

**GLUSKIN SHEFF + ASSOCIATES INC.**  
**Interim Balance Sheets**

(\$ in thousands)	As at March 31, 2009 (Unaudited)	As at June 30, 2008 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 53,103	\$ 54,213
Accounts Receivable	6,389	18,624
Securities Owned (note 5)	1,509	4,706
Income Tax Receivable (note 9)	4,669	619
Prepaid Expenses and Other Assets	374	576
	<b>66,044</b>	<b>78,738</b>
<b>Property and Equipment</b>	<b>3,333</b>	<b>3,116</b>
<b>Total Assets</b>	<b>\$ 69,377</b>	<b>\$ 81,854</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 2,401	\$ 2,797
Securities Sold Short (note 5)	237	1,490
Future Income Taxes (note 9)	329	356
Accrued Bonuses	7,213	16,951
	<b>\$ 10,180</b>	<b>\$ 21,594</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (note 8)	4,994	4,967
Contributed Surplus (note 8)	6,513	4,650
Retained Earnings	47,690	50,643
	<b>59,197</b>	<b>60,260</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 69,377</b>	<b>\$ 81,854</b>

The accompanying notes are an integral part of these financial statements.

**GLUSKIN SHEFF + ASSOCIATES INC.**  
**Interim Statements of Income, Comprehensive Income**  
**and Retained Earnings** (unaudited)

(\$ in thousands, except per share amounts)	3 Months Ending March 31, 2009	3 Months Ending March 31, 2008	9 Months Ending March 31, 2009	9 Months Ending March 31, 2008
<b>REVENUES</b>				
Base Management Fees (note 6)	\$ 14,309	\$ 19,793	\$ 48,040	\$ 61,641
Performance Fees (note 6)	11	-	3,200	13,164
Investment and Other Income (Loss) (note 5)	58	481	(1,057)	2,292
	<b>\$ 14,378</b>	<b>\$ 20,274</b>	<b>\$ 50,183</b>	<b>\$ 77,097</b>
<b>EXPENSES</b>				
Salaries and Benefits (notes 10 and 11)	\$ 4,126	\$ 6,034	\$ 14,757	\$ 20,645
Business Development	702	601	1,996	1,686
General and Administrative	2,205	2,781	6,931	7,868
Occupancy	460	413	1,365	1,180
Amortization of Property and Equipment	168	51	504	153
	<b>\$ 7,661</b>	<b>\$ 9,880</b>	<b>\$ 25,553</b>	<b>\$ 31,532</b>
<b>Income Before Provision for Income Taxes</b>	<b>\$ 6,717</b>	<b>\$ 10,394</b>	<b>\$ 24,630</b>	<b>\$ 45,565</b>
Provision for (Recovery of) income taxes (note 9)				
Current Income Taxes	2,286	3,883	9,213	17,344
Future Income Taxes	333	-	(27)	-
	<b>2,619</b>	<b>3,883</b>	<b>9,186</b>	<b>17,344</b>
<b>Net Income and Comprehensive Income for the Period</b>	<b>4,098</b>	<b>6,511</b>	<b>15,444</b>	<b>28,221</b>
<b>Retained Earnings - Beginning of Period</b>	<b>47,096</b>	<b>39,533</b>	<b>50,643</b>	<b>67,346</b>
	51,194	46,044	66,087	95,567
Transitional adjustment on adoption of new accounting policy	-	-	-	187
Dividends	(3,504)	(3,212)	(18,397)	(52,922)
<b>Retained Earnings - End of Period</b>	<b>\$ 47,690</b>	<b>\$ 42,832</b>	<b>\$ 47,690</b>	<b>\$ 42,832</b>
<b>Basic Earnings Per Share</b>	<b>\$ 0.14</b>	<b>\$ 0.23</b>	<b>\$ 0.53</b>	<b>\$ 0.98</b>
<b>Diluted Earnings Per Share</b>	<b>\$ 0.14</b>	<b>\$ 0.22</b>	<b>\$ 0.53</b>	<b>\$ 0.96</b>

The accompanying notes are an integral part of these financial statements.

**GLUSKIN SHEFF + ASSOCIATES INC.****Interim Statements of Cash Flows**

(Unaudited)

(\$ in thousands)	3 Months Ending March 31, 2009	3 Months Ending March 31, 2008	9 Months Ending March 31, 2009	9 Months Ending March 31, 2008
<b>CASH PROVIDED BY (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Net Income for the Period	4,098	\$ 6,511	\$ 15,444	\$ 28,221
Adjustments for				
Amortization of Property and Equipment	168	51	504	153
Loss on Disposition of Property and Equipment	383	-	383	-
Net Investment Loss (Gain)	(284)	-	998	188
Future Income Taxes	333	-	(27)	-
Stock Based Compensation	521	786	1,925	2,618
	<u>5,219</u>	<u>7,348</u>	<u>19,227</u>	<u>31,180</u>
Changes in Non-Cash Working Capital Items				
Accounts Receivable	(1,534)	13,167	12,235	101,767
Prepaid Expenses	197	-	202	121
Income Tax Receivable	(771)	(174)	(4,050)	-
Accounts Payable and Accrued Liabilities	583	(1,318)	(396)	(6,296)
Income Taxes Payable	-	(6,624)	-	(41,163)
Accrued Bonuses	1,854	2,895	(9,738)	(19,439)
	<u>5,548</u>	<u>15,294</u>	<u>17,480</u>	<u>66,170</u>
<b>INVESTING ACTIVITIES</b>				
Sales (Repurchases) of Securities Sold Short	89	(684)	(441)	(361)
Sales (Purchases) of Securities Owned	(277)	352	1,387	(548)
Purchase of Property and Equipment	(346)	(64)	(1,104)	(851)
	<u>(534)</u>	<u>(396)</u>	<u>(158)</u>	<u>(1,760)</u>
<b>FINANCING ACTIVITIES</b>				
Payment of Deferred Share Units	(35)	-	(35)	-
Dividends Paid	(3,504)	(3,212)	(18,397)	(52,922)
	<u>(3,539)</u>	<u>(3,212)</u>	<u>(18,432)</u>	<u>(52,922)</u>
<b>Increase (Decrease) in Cash During the Period</b>	<b>1,475</b>	<b>11,686</b>	<b>(1,110)</b>	<b>11,488</b>
<b>Cash and Cash Equivalents - Beginning of Period</b>	<b>51,628</b>	<b>42,121</b>	<b>54,213</b>	<b>42,319</b>
<b>Cash and Cash Equivalents - End of Period</b>	<b><u>53,103</u></b>	<b><u>\$ 53,807</u></b>	<b><u>\$ 53,103</u></b>	<b><u>\$ 53,807</u></b>
<b>Cash is comprised of:</b>				
Cash	53,103	53,807	53,103	53,807
Short-term Investments	-	-	-	-
	<u>53,103</u>	<u>53,807</u>	<u>53,103</u>	<u>53,807</u>
<b>SUPPLEMENTARY INFORMATION</b>				
Interest paid during the period	-	-	-	-
Income taxes paid during the period	3,109	10,000	13,445	58,000

The accompanying notes are an integral part of these financial statements.

(\$ in thousands, except per share amounts)

## **1 NATURE OF BUSINESS AND ORGANIZATION**

Gluskin Sheff + Associates Inc. (the “Company”) provides discretionary investment management services to high net worth private clients and institutional investors. The Company was incorporated in 1984 under the *Ontario Business Corporations Act*. The Company is listed on the Toronto Stock Exchange (“TSX”) and trades under the symbol “GS”.

These financial statements are for the three and nine month periods ended March 31, 2009 and March 31, 2008 with the Balance Sheets being as at March 31, 2009 and June 30, 2008.

## **2 BASIS OF PRESENTATION**

These interim financial statements are prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) and do not include all disclosures required for annual financial statements.

These financial statements should be read in conjunction with the June 30, 2008 Audited Financial Statements of Gluskin Sheff + Associates Inc. included in the 2008 Annual Report. These financial statements reflect the same significant accounting policies as those described in the notes to the Audited Financial Statements of Gluskin Sheff + Associates Inc. for the year ended June 30, 2008, except as discussed in Note 3.

Certain comparative figures have been reclassified to conform with the current period’s presentation.

## **3 CHANGES IN ACCOUNTING POLICIES**

Effective July 1, 2008, the Company prospectively adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants (“CICA”): Handbook Section 1535 – Capital Disclosures, Handbook Section 3862 – Financial Instruments – Disclosures and Handbook Section 3863 – Financial Instruments – Presentation.

### ***Capital Disclosures***

Section 1535 specifies the disclosure of: (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

### ***Financial Instruments – Disclosures and Presentation***

Sections 3862 and 3863 replace Handbook Section 3861 – Financial Instruments – Disclosures and Presentation, revising and enhancing disclosure requirements, and carrying forward existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The adoption of these new accounting standards entailed additional disclosure and some changes to presentation, but had no effect on net income or shareholders’ equity.

(\$ in thousands, except per share amounts)

#### **4 FINANCIAL INSTRUMENTS**

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and accrued bonuses, whose carrying values approximate their fair values due to their short-term nature, and short-term securities holdings, which are recorded at fair value using quotations from independent third party pricing sources. The balance due from related parties included in accounts receivable is current and, therefore, has not been discounted despite the fact that it is non-interest bearing.

The Company also has financial instruments consisting of other securities holdings and securities sold short recorded at fair value representing seeded capital used in forming new fund products.

The Company's risk management policies and procedures relating to credit risk, liquidity risk and market risk are addressed in the Financial Instruments and Risk Management sections of Management's Discussion and Analysis of the financial results for the three month and nine month periods ended March 31, 2009.

#### **5 SECURITIES OWNED AND SOLD SHORT**

The Company has seeded new portfolio models, some or all of which the Company may eventually introduce into its line-up of investment strategies. The fair value of the securities owned and the securities sold short as at March 31, 2009 are \$1,509 and \$237 respectively (June 30, 2008 – securities owned \$4,706 and securities sold short \$1,490).

The maximum loss that the Company may incur in respect of securities owned is the amount paid to acquire the securities. The maximum gain to the Company in respect of the securities sold short is the proceeds received upon entering into the short sale transaction whereas the amount of the potential loss is unlimited. The market values of securities owned and sold short vary daily based on general market conditions and matters specific to the issuers of the securities. The realized and unrealized gains or losses incurred on securities owned and sold short are included in Investment and Other Income (Loss). The realized and unrealized gain or (loss) for the three months ended March 31, 2009 is (\$14) (March 31, 2008 - \$91) for the nine months ended March 31, 2009 is (\$1,965) (March 31, 2008 - \$281).

#### **6 RELATED PARTY TRANSACTIONS**

Included in the Company's Base Management Fee income for the three months ended March 31, 2009 is \$10,143 (March 31, 2008 - \$11,179) and for the nine months ended March 31, 2009 is \$31,210 (March 31, 2008 - \$34,179) earned from the management of the Company's Pooled Fund vehicles, where the Company generally acts as the trustee, manager, transfer agent and principal distributor. In the case of those funds that are limited partnerships, an affiliate of the Company is the general partner. All related party transactions are recorded at the exchange amount. Included in the Company's accounts receivable as at March 31, 2009 is \$5,229 (June 30, 2008 - \$3,239) owing from the Company's Pooled Funds.

#### **7 CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard the Company's ability to continue operations as a going concern.

**GLUSKIN SHEFF + ASSOCIATES INC.**  
**Notes to Unaudited Financial Statements**

March 31, 2009

(\$ in thousands, except per share amounts)

Capital is comprised of share capital, contributed surplus and retained earnings.

The Company's Senior Management team is responsible for approving the Company's capital management objectives and policies, and for overseeing the effective management of capital. The Board of Directors reviews the Company's capital plans as part of its review of strategic initiatives and at least annually in connection with the financial forecast process.

The Company has minimum capital requirements in connection with its registration as an Investment Counsellor and Portfolio Manager with the regulatory bodies. The Company has maintained the level of capital per its regulatory requirements as at March 31, 2009.

**8 SHARE CAPITAL AND CONTRIBUTED SURPLUS**

The company is authorized to issue an unlimited number of Subordinate Voting Shares and Multiple Voting Shares and an unlimited number of preference shares, issuable in series.

As at March 31, 2009, there were 9,889,130 Subordinate Voting Shares and 19,313,000 Multiple Voting Shares (March 31, 2008 – 9,889,130 Subordinate Voting Shares and 19,313,000 Multiple Voting Shares) and no preference shares outstanding. Multiple Voting Shares rank equally in all respects with the Subordinate Voting Shares, except that each Multiple Voting Share is entitled to 15 votes at any shareholders' meeting for all matters other than the election of Directors.

	3 Months Ending				9 Months Ending			
	March 31, 2009	Stated Value	March 31, 2008	Stated Value	March 31, 2009	Stated Value	March 31, 2008	Stated Value
<b>Beginning of the Period</b>								
Multiple Voting Shares	19,313		19,598		19,313		20,762	
Subordinate Voting Shares	9,889		9,604		9,889		8,436	
	<u>29,202</u>	<u>\$ 4,967</u>	<u>29,202</u>	<u>\$ 2,551</u>	<u>29,202</u>	<u>\$ 4,967</u>	<u>29,198</u>	<u>\$ 2,523</u>
<b>Activity during the Period</b>								
Convert from Multiple Voting shares	-	-	(285)	-	-	-	(1,449)	-
Settlement of DSUs	-	27	-	-	-	27	-	-
Exercise of Stock Options	-	-	-	-	-	-	4	28
Convert to Subordinate Voting Shares	-	-	285	-	-	-	1,449	-
	<u>-</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>4</u>	<u>28</u>
<b>End of the Period</b>								
Multiple Voting Shares	19,313		19,313		19,313		19,313	
Subordinate Voting Shares	9,889		9,889		9,889		9,889	
	<u>29,202</u>	<u>\$ 4,994</u>	<u>29,202</u>	<u>\$ 2,551</u>	<u>29,202</u>	<u>\$ 4,994</u>	<u>29,202</u>	<u>\$ 2,551</u>

**GLUSKIN SHEFF + ASSOCIATES INC.**  
**Notes to Unaudited Financial Statements**

March 31, 2009

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(\$ in thousands, except per share amounts)

**Contributed Surplus**

The following summarizes the Contributed Surplus balance:

	3 Months Ending		9 Months Ending	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
<b>Change in Contributed Surplus</b>				
Balance at Start of the Period	\$ 6,054	\$ 5,300	\$ 4,650	\$ 3,496
Deferred Share Units	44	(233)	166	(210)
Amortization of Stock Options	359	514	1,237	1,312
Amortization of Employee Trust	202	506	606	1,517
Settlement of Deferred Share Units	(62)	-	(62)	-
Forfeited Stock Options	(84)	-	(84)	-
Exercise of Stock Options	-	-	-	(28)
<b>Balance at End of the Period</b>	<b>\$ 6,513</b>	<b>\$ 6,087</b>	<b>\$ 6,513</b>	<b>\$ 6,087</b>

**9 INCOME TAXES**

The Company's effective income tax rate is approximately 37.3% and is impacted primarily by the non-deductibility for tax purposes of the expenses associated with the Stock Options, Deferred Share Units and Employee Trust, along with the tax treatment of realized and unrealized losses on security holdings.

Statutory income tax rate	33.3%
Non-deductible expenses	4.0%
Effective income tax rate	37.3%

The temporary differences that give rise to the Company's future tax receivable as at March 31, 2009, relate to the differences in the carrying values for income tax and accounting purposes for securities owned, securities sold short and property and equipment.

**10 SALARIES AND BENEFITS**

The Company accrues for discretionary bonuses to its employees.

Included in salaries and benefits expense for the three months ended March 31, 2009 are discretionary accrued bonuses of \$1,854 (March 31, 2008 - \$2,895) and for the nine months ended March 31, 2009 of \$6,791 (March 31, 2008 - \$12,050).

(\$ in thousands, except per share amounts)

## **11 STOCK BASED COMPENSATION PLAN**

In September 2008, the Company issued 510,000 options to participants at an exercise price of \$15.59.

Compensation expense related to stock options outstanding that has been included in the salaries and benefits expense during the three month period ended March 31, 2009 was \$275 (March 31, 2008 - \$514) and for the nine month period ended March 31, 2009 was \$1,153 (March 31, 2008 - \$1,312) using the graded investing methodology in accordance with CICA Section 3870.

The expense related to outstanding Deferred Share Unit's that has been included in the salaries and benefits expense during the three month period ended March 31, 2009 was \$44 (March 31, 2008 - \$270) and for the nine month period ended March 31, 2009 was \$165 (March 31, 2008 - \$293).

The expense related to the Employee Trust that has been included in the salaries and benefits expense during the three month period ended March 31, 2009 was \$202 (March 31, 2008 - \$506) and for the nine month period ended March 31, 2009 was \$606 (March 31, 2008 - \$1,517).

The outstanding balances of stock options, Deferred Share Unit's and Employee Trust shares are summarized in the following tables.



**GLUSKIN SHEFF + ASSOCIATES INC.**  
**Notes to Unaudited Financial Statements**

March 31, 2009

(\$ in thousands, except per share amounts)

Stock Options	9 months ending March 31, 2009		Year ended June 30, 2008	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	#	\$	#	\$
Balance, beginning of the period	1,127,000	18.73	840,000	15.51
Options granted	510,000	15.59	295,000	27.82
Options exercised	-	-	(8,000)	15.51
Options forfeited	(80,000)	17.92	-	-
Balance, end of the period	1,557,000	17.75	1,127,000	18.73

as at March 31, 2009						
			Options Outstanding		Options exercisable	
Range of exercise prices	Number outstanding at March 31, 2009		Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at March 31, 2009	Weighted average exercise price
#	\$		years	\$	#	\$
10.00 - 17.99	1,292,000		5.22	15.54	328,000	15.51
18.00 - 25.99	-		-	-	-	-
26.00 - 33.99	265,000		5.52	28.50	53,000	28.50
	1,557,000		5.27	17.75	381,000	17.32

as at June 30, 2008						
			Options Outstanding		Options exercisable	
Range of exercise prices	Number outstanding at 30-Jun-08		Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at 30-Jun-08	Weighted average exercise price
#	\$		years	\$	#	\$
10.00 - 17.99	832,000		5.23	15.51	160,000	15.51
18.00 - 25.99	25,000		6.61	20.50	-	-
26.00 - 33.99	270,000		6.27	28.50	-	-
	1,127,000		5.51	18.73	160,000	15.51

Deferred Share Units (DSU's)	March 31, 2009	June 30, 2008
Balance, beginning of period	5,194	13,943
DSU's issued	14,048	10,177
DSU's settled	(3,811)	(18,926)
<b>Balance, end of period</b>	<b>15,431</b>	<b>5,194</b>

Employee Trust	March 31, 2009	June 30, 2008
Balance, beginning of period	130,614	261,867
Issued	-	(131,253)
<b>Balance, end of period</b>	<b>130,614</b>	<b>130,614</b>

(\$ in thousands, except per share amounts)

## **12 EARNINGS PER SHARE**

The treasury stock method is used in the calculation of per share amounts. Basic earnings per share amounts are determined by dividing Net Income by the number of shares outstanding during the period excluding shares in the Employee Trust which are not included in shares outstanding for accounting purposes.

Diluted earnings per share is determined by dividing net income by the total shares outstanding assuming that all potentially dilutive common shares have been issued.

## **13 AUDITORS**

The interim financial statements have been prepared by Management and have not been reviewed by the Company's independent auditors.