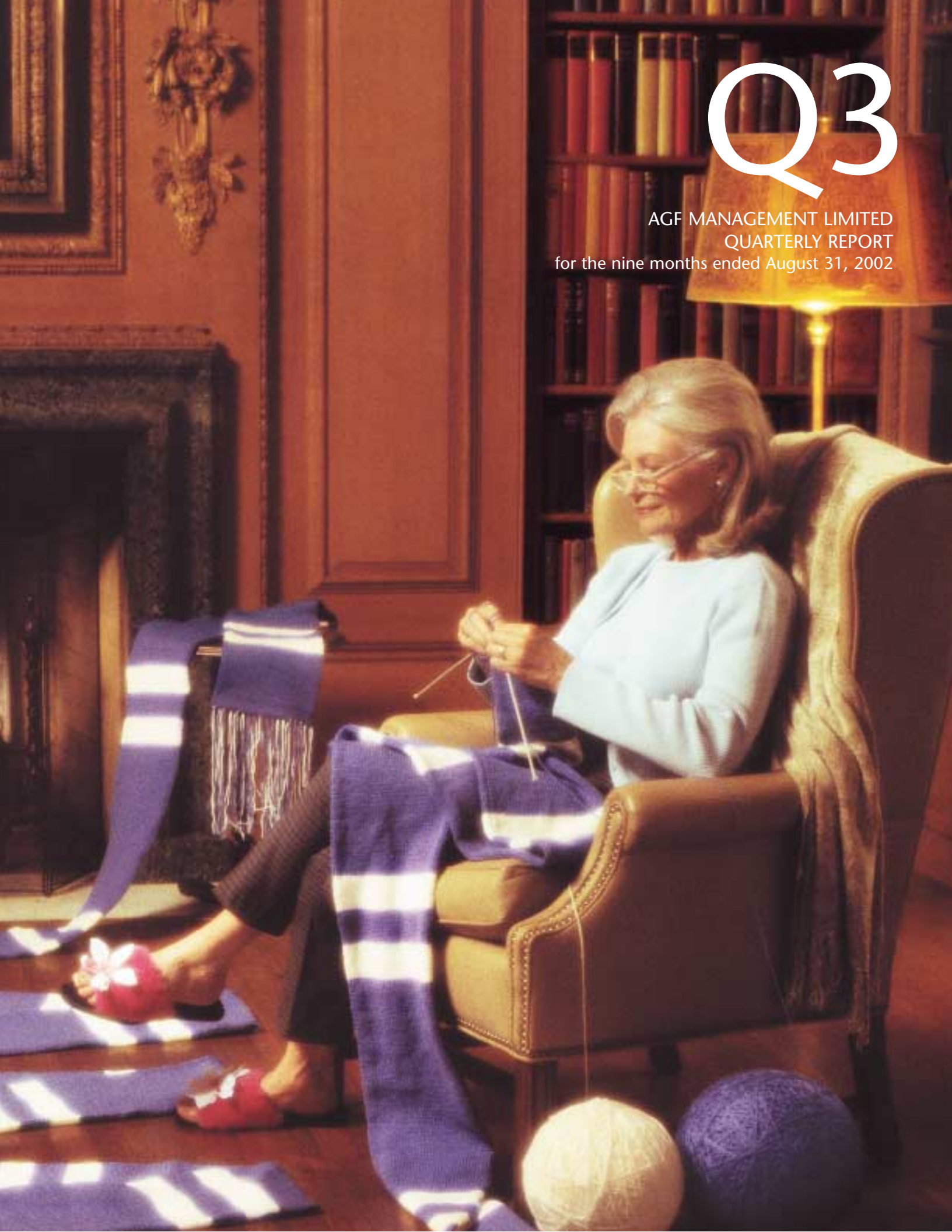

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AGF MANAGEMENT LIMITED
QUARTERLY REPORT
for the nine months ended August 31, 2002

reliability, accountability, speed and precision

(don’t forget knowledge and insight)

dear fellow shareholders

The financial results for the three months ended August 31, 2002, show that AGF is well-positioned for future growth. An even stronger focus on cost control measures and a greater commitment to a diversified business strategy will help stabilize revenue sources. Despite the on-going challenges facing the industry, AGF's revenue, free cash flow, and net income all increased during the last quarter.

New accounting policies for income taxes and goodwill and other intangible assets, as detailed in the consolidated financial statements and Management's Discussion and Analysis, have significantly impacted comparative net income results. For this reason, cash flow from operations continues to provide the most relevant measure to gauge year-over-year performance.

AGF reported cash flow from operations of $63.7 million, or $0.70 per share diluted, for the three months ended August 31, 2002.

Free cash flow from operations grew to $50.6 million for the three months ended August 31, 2002, an increase of 47.6 per cent from the same period last year.

During the quarter, AGF announced that it would expand its role in the UK wealth management market through a merger of NCL (Securities) Limited, a high-net-worth investment management firm, with Smith & Williamson, one of the UK's most respected professional and financial service organizations. The merger will create one of the UK's largest independent, integrated private client financial services firms.

In September, AGF also announced a key acquisition to power wholly-owned subsidiary Unisen Inc. to become a preeminent third-party administrative services provider to the investment fund industry. The acquisition of Jewelstone Systems Inc., the top software supplier to the industry, will give Unisen scope and scale to compete.

AGF has its eye firmly on the future and we are optimistic about the direction we are taking. We accomplished several key initiatives over the third quarter that underscore our long-term growth strategies and contribute to a broader and more diversified revenue base to help protect our business against market volatility. As we continue to navigate difficult markets, we remain committed to our customers and the on-going growth of AGF.

Blake C. Goldring, CFA
President & Chief Executive Officer
September 25, 2002

management's discussion and analysis

Management's Discussion and Analysis ("MD & A") presents an analysis of the financial condition of AGF Management Limited ("AGF") and its subsidiaries (collectively referred to as the "Corporation") as at August 31, 2002, compared with November 30, 2001, and the results of operations for the three months and nine months ended August 31, 2002, compared with the corresponding periods of 2001. It should be read in conjunction with the MD & A included in the Corporation's 2001 annual report and the quarterly reports for the three months ended February 28, 2002, and the six months ended May 31, 2002.

Results of Operations

Consolidated net income for the three months ended August 31, 2002, was $30.7 million as compared with net income of $25.9 million for the three months ended August 31, 2001. Diluted earnings per share were $0.34, up from $0.28 per share a year ago. Net income for the nine months ended August 31, 2002, was $101.6 million or $1.11 per share diluted, compared with $145.7 million or $1.59 per share diluted a year ago. The comparative net income results have been significantly impacted by the changes in accounting policies described below. The Corporation believes it is more meaningful to focus on cash flow from operations for the purpose of analyzing year-over-year performance. Cash flow from operations (before net change in non-cash balances related to operations) amounted to $63.7 million ($0.70 per share diluted) for the three months ended August 31, 2002, as compared with $71.5 million ($0.78 per share diluted) in the same period a year ago.

Impacts of significant accounting changes

Effective December 1, 2001, as a result of the adoption of the new accounting policy for goodwill and other intangible assets (Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3062), $114.3 million of goodwill and $473.7 million of mutual fund management contracts, which have an indefinite useful life, are no longer subject to amortization. During the second quarter of 2002, the Corporation completed the initial impairment testing on the carrying values of goodwill and indefinite life mutual fund management contracts as specified in Section 3062 and determined that there was no impairment to the respective carrying value of these assets. Accordingly, no impairment losses were required to be recognized as a result of this testing. However, if due to the release of new accounting guidelines by the CICA on this subject or changes in circumstances, these mutual fund management contracts are subsequently determined to have finite useful lives, they will then be amortized over their remaining estimated useful lives. The adoption of Section 3062, without restatement of prior periods, increased net income for the three month and nine month periods ended August 31, 2002, by $8.4 million and $29.8 million, respectively.

Effective December 1, 2000, the Corporation changed its method of accounting for income taxes from the deferral method to the liability method as required under Section 3465 of the CICA Handbook. The adoption of Section 3465, together with the effects of lower federal and Ontario income tax rates, increased net income by $2.7 million and $73.5 million, respectively, for the three months and nine months ended August 31, 2001.

For ease of comparison, consolidated net income adjusted to exclude the impacts of these two accounting policy changes is as follows:

$ MILLIONS

	Three months ended August 31		Nine months ended August 31	
	2002	2001	2002	2001
Consolidated net income – reported	$ 30.7	$ 25.9	$ 101.6	$ 145.7
Less:				
Net impact of Section 3062	8.4	—	29.8	—
Net impact of Section 3465	—	2.7	—	73.5
Consolidated net income – adjusted	$ 22.3	$ 23.2	$ 71.8	$ 72.2

Wealth Management Operations

Revenue

Revenue of the wealth management operations for the three months ended August 31, 2002, was $156.6 million, as compared with $159.3 million for the corresponding period in 2001. For the nine months ended August 31, 2002, revenue of the wealth management operations amounted to $487.8 million, up from $477.7 million in 2001.

For the three months and nine months ended August 31, 2002, management and advisory fee revenue, net of distribution fees, declined 8.8% and 1.4%, respectively, to $122.4 million and $396.4 million from $134.2 million and $402.1 million for the corresponding periods in 2001. Management and advisory fees are calculated on the average daily mutual fund assets managed by the Corporation. Average daily mutual fund assets under management for the three months and nine months ended August 31, 2002, and 2001 are summarized as follows:

$ BILLIONS

	2002	2001	% change
Average daily mutual fund assets under management			
Three months ended August 31	$ 25.51	$ 28.21	(9.6%)
Nine months ended August 31	$ 27.66	$ 28.13	(1.7%)

Mutual fund assets under management declined $3.83 billion and $3.41 billion, respectively, during the three months and nine months ended August 31, 2002, and stood at $24.41 billion as at August 31, 2002. The decline is primarily the result of negative market performance as illustrated in the following table:

$ MILLIONS

	Three months ended August 31 2002	Nine months ended August 31 2002
Mutual fund assets under management beginning of period	$ 28,239	$ 27,827
Net mutual fund sales (redemptions) during the period	(472)	87
Market depreciation of fund portfolios	(3,354)	(3,501)
Mutual fund assets under management end of period	$ 24,413	$ 24,413

According to a report issued by Morningstar Canada, the past five months have been the longest stretch of negative monthly fund performance in 15 years, with the median mutual fund losing 11.5% during the period. As at August 31, 2002, 73.5% of the Corporation's mutual fund assets under management were held in equity funds, as compared with 74.1% as at August 31, 2001.

During the three months ended August 31, 2002, the Corporation recorded net mutual fund redemptions of $471.6 million, as compared with net mutual fund sales of $455.7 million for the

corresponding period in 2001. The poor near-term investment outlook and sustained market volatility have led to reduced investor demand for equity funds and adversely impacted gross mutual fund sales, which declined to $641.8 million for the three months ended August 31, 2002, from $1.21 billion for the three months ended August 31, 2001. Gross mutual fund redemptions for the three months ended August 31, 2002, amounted to $1.11 billion as compared to $751.4 million for the same period a year ago, but 12.5% lower than the gross redemptions of $1.27 billion for the three months ended May 31, 2002. Net mutual fund sales for the nine months ended August 31, 2002, amounted to $86.5 million, as compared with net mutual fund sales of $2.43 billion a year ago.

Administration fees and other revenue, which include third-party administration revenue and investment advisory fees, increased 26.8% to $20.7 million for the three months ended August 31, 2002, from $16.3 million for the corresponding period in 2001. Administration fees and other revenue rose from $50.3 million for the nine months ended August 31, 2001, to $58.9 million for the nine months ended August 31, 2002. These increases reflect the implementation of an aggressive growth strategy by Unisen Inc. (formerly AdminSource Inc.), a wholly-owned subsidiary, to become a premier source of administrative solutions for Canada's investment fund industry.

Due to the downturn of equity markets, assets under management for institutional clients and high-net-worth individuals has declined 13.9% since November 30, 2001, and stood at $5.26 billion as at August 31, 2002.

Deferred sales charge ("DSC") revenue amounted to $12.8 million and $31.3 million for the three months and nine months ended August 31, 2002, as compared to $8.1 million and $23.5 million for the corresponding periods a year ago. The amount of DSC revenue is a function of the level of redemptions and the applicable DSC schedule. The termination of the investment advisory agreements by Brandes Investment Partners L.P. with certain funds managed by the Corporation has caused higher than normal redemptions for these funds since March 25, 2002. The Corporation's fiscal 2002 year-to-date annualized redemption rate (excluding money market funds) was 17.0% of mutual fund assets, as compared with the estimated industry average of 15.3% (excluding money market funds) based on statistics provided by the Investment Funds Institute of Canada.

Expenses and income taxes

Selling, general and administrative expenses ("SG & A") were $36.4 million for the three months ended August 31, 2002, an increase of $7.8 million over the corresponding period a year ago. For the nine months ended August 31, 2002, SG & A amounted to $98.5 million as compared to $87.5 million in 2001. The increases are attributable to the expansion in the Corporation's third-party administration business, including the acquisition in January 2002 of the third-party fund valuation and shareholder record keeping business of The Toronto-Dominion Bank (the "TD Business").

Trailing commissions for the three months ended August 31, 2002, were $31.3 million as compared to $34.5 million in 2001, the decline reflecting the lower level of mutual fund assets under management versus a year ago. For the nine months ended August 31, 2002, trailing commissions increased 3.9% to $102.0 million from $98.3 million in 2001. The increase is attributable to the recent trend of a greater percentage of mutual funds being purchased by investors on a front-end load basis.

Investment advisory fees were $10.6 million for the three months ended August 31, 2002, a decline of 14.8% from the same period a year ago. For the nine months ended August 31, 2002, investment advisory fees were $35.5 million as compared to $36.6 million for the nine months ended August 31, 2001. Investment advisory fees fluctuate based on assets of the mutual funds that are advised by external advisors.

Reflecting a higher cumulative amount of selling commissions financed internally, amortization of deferred selling commissions increased 6.6% to $28.1 million for the three months ended August 31, 2002, from $26.4 million a year ago. For the nine months ended August 31, 2002, amortization of deferred selling commissions amounted to $86.0 million as compared to $74.5 million for the corresponding period in 2001.

Amortization of customer contracts declined to $3.9 million and $11.1 million respectively, for the three months and nine months ended August 31, 2002, from $10.4 million and $31.3 million for the comparable periods in 2001. Effective December 1, 2001, the Corporation ceased the amortization of goodwill and management contracts with an indefinite life as a result of the change in accounting policy described in Note 1 to the interim consolidated financial statements. The Corporation continues to amortize investment advisory and customer contracts with finite lives on a straight-line basis over their estimated useful lives.

Interest expense declined 45.1% from $3.8 million for the three months ended August 31, 2001 to $2.1 million for the three months ended August 31, 2002. For the nine months ended August 31, 2002, interest expense was down 46.1% to $6.8 million as compared with $12.5 million in 2001. The declines reflect lower prevailing interest rates and reduced levels of bank and other debt outstanding during fiscal 2002 as compared to 2001.

The Corporation's effective income tax rates for the three months and nine months ended August 31, 2002, were 25.8% and 25.0% respectively, as compared to the statutory tax rate of 38.8%. The effective income tax rate includes the impact of adjustments to future income taxes resulting from the discontinuation of the amortization of goodwill and indefinite life management contracts. In June 2002, the Corporation acquired access to a significant amount of deductible charitable donations, which are expected to generate net tax benefits of approximately $8.0 million. During the three months ended August 31, 2002, the Corporation recognized $3.0 million ($5.0 million recognized year-to-date) of such tax benefits and expects to record the remaining $3.0 million in the fourth quarter of 2002.

Trust Company Operations

During the three months ended August 31, 2002, AGF Trust Company (the "Trust Company") experienced the anticipated turnaround in its profitability. Pretax income for the three months ended August 31, 2002, amounted to $1.5 million, an increase of $1.0 million from the same period last year. For the nine months ended August 31, 2002, pretax income was $465,000, a decrease of $1.6 million from the same period last year due to increased loan loss provisions and administrative costs related to the launch of the RSP loan program.

The Trust Company continues to exceed expectations in its RSP loan program, with $114.3 million in RSP loans outstanding as at August 31, 2002. The interest rate swap program has enabled the Trust Company to ensure that balance sheet interest rate risk is reduced, while interest rate spreads are protected. As a reflection of the increased asset base, net investment income for the three months ended August 31, 2002, grew significantly to $2.6 million, compared with $1.1 million for the three months ended August 31, 2001. Provision for loan losses has increased, totalling $112,000 for the three months ended August 31, 2002, compared with $73,000 for the same period last year.

The Trust Company's balance sheet and financial position remained sound. Total assets have grown to $411.7 million as at August 31, 2002, up 69.0% from November 30, 2001. The assets to capital multiple stood at 14.3 times, up from 13.1 times at November 30, 2001 and well within the maximum permitted multiple of 17.5 times. The Trust Company continues to hold sufficient cash and short-term investments, with the liquidity ratio standing at 64.4% at August 31, 2002.

Cash Flow and Liquidity

Cash flow from operations (before net change in non-cash balances related to operations) decreased 10.9% to $63.7 million for the three months ended August 31, 2002, from $71.5 million for the same period a year ago. For the nine months ended August 31, 2002, cash flow from operations was $209.1 million, as compared to $223.6 million for the nine months ended August 31, 2001.

Reflecting lower gross sales of funds sold on a deferred sales charge basis in 2002 versus 2001, selling commissions paid by the Corporation during the three months and nine months ended August 31, 2002, amounted to $13.1 million and $89.6 million respectively, as compared to $37.2 million and $156.8 million for the corresponding periods in 2001. Free cash flow from operations (defined as cash flow from operations before net change in non-cash balances related to operations less selling commissions paid) increased 79.0% to $119.5 million for the nine months ended August 31, 2002, from $66.8 million for the nine months ended August 31, 2001.

The Corporation used a portion of the free cash flow from operations to finance certain acquisitions and investments. In January 2002, the Corporation paid $25.5 million in cash to acquire the TD Business. In July 2002, the Corporation paid $8.0 million to increase its ownership interest in NCL (Securities) Limited ("NCL") by 4.2% to 43.9%. The Corporation also used $5.0 million to repurchase 286,500 Class B shares for cancellation during the third quarter of 2002.

During the nine months ended August 31, 2002, the Corporation reduced its long-term debt, including the current portion, by $30.0 million, of which $26.6 million was paid in cash. As at August 31, 2002, the Corporation has drawn $28.3 million against its $150.0 million revolving term loan facility.

In addition to supporting normal business operations, including the funding of selling commissions, cash is required to fulfill the following investment commitments in the fourth quarter of 2002:

- to satisfy the cash component (approximately $42.2 million) of the consideration payable in connection with the acquisition of Jewelstone Systems Inc., the largest transfer agency system servicing the investment fund industry in Canada. This acquisition, which was completed on September 16, 2002, is a key strategic move to enhance the Corporation's third party administration business by providing Unisen Inc. the scale and technology necessary to become one of the top fund administration service providers in Canada.
- to subscribe for up to Pound Sterling 32 million (approximately $80 million) of new capital in Smith & Williamson, an integrated professional and financial services group in the United Kingdom which will be formed by the merger of NCL and Smith & Williamson. Subject to market conditions, the transaction is expected to close during November 2002. The merger will create one of the leading independent private client financial service firms in the United Kingdom with approximately Pound Sterling 5 billion of funds under management.

The Corporation believes it can satisfy these commitments through cash and short-term investments, operating cash flow and its revolving term loan facility. The Corporation is in preliminary discussion with its banker for an increase in the maximum amount available under the revolving term loan.

Financial Position

Total assets of the Corporation amounted to $1.75 billion as at August 31, 2002, as compared to $1.55 billion at November 30, 2001. Shareholders' equity increased $92.9 million during the nine month period to $857.6 million as at August 31, 2002.

As at August 31, 2002, the Corporation's long-term debt (excluding the portion due within one year) stood at $144.0 million, resulting in a debt to equity ratio of 0.17 to 1. The Corporation has no off balance sheet financing other than the mutual fund limited partnerships and deferred selling commission financing agreements disclosed in Notes 12 and 13 to the consolidated financial statements for

the year ended November 30, 2001. These financing arrangements were commonly used by mutual fund management companies to finance selling commissions paid on mutual funds sold on a DSC basis. The Corporation has generally been financing these selling commissions internally since December 1, 1997.

The Corporation has entered into certain interest rate swap and foreign exchange hedge transactions, which are described in Note 6 to the interim consolidated financial statements.

Outlook

Thus far in 2002, market conditions for the fund industry have been challenging and the Corporation has not been immune from these forces. There is a continuing shift in the consensus opinion of investors between the likelihood of an economic recovery and the opposite view of a "double-dip" recession. This uncertainty is expected to persist until investors begin to focus on long-term fundamentals rather than quarter-to-quarter earnings fluctuations.

The Corporation has been managing money for Canadian investors for 45 years and has experienced many market cycles. After a period of consolidation, the process of channeling savings into investment will continue and investors will renew their confidence in the institutions and market structures, which will overcome the difficulties of the current down cycle.

Forward Looking Statements

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

Consolidated Balance Sheets

(IN THOUSANDS OF DOLLARS)
(UNAUDITED)

	August 31, 2002	November 30, 2001
ASSETS		
Wealth Management Operations		
Current assets		
Cash and term deposits	$ 15,192	$ 1,445
Short-term investments	20,768	22,021
Accounts receivable and prepaid expenses	56,597	56,042
	92,557	79,508
Investment in associated company	36,582	27,435
Other investments	8,811	8,811
Management contracts (note 1)	473,670	473,670
Customer contracts and relationships, net of accumulated amortization (note 1)	96,493	82,069
Deferred selling commissions, net of accumulated amortization	483,060	479,409
Property and equipment, net of accumulated amortization	36,692	37,617
Goodwill (note 1)	114,260	114,260
	1,342,125	1,302,779
Trust Company Operations		
Cash and term deposits	29,948	29,355
Accounts receivable and other assets	8,347	5,569
Investments	4,855	4,843
Mortgages and consumer loans	368,103	203,544
	411,253	243,311
	$ 1,753,378	$ 1,546,090
LIABILITIES		
Wealth Management Operations		
Current liabilities		
Accounts payable and accrued liabilities	$ 63,424	$ 62,296
Long-term debt due within one year (note 5)	40,369	48,896
Income taxes payable	2,397	7,762
	106,190	118,954
Long-term debt (note 5)	144,047	165,481
Participation units	6,157	6,157
Future income taxes	256,733	266,834
Non-controlling interest in subsidiary	—	83
	513,127	557,509
Trust Company Operations		
Accounts payable and accrued liabilities	9,601	5,428
Deposits	373,093	218,446
	382,694	223,874
SHAREHOLDERS' EQUITY		
Capital stock (note 4)	373,114	361,401
Retained earnings	483,690	402,964
Foreign currency translation adjustment	753	342
	857,557	764,707
	$ 1,753,378	$ 1,546,090

Consolidated Statements of Income

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

	Three months ended August 31		Nine months ended August 31	
	2002	2001	2002	2001
Revenue				
Wealth Management Operations				
Net management and advisory fees	$ 122,376	$ 134,201	$ 396,354	$ 402,143
Administration fees and other revenue	20,737	16,348	58,876	50,303
Deferred sales charges	12,846	8,134	31,296	23,516
Investment income	628	587	1,299	1,728
	156,587	159,270	487,825	477,690
Trust Company interest, dividends and administration fees	7,185	3,900	17,624	11,170
	163,772	163,170	505,449	488,860
Expenses				
Wealth Management Operations				
Selling, general and administrative	36,411	28,567	98,489	87,526
Trailing commissions	31,345	34,493	102,046	98,254
Investment advisory fees	10,554	12,381	35,495	36,555
Amortization of deferred selling commissions	28,123	26,381	85,980	74,512
Integration costs	—	—	1,000	—
Amortization of management and customer contracts	3,896	10,448	11,082	31,341
Amortization of goodwill	—	2,175	—	6,526
Amortization of property and equipment	4,253	3,229	12,178	9,012
Interest expense	2,077	3,785	6,751	12,531
	116,659	121,459	353,021	356,257
Trust Company Operations				
Interest on deposits	3,979	2,442	10,814	7,088
General and administrative	1,603	920	5,131	2,266
Provision for loan losses	112	73	1,214	214
	5,694	3,435	17,159	9,568
	122,353	124,894	370,180	365,825
Income before income taxes and non-controlling interest	41,419	38,276	135,269	123,035
Income taxes				
Current	14,159	9,833	38,208	22,556
Future	(3,454)	2,843	(4,445)	(44,666)
	10,705	12,676	33,763	(22,110)
Net income before non-controlling interest	30,714	25,600	101,506	145,145
Non-controlling interest share of loss of subsidiary	—	283	83	537
Net income for the period	$ 30,714	$ 25,883	$ 101,589	$ 145,682
Earnings per share (note 1)				
Basic	$ 0.34	$ 0.29	$ 1.13	$ 1.64
Diluted	$ 0.34	$ 0.28	$ 1.11	$ 1.59

Consolidated Statements of Retained Earnings

(IN THOUSANDS OF DOLLARS)
(UNAUDITED)

	Three months ended August 31		Nine months ended August 31	
	2002	2001	2002	2001
Retained earnings, beginning of period	$ 462,648	$ 369,710	$ 402,964	$ 258,838
Net income for the period	30,714	25,883	101,589	145,682
	493,362	395,593	504,553	404,520
Deduct:				
Dividends on Class A and Class B shares	5,853	5,329	17,044	14,205
Excess paid over average issue price of Class B shares purchased for cancellation	3,819	—	3,819	51
	9,672	5,329	20,863	14,256
Retained earnings, end of period	$ 483,690	$ 390,264	$ 483,690	$ 390,264

Consolidated Statements of Cash Flow

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

	Three months ended August 31		Nine months ended August 31	
	2002	2001	2002	2001
Operating activities				
Net income for the period	$ 30,714	$ 25,883	$ 101,589	$ 145,682
Items not affecting cash –				
Amortization of deferred selling commissions	28,123	26,381	85,980	74,512
Future income taxes	(3,454)	2,843	(4,445)	(44,666)
Amortization of management and customer contracts	3,896	10,448	11,082	31,341
Amortization of goodwill	—	2,175	—	6,526
Amortization of property and equipment	4,253	3,229	12,178	9,012
Other	210	570	2,728	1,161
	63,742	71,529	209,112	223,568
Net (increase) decrease in non-cash balances related to operations	9,507	(10,463)	(3,592)	(56,159)
	73,249	61,066	205,520	167,409
Financing activities				
Net change in Class B shares	(4,480)	1,435	(2,778)	134,316
Dividends	(5,853)	(5,329)	(17,044)	(14,205)
Net decrease in bank loan	(15,850)	(39,000)	(17,050)	(140,450)
Decrease in notes and instalment payable	(6,379)	(6,404)	(9,565)	(10,272)
Increase in Trust Company deposits	22,214	26,188	154,647	36,214
	(10,348)	(23,110)	108,210	5,603
Investing activities				
Deferred selling commissions paid	(13,149)	(37,244)	(89,631)	(156,802)
Acquisition of third-party administration business (note 2)	—	—	(25,506)	—
Investment in associated company	(7,951)	—	(7,951)	(11,237)
Purchase of capital assets	(6,123)	(3,818)	(11,253)	(14,662)
Purchase of investments	(575)	—	(575)	(30)
Sale of investments-Trust Company Operations	—	514	—	476
Increase in Trust Company mortgages and consumer loans	(4,107)	(12,249)	(165,727)	(28,624)
	(31,905)	(52,797)	(300,643)	(210,879)
Increase (decrease) in cash and cash equivalents during the period	30,996	(14,841)	13,087	(37,867)
Balance of cash and cash equivalents, beginning of period	34,912	84,071	52,821	107,097
Balance of cash and cash equivalents, end of period	$ 65,908	$ 69,230	$ 65,908	$ 69,230
Represented by:				
Cash and term deposits				
Wealth Management Operations	$ 15,192	$ 16,643		
Trust Company Operations	29,948	22,253		
Short-term investments	20,768	30,334		
	$ 65,908	$ 69,230		
Supplemental disclosure of cash flow information				
Interest payments during the period	$ 6,081	$ 6,252	$ 17,640	$ 19,694
Income tax payments during the period	$ 15,089	$ 1,884	$ 43,573	$ 32,752
Cash flow from operations per share (before net change in non-cash balances related to operations)				
Basic	$ 0.71	$ 0.81	$ 2.33	$ 2.52
Diluted	$ 0.70	$ 0.78	$ 2.28	$ 2.44

notes to consolidated financial statements

FOR THE THREE MONTHS AND NINE MONTHS ENDED AUGUST 31, 2002 AND AUGUST 31, 2001 (UNAUDITED)
(IN DOLLARS, EXCEPT AS OTHERWISE STATED)

These unaudited interim consolidated financial statements of AGF Management Limited ("AGF") have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies as AGF's consolidated financial statements for the year ended November 30, 2001, except for the changes in accounting policies described in note 1. These financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended November 30, 2001, as set out in AGF's 2001 Annual Report.

1. Changes in accounting policies

Goodwill and other intangible assets

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

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

As of August 31, 2002, AGF has completed its impairment testing on the carrying values of goodwill and other indefinite life intangible assets. No impairment losses were required to be recognized as a result of this testing.

The provisions of section 3062 require that amortization of goodwill and intangible assets with an indefinite life cease upon adoption of section 3062. Adoption of this accounting policy resulted in a $33.4 million decrease in amortization of goodwill and management contracts and a $3.6 million increase in future income tax expense in the nine months ended August 31, 2002. The following table discloses a reconciliation of previously reported net income, basic earnings per share and diluted earnings per share to the amounts adjusted for the exclusion of goodwill and management contract amortization, net of income taxes.

$(000's)	Three months ended Aug 31		Nine months ended Aug 31	
	2002	2001	2002	2001
Reported net income	$ 30,714	$ 25,883	$ 101,589	$ 145,682
Add back:				
Goodwill amortization	—	2,175	—	6,526
Management contract amortization, net of income taxes	—	6,692	—	20,108
Net income adjusted for goodwill and management contract amortization	$ 30,714	$ 34,750	$ 101,589	$ 172,316
Earnings per share				
Basic - Reported	$ 0.34	$ 0.29	$ 1.13	$ 1.64
Basic - Adjusted	$ 0.34	$ 0.39	$ 1.13	$ 1.94
Diluted - Reported	$ 0.34	$ 0.28	$ 1.11	$ 1.59
Diluted - Adjusted	$ 0.34	$ 0.38	$ 1.11	$ 1.88

Earnings per share (EPS)

On December 1, 2001, AGF adopted CICA Handbook section 3500, "Earnings per share." The new recommendations require the use of the treasury stock method in computing diluted EPS. The requirements of section 3500 were adopted retroactively and diluted EPS figures for prior periods have been restated. Upon restatement diluted EPS for the three months ended August 31, 2001 was unchanged and for the nine months ended August 31, 2001 was increased by $0.01.

Interim financial statements

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

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

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

3. Investment in associated company

During the three months ended August 31, 2002, the Corporation increased its ownership interest in NCL (Securities) Limited by 4.2% through the purchase of additional shares to hold a 43.9% interest as at August 31, 2002. NCL, which is based in the United Kingdom, provides private client asset management and institutional fund management and advisory services to a broad range of clients. The investment is being accounted for by the equity method. The purchase price allocation and consideration paid for the additional interest are summarized as follows:

		$(000's)
Net assets acquired		
Customer contracts	**$**	**6,170**
Other net assets		**1,781**
	$	**7,951**
Consideration paid		
Cash	**$**	**7,951**

4. Capital stock

(a) Authorized capital

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

(b) Equity offering of Class B shares

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

(c) Movement during the period

The movement in capital stock during the nine months ended August 31, 2002 is summarized as follows:

	Number of shares issued	Amount $(000's)
Class B shares		
Balance, November 30, 2001	**89,280,587**	**$ 361,401**
Issued on purchase of investment	**319,614**	**7,261**
Issued on repayment of instalment payable (note 5)	**200,876**	**3,411**
Issued through dividend reinvestment plan	**1,265**	**27**
Stock options exercised	**499,977**	**2,175**
Purchased for cancellation	**(286,500)**	**(1,161)**
Balance, August 31, 2002	**90,015,819**	**373,114**
Class A shares		
Balance, August 31, 2002 and November 30, 2001	**57,600**	**—**
Total stated capital		**$ 373,114**

(d) Class B shares purchased for cancellation

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

(e) Stock option plans

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 5,269,133 Class B shares could have been granted as at August 31, 2002. Stock options are vested to the extent of 25% to 33% of the individual's entitlement per annum.

The movement in stock options during the nine months ended August 31, 2002 is summarized as follows:

	Number of options	Weighted average exercise price
Class B share options		
Balance outstanding, November 30, 2001	**4,066,457**	**$ 9.61**
Options granted	**668,800**	**$ 22.53**
Options cancelled	**(30,833)**	**$ 17.55**
Options exercised	**(499,977)**	**$ 4.35**
Balance outstanding, August 31, 2002	**4,204,447**	**$ 12.23**

5. Long-term debt

$(000's)	August 31, 2002	November 30, 2001
Bank loans		
Fully amortizing term loan	**$ 115,050**	**$ 141,600**
Revolving term loan	**28,300**	**18,800**
Notes payable due November 22, 2004	**14,291**	**14,906**
Notes payable due April 30, 2013	**26,335**	**30,059**
Instalment payable	**—**	**8,527**
Loan notes due September 30, 2004	**440**	**485**
	184,416	**214,377**
Less: amount included in current liabilities	**40,369**	**48,896**
	$ 144,047	**$ 165,481**

Fully amortizing term loan

At August 31, 2002, the Corporation has drawn the facility in the form of a 31-day bankers' acceptance at an effective interest rate of 3.25% per annum.

Revolving term loan

As at August 31, 2002, the Corporation has drawn $28.3 million against the available loan amount of $150.0 million in the form of 6-day to 91-day bankers' acceptances at an effective interest rate of 3.30% per annum.

6. Interest rate swap and foreign exchange hedge transactions

The Corporation has entered into, for hedging purposes, three interest rate swap transactions (the "Swap Transactions") with a Canadian chartered bank. The Swap Transactions expire between October 28, 2007 and January 27, 2008. They involve the exchange of three-month bankers' acceptance floating interest rates for fixed interest rates of 5.47% to 5.56% per annum. As at August 31, 2002, the aggregate notional amount of the Swap Transactions was $51.9 million. The aggregate fair value of the Swap Transactions, which represents the amount that would be paid (received) by the Corporation if the transactions were terminated at August 31, 2002, was $2,014,000.

To hedge its currency exposure and to fix the interest rate on borrowings in connection with a Japanese yen denominated investment, the Corporation has entered into a cross

currency swap transaction, which expires on November 29, 2004. It involves the exchange of three-month bankers' acceptance floating interest rates on a notional amount of CDN $3,293,000 for a fixed interest rate of 0.67% per annum on a notional amount of JPY ¥256,000,000. The aggregate fair value of the cross currency swap transaction, which represents the amount that would be paid (received) by the Corporation if the transaction was terminated at August 31, 2002, was $110,000.

To hedge its currency exposure in connection with its investment in U.K.-based NCL (Securities) Limited, an associated company, the Corporation has entered into foreign exchange forward contracts to sell U.K. £15,500,000 on April 22, 2003 at an average exchange rate of 2.2709 for CDN $35,199,000. The fair value of the forward contracts at August 31, 2002 has been included in the foreign currency translation adjustment.

To hedge its exposure to fluctuating interest rates, AGF Trust Company has entered into 13 interest rate swap transactions with two Canadian chartered banks as noted below. The swap transactions expire between October 19, 2002 and April 19, 2007 and involve the exchange of the average one-month bankers' acceptance rate to receive fixed interest rates, paid monthly. As at August 31, 2002, the aggregate notional amount of the swap transactions was $173,000,000. The aggregate fair value of the swap transactions, which represents the amount that would be paid (received) by AGF Trust Company if the transactions were terminated at August 31, 2002, was $(1,480,000).

$(000's)

Notional Amount of Swap	Maturity Date	Fixed Interest Rate Received
$20,000	October 19, 2002	2.67%
15,300	March 1, 2003	2.70%
17,000	April 19, 2003	3.20%
10,000	July 2, 2003	3.28%
10,000	August 28, 2003	3.20%
16,000	December 19, 2003	3.90%
18,500	March 1, 2004	3.60%
8,000	June 19, 2004	3.16%
10,000	November 29, 2004	4.41%
8,500	March 1, 2005	4.17%
5,000	June 19, 2006	4.57%
19,700	March 1, 2007	4.82%
15,000	April 19, 2007	5.11%

7. Investment commitment

On August 5, 2002, the Corporation entered into a memorandum of understanding setting out the terms of a merger of NCL (Securities) Limited with Smith & Williamson, a professional and financial services group based in London, U.K. AGF has committed to subscribe for up to $80 million of new capital in Smith & Williamson and will own approximately 30% of the combined business. Subject to market conditions, the merger is expected to be completed during November 2002.

8. Subsequent event

On September 16, 2002, AGF, through its wholly-owned subsidiary Unisen Inc., acquired all of the outstanding common shares of Jewelstone Systems Inc. ("Jewelstone") for consideration of $60.5 million, including acquisition costs, with additional deferred payments aggregating $5 million conditional upon the achievement of certain operational targets. The purchase price is payable in cash and AGF Class B non-voting shares. Jewelstone, based in Toronto, is a leading provider of transfer agency software to the Canadian investment fund industry.

What are you doing after work?

AGF Management Limited
Toronto Dominion Bank Tower
31st Floor, Toronto
Ontario M5K 1E9
www.agf.com