	–	–	–	–	–	63,275	1,769,709
	2,024,597	–	–	–	–	–	5,451	716	–	–	(56,472)	1,974,292
Deposits	1,220,308	–	–	–	–	–	–	–	–	–	39,782	1,260,090
Long-term debt	309,341	–	–	–	–	–	–	–	–	(1,072)	–	308,269
Secured financing	196,626	–	–	–	–	–	–	–	–	–	–	196,626
Acquisition consideration payable	10,717	–	–	–	–	–	–	–	–	–	–	10,717
Deferred income tax liabilities	182,187	–	(508)	(12,572)	–	–	–	(314)	–	–	30,029	198,822
Derivative financial instrument	3,302	–	–	–	–	–	–	–	–	–	–	3,302
Provision for Elements Advantage	2,506	–	–	–	–	–	–	–	–	–	–	2,506
Other long-term liabilities	10,436	–	–	–	–	–	–	488	–	–	–	10,924
Total liabilities	3,960,020	–	(508)	(12,572)	–	–	5,451	890	–	(1,072)	13,339	3,965,548
Equity												
Equity attributable to owners of the Company												
Capital stock	560,838	–	–	–	–	–	–	–	–	–	–	560,838
Contributed surplus	24,797	–	–	–	–	–	–	–	–	–	–	24,797
Retained earnings	705,823	(29,936)	(1,527)	(37,127)	357	(37,445)	(5,451)	(890)	(72)	1,072	–	594,804
Accumulated other comprehensive income	(20,791)	29,936	–	–	(357)	–	–	–	72	–	–	8,860
	1,270,667	–	(1,527)	(37,127)	–	(37,445)	(5,451)	(890)	–	1,072	–	1,189,299
Non-controlling interest	472	–	–	–	–	–	–	–	–	–	–	472
Total equity	1,271,139	–	(1,527)	(37,127)	–	(37,445)	(5,451)	(890)	–	1,072	–	1,189,771
Total liabilities and equity	$ 5,231,159	$ –	$ (2,035)	$ (49,699)	$ –	$ (37,445)	$ –	$ –	$ –	$ –	$ 13,339	$ 5,155,319

Reconciliations of the Company's consolidated statement of income for the year ended November 30, 2011, and the three months ended February 28, 2011, prepared in accordance with Canadian GAAP and IFRS, are as follows:

(in thousands of Canadian dollars) Year ended November 30, 2011	Canadian GAAP	Finite-life intangibles (A)	Deferred selling commissions (B)	Investments (C)	Goodwill (D)	NCI put (E)	Termination fees (F)	Transaction costs (H)	Presentation reclassification (I)	IFRS
Revenue										
Management and advisory fees	$ 552,836	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 552,836
Deferred sales charges	23,159	–	–	–	–	–	–	–	–	23,159
RSP loan securitization income (loss), net of impairment	2,602	–	–	–	–	–	–	–	–	2,602
Share of profit of associated company	4,874	–	–	–	–	–	–	–	–	4,874
Other income	14,402	–	–	(590)	–	2,813	–	–	–	16,625
AGF Trust net interest income	77,438	–	–	–	–	–	–	–	(636)	76,802
Total revenue	675,311	–	–	(590)	–	2,813	–	–	(636)	676,898
Expenses										
Selling, general and administrative	212,793	–	–	–	–	–	–	(289)	–	212,504
Business acquisition and integration	10,936	–	–	–	–	–	–	(783)	–	10,153
Trailing commissions	154,466	–	–	–	–	–	(49)	–	–	154,417
Investment advisory fees	9,286	–	–	–	–	–	–	–	–	9,286
Amortization of deferred selling commissions	76,832	–	(3,194)	–	–	–	–	–	–	73,638
Amortization of customer contracts	12,710	924	–	–	–	–	–	–	–	13,634
Amortization of other intangibles	6,986	55	–	–	–	–	–	–	–	7,041
Amortization of property, equipment and computer software	4,165	–	–	–	–	–	–	–	–	4,165
Provision for Trust Company loan losses	12,302	–	–	–	–	–	–	–	(636)	11,666
Impairment of investment	907	–	–	–	–	–	–	–	–	907
Impairment of goodwill	–	–	–	–	13,426	–	–	–	–	13,426
Interest expense	11,750	–	–	–	–	–	–	–	–	11,750
	513,133	979	(3,194)	–	13,426	–	(49)	(1,072)	(636)	522,587
Income before income taxes	**162,178**	**(979)**	**3,194**	**(590)**	**(13,426)**	**2,813**	**49**	**1,072**	**–**	**154,311**
Income tax expense (benefit)										
Current	60,797	–	–	–	–	–	–	–	–	60,797
Deferred	(11,593)	(272)	1,112	(69)	–	–	31	–	–	(10,791)
	49,204	(272)	1,112	(69)	–	–	31	–	–	50,006
Net income for the year	**$ 112,974**	**$ (707)**	**$ 2,082**	**$ (521)**	**$ (13,426)**	**$ 2,813**	**$ 18**	**$ 1,072**	**$ –**	**$ 104,305**
Net income attributable to:										
Equity owners of the Company	$ 112,242	$ (707)	$ 2,082	$ (521)	$ (13,426)	$ 2,813	$ 18	$ 1,072	$ –	$ 103,573
Non-controlling interest	732	–	–	–	–	–	–	–	–	732
	$ 112,974	$ (707)	$ 2,082	$ (521)	$ (13,426)	$ 2,813	$ 18	$ 1,072	$ –	$ 104,305

(in thousands of Canadian dollars) Three months ended February 28, 2011	Canadian GAAP	Finite-life intangibles (A)	Deferred selling commissions (B)	Investments (C)	NCI put (E)	Termination fees (F)	Transaction costs (G)	Presentation reclassification (I)	IFRS
Revenue									
Management and advisory fees	$ 132,541	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 132,541
Deferred sales charges	5,930	–	–	–	–	–	–	–	5,930
RSP loan securitization income (loss), net of impairment	619	–	–	–	–	–	–	–	619
Share of profit of associated company	845	–	–	–	–	–	–	–	845
Other income	2,062	–	–	(185)	(367)	–	–	–	1,510
AGF Trust net interest income	20,897	–	–	–	–	–	–	(116)	20,781
Total revenue	162,894	–	–	(185)	(367)	–	–	(116)	162,226
Expenses									
Selling, general and administrative	50,418	–	–	–	–	–	18	–	50,436
Business acquisition and integration	5,351	–	–	–	–	–	(783)	–	4,568
Trailing commissions	37,375	–	–	–	–	40	–	–	37,415
Investment advisory fees	2,290	–	–	–	–	–	–	–	2,290
Amortization of deferred selling commissions	19,244	–	(1,591)	–	–	–	–	–	17,653
Amortization of customer contracts	1,654	145	–	–	–	–	–	–	1,799
Amortization of other intangibles	698	–	–	–	–	–	–	–	698
Amortization of property, equipment and computer software	1,031	–	–	–	–	–	–	–	1,031
Provision for Trust Company loan losses	3,491	–	–	–	–	–	–	(116)	3,375
Interest expense	1,929	–	–	–	–	–	–	–	1,929
	123,481	145	(1,591)	–	–	40	(765)	(116)	121,194
Income before income taxes	**39,413**	**(145)**	**1,591**	**(185)**	**(367)**	**(40)**	**765**	**–**	**41,032**
Income tax expense (benefit)									
Current	14,071	–	–	–	–	–	–	–	14,071
Deferred	(2,641)	(33)	153	(23)	–	(5)	–	–	(2,549)
	11,430	(33)	153	(23)	–	(5)	–	–	11,522
Net income for the period	**$ 27,983**	**$ (112)**	**$ 1,438**	**$ (162)**	**$ (367)**	**$ (35)**	**$ 765**	**$ –**	**$ 29,510**
Net income attributable to:									
Equity owners of the Company	$ 27,705	$ (112)	$ 1,438	$ (162)	$ (367)	$ (35)	$ 765	$ –	$ 29,232
Non-controlling interest	278	–	–	–	–	–	–	–	278
	$ 27,983	$ (112)	$ 1,438	$ (162)	$ (367)	$ (35)	$ 765	$ –	$ 29,510

Reconciliations of the Company's consolidated statement of comprehensive income for the year ended November 30, 2011, and the three months ended February 28, 2011, prepared in accordance with Canadian GAAP and IFRS, are as follows:

(in thousands of Canadian dollars) Year ended November 30, 2011	Canadian GAAP	Finite-life intangibles (A)	Deferred selling commissions (B)	Investments (C)	Goodwill impairment (D)	NCI put (E)	Termination fees (F)	Transaction costs (H)	IFRS
Net income for the period	$ 112,974	$ (707)	$ 2,082	$ (521)	$ (13,426)	$ 2,813	$ 18	1,072	$ 104,305
Other comprehensive income (losses), net of tax									
Cumulative translation adjustment									
Foreign currency translation adjustments related to net investments in foreign operations	44	–	–	–	–	–	–	–	44
	44	–	–	–	–	–	–	–	44
Net unrealized gains (losses) on available for sale securities									
Unrealized gains (losses)	(4,854)	–	–	843	–	–	–	–	(4,011)
Reclassification of realized loss or impairment to earnings	717	–	–	(322)	–	–	–	–	395
	(4,137)	–	–	521	–	–	–	–	(3,616)
Net unrealized gains (losses) on cash flow hedge									
Unrealized loss	(3,845)	–	–	–	–	–	–	–	(3,845)
Reclassification of realized loss on cash flow hedge	266	–	–	–	–	–	–	–	266
	(3,579)	–	–	–	–	–	–	–	(3,579)
Total other comprehensive income (loss), net of tax	$ (7,672)	$ –	$ –	$ 521	$ –	$ –	$ –	–	$ (7,151)
Comprehensive income	$ 105,302	$ (707)	$ 2,082	$ –	$ (13,426)	$ 2,813	$ 18	1,072	$ 97,154
Comprehensive income attributable to:									
Equity owners of the Company	$ 104,570	$ (707)	$ 2,082	$ –	$ (13,426)	$ 2,813	$ 18	1,072	$ 96,422
Non-controlling interest	732	–	–	–	–	–	–	–	732
	$ 105,302	$ (707)	$ 2,082	$ –	$ (13,426)	$ 2,813	$ 18	1,072	$ 97,154

(in thousands of Canadian dollars) Three months ended February 28, 2011	Canadian GAAP	Finite-life intangibles (A)	Deferred selling commissions (B)	Investments (C)	NCI put (E)	Termination fees (F)	Transaction costs (H)	IFRS
Net income for the period	$ 27,983	$ (112)	$ 1,438	$ (162)	$ (367)	$ (35)	$ 765	$ 29,510
Other comprehensive income (losses), net of tax								
Cumulative translation adjustment								
Foreign currency translation adjustments related to net investments in foreign operations	(702)	–	–	–	–	–	–	(702)
	(702)	–	–	–	–	–	–	(702)
Net unrealized gains (losses) on available for sale securities								
Unrealized gains (losses)	(9,517)	–	–	251	–	–	–	(9,266)
Reclassification of realized loss or impairment to earnings	64	–	–	(89)	–	–	–	(25)
	(9,453)	–	–	162	–	–	–	(9,291)
Total other comprehensive income (loss), net of tax	$ (10,155)	$ –	$ –	$ 162	$ –	$ –	$ –	$ (9,993)
Comprehensive income	$ 17,828	$ (112)	$ 1,438	$ –	$ (367)	$ (35)	$ 765	$ 19,517
Comprehensive income attributable to:								
Equity owners of the Company	$ 17,550	$ (112)	$ 1,438	$ –	$ (367)	$ (35)	$ 765	$ 19,239
Non-controlling interest	278	–	–	–	–	–	–	278
	$ 17,828	$ (112)	$ 1,438	$ –	$ (367)	$ (35)	$ 765	$ 19,517

Reconciliations of the Company's consolidated statement of cash flows for the year ended November 30, 2011, and the three months ended February 28, 2011, prepared in accordance with Canadian GAAP and IFRS, are as follows:

(in thousands of Canadian dollars) Year ended November 30, 2011	Canadian GAAP	IFRS adjustments (A) to (I)	AGF Trust reclass	DSC reclass	Investments reclass	Interest reclass	Tax reclass	IFRS
Operating Activities								
Net income for the period	$ 112,974	$ (8,669)	$ –	$ –	$ –	$ –	$ –	$ 104,305
Adjustments for								
Amortization	100,693	(2,215)	–	–	–	–	–	98,478
Impairment of goodwill	–	13,426	–	–	–	–	–	13,426
Interest expense	–	–	–	–	–	11,750	–	11,750
AGF Trust interest expense, net of payments	–	–	(31,055)	–	–	–	–	(31,055)
Income tax expense, net of payments	(11,593)	802	–	–	–	–	10,464	(327)
RSP loan securitization income, net of impairment	(2,602)	–	–	–	–	–	–	(2,602)
Provision for AGF Trust loan losses	12,302	(636)	–	–	–	–	–	11,666
Stock-based compensation	8,805	–	–	–	–	–	–	8,805
Share of profit (loss) of associated company	(4,874)	–	–	–	–	–	–	(4,874)
Dividends from associated company	5,493	–	–	–	–	–	–	5,493
Deferred selling commissions paid	–	–	–	(49,013)	–	–	–	(49,013)
Purchase of AGF Trust investments available for sale	–	–	–	–	(152,060)	–	–	(152,060)
Proceeds from sale of AGF Trust investments available for sale	–	–	–	–	135,029	–	–	135,029
Other	1,600	–	–	–	–	–	–	1,600
	222,798	2,708	(31,055)	(49,013)	(17,031)	11,750	10,464	150,621
Net change in non-cash working capital balances related to operations								
Accounts receivable	11,840	(3,361)	(9,760)	–	–	–	–	(1,281)
Other assets	(8,955)	1,377	–	–	–	–	–	(7,578)
Accounts payable and accrued liabilities	(55,005)	39,699	40,815	–	–	(2,445)	(10,464)	12,600
Other liabilities	2,720	(42,561)	–	–	–	(1,409)	–	(41,250)
Net change in balances related to AGF Trust deposits and loans	–	2,842	(445,293)	–	–	–	–	(442,451)
	(49,400)	(2,004)	(414,238)	–	–	(3,854)	(10,464)	(479,960)
Net cash provided by (used in) operating activities	173,398	704	(445,293)	(49,013)	(17,031)	7,896	–	(329,339)
Financing Activities								
Repurchase of Class B Non-Voting shares for cancellation	(8,082)	–	–	–	–	–	–	(8,082)
Issue of Class B Non-Voting shares	6,960	–	–	–	–	–	–	6,960
Dividends paid	(97,325)	–	–	–	–	–	–	(97,325)
Increase in secured financing	238,624	–	–	–	–	–	–	238,624
Decrease in long-term debt related to Facility 1	(143,678)	–	–	–	–	(322)	–	(144,000)
Increase in long-term debt related to Facility 2 and Acquisition facility	309,341	(1,072)	–	–	–	1,731	–	310,000
Investment Management interest paid	–	–	–	–	–	(9,305)	–	(9,305)
Net decrease in AGF Trust deposits	(610,537)	–	610,537	–	–	–	–	–
Net cash provided by (used in) financing activities	(304,697)	(1,072)	610,537	–	–	(7,896)	–	296,872
Investing Activities								
Deferred selling commissions paid	(49,013)	–	–	49,013	–	–	–	–
Acquistion of Highstreet Partners Limited	(3,868)	–	–	–	–	–	–	(3,868)
Acquisition of Acuity Funds Ltd. and Acuity Investment Management, net of cash acquired	(173,415)	–	–	–	–	–	–	(173,415)
Purchase of property, equipment and computer software	(3,962)	–	–	–	–	–	–	(3,962)
Purchase of Investment Management investments available for sale	–	–	–	–	(8,496)	–	–	(8,496)
Proceeds from sale of Investment Management investments available for sale	–	–	–	–	11,921	–	–	11,921
Net proceeds from sale (purchase) of investments available for sale	(13,606)	–	–	–	13,606	–	–	–
Net decrease in AGF Trust real estate secured and investment loans	165,244	–	(165,244)	–	–	–	–	–
Net cash provided by (used in) investing activities	(78,620)	–	(165,244)	49,013	17,031	–	–	(177,820)
Decrease in cash and cash equivalents, during the period	(209,919)	(368)	–	–	–	–	–	(210,287)
Balance of cash and cash equivalents, beginning of period	456,550	371	–	–	–	–	–	456,921
Balance of cash and cash equivalents, end of period	$ 246,631	$ 3	$ –	$ –	$ –	$ –	$ –	$ 246,634

(in thousands of Canadian dollars) Three months ended February 28, 2011	Canadian GAAP	IFRS adjustments (A) to (I)	AGF Trust reclass	DSC reclass	Investments reclass	Interest reclass	Tax reclass	IFRS
Operating Activities								
Net income for the period	$ 27,983	$ 1,527	$ –	$ –	$ –	$ –	$ –	$ 29,510
Adjustments for								
Amortization	22,627	(1,446)	–	–	–	–	–	21,181
Interest expense	–	–	–	–	–	1,929	–	1,929
AGF Trust interest expense, net of payments	–	–	(11,281)	–	–		–	(11,281)
Income tax expense, net of payments	(2,641)	92	–	–	–		456	(2,093)
RSP loan securitization income, net of impairment	(619)	–	–	–	–	–	–	(619)
Provision for AGF Trust loan losses	3,491	(116)	–	–	–	–	–	3,375
Stock-based compensation	3,424	–	–	–	–	–	–	3,424
Share of profit (loss) of associated company	(845)	–	–	–	–	–	–	(845)
Deferred selling commissions paid	–	–	–	(14,523)	–	–	–	(14,523)
Purchase of AGF Trust investments available for sale	–	–	–	–	(39,580)	–	–	(39,580)
Proceeds from sale of AGF Trust investments available for sale	–	–	–	–	104,336	–	–	104,336
Other	(1,395)	–	–	–	–	–	–	(1,395)
	52,025	57	(11,281)	(14,523)	64,756	1,929	456	93,419
Net change in non-cash working capital balances related to operations								
Accounts receivable	10,814	(2,172)	(9,760)	–	–	–	–	(1,118)
Other assets	(2,453)	5,524	–	–	–	–	–	3,071
Accounts payable and accrued liabilities	(54,161)	13,448	21,041	–	–	668	(456)	(19,460)
Other liabilities	2,918	(13,041)	–	–	–	(1,822)	–	(11,945)
Net change in balances related to AGF Trust deposits and loans	–	(3,121)	(132,711)	–	–	–	–	(135,832)
	(42,882)	638	(121,430)	–	–	(1,154)	(456)	(165,284)
Net cash provided by (used in) operating activities	9,143	695	(132,711)	(14,523)	64,756	775	–	(71,865)
Financing Activities								
Issue of Class B Non-Voting shares	3,127	–	–	–	–	–	–	3,127
Dividends paid	(22,586)	–	–	–	–	–	–	(22,586)
Increase in long-term debt related to Facility 1	16,946	–	–	–	–	54	–	17,000
Increase in long-term debt related to Facility 2 and Acquisition facility	183,997	(765)	–	–	–	1,768	–	185,000
Investment Management interest paid	–	–	–	–	–	(2,597)	–	(2,597)
Net decrease in AGF Trust deposits	(222,085)	–	222,085	–	–	–	–	–
Net cash provided by (used in) financing activities	(40,601)	(765)	222,085	–	–	(775)	–	179,944
Investing Activities								
Deferred selling commissions paid	(14,523)	–	–	14,523	–	–	–	–
Acquisition of Acuity Funds Ltd. and Acuity Investment Management, net of cash acquired	(173,415)	–	–	–	–	–	–	(173,415)
Purchase of property, equipment and computer software	(489)	–	–	–	–	–	–	(489)
Purchase of Investment Management investments available for sale	–	–	–	–	(1,497)	–	–	(1,497)
Proceeds from sale of Investment Management investments available for sale	–	–	–	–	4,028	–	–	4,028
Net proceeds from sale (purchase) of investments available for sale	67,287	–	–	–	(67,287)	–	–	–
Net decrease in AGF Trust real estate secured and investment loans	89,374	–	(89,374)	–	–	–	–	–
Net cash provided by (used in) investing activities	(31,766)	–	(89,374)	14,523	(64,756)	–	–	(171,373)
Decrease in cash and cash equivalents, during the period	(63,224)	(70)	–	–	–	–	–	(63,294)
Balance of cash and cash equivalents, beginning of period	456,550	371	–	–	–	–	–	456,921
Balance of cash and cash equivalents, end of period	$ 393,326	$ 301	$ –	$ –	$ –	$ –	$ –	$ 393,627

Note 22: Additional Annual Disclosures Under IFRS

The following IFRS disclosures relating to the year ended November 30, 2011, are material to an understanding of these consolidated interim financial statements.

(a) Investment in Associate

As at November 30, 2011, the Company held a 31.0% investment in S&WHL that is accounted for using the equity method. The following summarizes the Company's share of the assets, liabilities, revenue and profit or loss of its unlisted associate for the year ended November 30, 2011.

(in thousands of Canadian dollars)	November 30, 2011	November 30, 2010
Assets	$ 345,487	$ 330,979
Liabilities	253,800	245,257
Revenues	7,033	7,031
Profit	4,874	(750)
Interest held	31.0%	30.5%

(b) Related Party Transactions

The Company is controlled by Blake C. Goldring, who indirectly owns all of the voting shares of Goldring Capital Corporation, which owns 80% of the Company's Class A Voting common shares. The remaining 20% of the Class A Voting common shares are held by the Vice-Chairman of AGF, who is also a Director.

The remuneration of Directors and other key management personnel of AGF are as follows:

Year ended November 30	2011	2010
Salaries and other short-term employee benefits	$ 7,336	$ 8,226
Share-based payments	2,552	2,725
	$ 9,888	$ 10,951

This report contains forward-looking statements with respect to AGF, including its business operations, strategy, financial performance and condition. Although management believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause results to differ materially include, among other things, general economic and market factors including interest rates, business competition, changes in government regulations or in tax laws, and other factors discussed in materials filed with applicable securities regulatory authorities from time to time.