Gluskin Sheff

Third Quarter Results

THREE MONTHS ENDED MARCH 31, 2012

2012

“Our mission is to be the pre-eminent wealth management firm in Canada serving high net worth investors.”

Gluskin Sheff + Associates Inc. is one of Canada's pre-eminent wealth management firms. Founded in 1984 and focused primarily on high net worth private clients, we are dedicated to meeting the needs of our clients by delivering strong, risk-adjusted investment returns and the highest level of personalized client service. With a solid track record of success, a strong reputation in the private client market and an experienced management team, we are confident that our passion for excellence will generate enhanced value for our shareholders over the long term.

Report to Shareholders

Assets Under Management at quarter-end were $5.5 billion, up $0.2 billion from the preceding quarter, due to positive investment performance and modest net additions. Average AUM for the quarter was slightly higher than for the preceding quarter, while the management fee percentage decreased slightly. Base Management Fees for the three months ended March 31, 2012 decreased by $0.3 million to $18.1 million from $18.4 million for the three months ended December 31, 2011.

Base EBITDA for the three months ended March 31, 2012 decreased $1.1 million to $7.1 million from $8.2 million for the three months ended December 31, 2011. Net income was $5.0 million, or $0.17 on a basic and diluted per share basis for the three months ended March 31, 2012, compared with $4.7 million, or $0.16 per share, on a basic and diluted per share basis for the three months ended December 31, 2011.

We are pleased with the risk-adjusted returns that we generated for clients this quarter. Our credit strategies all performed well, and our various equity and long/short strategies also contributed to the solid returns. Moreover, our application of more tactical approaches in our alternative investment strategies should enable us to exploit the market's volatility more effectively.

The Company remains in a strong financial position, which will allow us to continue to explore ways to better serve existing clients and attract new ones, and to continue to attract exceptional talent.

GERALD SHEFF
Co-Founder & Chairman
May 10, 2012

JEREMY FREEDMAN
President & Chief Executive Officer
May 10, 2012

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2012 is provided as of May 10, 2012. It should be read in conjunction with the unaudited interim financial statements, including the notes thereto, of Gluskin Sheff + Associates Inc. for the three months ended March 31, 2012, the Audited Financial Statements for the years ended June 30, 2011 and 2010, and the related MD&A's. Unless the context indicates or requires otherwise, the terms "Gluskin Sheff," "Company," "Firm," "we," "us" and "our" mean Gluskin Sheff + Associates Inc. Unless otherwise indicated, all dollar amounts in this MD&A are expressed in Canadian dollars.

On July 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes, using a transition date of July 1, 2010. The financial statements for the three months ended March 31, 2012, including the required comparative information, have been prepared in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*, and with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). These interim financial statements do not include all the necessary annual disclosures in accordance with IFRS. Prior to this fiscal year, the Company prepared its interim and annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

An explanation of the transition to IFRS is presented in note 2 to these interim financial statements and includes an explanation of initial elections made upon first-time adoption of IFRS and a reconciliation of amounts previously reported under Canadian GAAP to amounts reported under IFRS for comparative financial information.

Financial results, including related historical comparatives, contained in this MD&A, unless otherwise specified herein, are based on the unaudited interim financial statements for the three months ended March 31, 2012. The Canadian dollar is our functional and reporting currency for purposes of preparing the Company's financial statements. Certain totals, subtotals and percentages may not reconcile due to rounding.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe," "anticipate," "could," "estimate," "expect," "intend," "may," "plan," "project," "will," "would," "aim" and similar expressions are intended to identify forward-looking statements,

although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks and uncertainties. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Factors which may cause such differences include, but are not limited to, general economic and market conditions, investment performance, global and domestic financial markets, the competitive industry environment, legislative and regulatory changes, technological developments, catastrophic events and other business risks. The reader is cautioned against undue reliance on these forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, we cannot assure that actual results, performance or achievements will be consistent with such statements. The forward-looking statements are made as of the date of this MD&A and will only be updated or revised where required by applicable laws.

NON-IFRS FINANCIAL MEASURES

We measure our business using a number of performance indicators that are not measurements in accordance with IFRS and should not be considered as an alternative to Net Income or any other measure of performance under IFRS. Non-IFRS financial measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Assets Under Management
Assets Under Management ("AUM") is not a recognized measure under IFRS. Any reference to AUM is only to our paying AUM, on which we charge base management fees ("Base Management Fees") or performance fees ("Performance Fees"). Our non-paying AUM are charged either no or nominal fees. This measure may not be comparable to similar measures presented by other issuers. We monitor the level of our AUM as it drives our Base Management Fees.

Investment Performance
Investment performance is a key driver of AUM and is at the very core of what we do. The amount of Performance Fees we earn is related to both the level of our AUM and our investment performance.

Net Additions or Net Withdrawals
AUM fluctuates due to the combination of investment performance and net additions or net withdrawals (gross additions net of gross withdrawals). The resulting

AUM is the basis on which Base Management Fees are charged and to which Performance Fees may be applied.

EBITDA

Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a standard measure used in the financial industry by management, investors and investment analysts in understanding and comparing results. Our method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, our EBITDA may not be comparable to similarly-titled measures used by other issuers.

Base EBITDA

Base EBITDA is EBITDA excluding Performance Fees and Performance Fee related expenses, post retirement obligations, stock options expense and amortization of prior years' restricted share unit awards, minus the dollar value of base bonus restricted share units estimated to be awarded in respect of the current year.

Adjusted EBITDA

Adjusted EBITDA is Base EBITDA adjusted for Performance Fees, Performance Fee-related bonuses and sub-advisory fees that relate to Performance Fees. The Performance Fee-related bonus includes the dollar value of restricted share units estimated to be awarded in respect of Performance Fees of the current year and excludes amortization of prior years' Performance Fee restricted share units.

Average AUM

Average AUM for a period is the simple average of the ending AUM for each month in that period.

Base Management Fee Percentage

Base Management Fee Percentage is calculated as the Base Management Fee for the period as a percentage of Average AUM for the period.

OVERVIEW

Gluskin Sheff + Associates Inc. is a wealth management firm whose primary business focus is managing assets on a discretionary basis for high net worth private clients. We also manage assets for a number of charitable foundations and institutions. We do not consider these different types of clients to be distinct reportable business segments for accounting purposes as we operate a single business with one fundamental philosophy.

Our revenues are derived mainly from Base Management Fees, calculated as a percentage of AUM, and Performance Fees, calculated annually as a percentage of

the appreciation (net of Base Management Fees and other expenses) in each of our segregated accounts and private pooled fund vehicles above pre-specified rates of return, or rates of return adjusted for a deficiency carried forward from the prior year. Our Performance Fees are calculated annually at June 30 and December 31, depending upon the performance year-end of our segregated accounts and pooled fund vehicles. The Company may also earn investment income or incur losses on its cash balances and its investments, which include seeded portfolios, and from the economic research subscriptions.

AUM are impacted by net additions or net withdrawals of client capital, as well as by investment performance. We seek to enhance our ability to attract and retain such assets by delivering solid investment returns together with a consistently high level of client service.

Gluskin Sheff's expenses include salaries and benefits (which contain a bonus component that may fluctuate significantly based upon the overall performance of the Company and the amount of Performance Fees earned), business development, general and administrative expenses, occupancy, amortization of property and equipment and amortization of intangibles.

FINANCIAL HIGHLIGHTS

For the three months ended March 31, 2012:

- AUM increased to $5.5 billion at March 31, 2012 from $5.3 billion at December 31, 2011 due primarily to positive investment performance of $193 million and net additions of $1 million. AUM decreased by $585 million or 10% from March 31, 2011.
- Base Management Fees decreased to $18.1 million this quarter versus $20.7 million last year as average AUM for the quarter was $5.4 billion compared with $6.0 billion for the same quarter last year and as the average Base Management Fee percentage decreased to 1.34% from 1.39%.
- Base EBITDA was $7.1 million for the three months ended March 31, 2012, compared with $10.2 million in the year ago quarter.
- Net income for the three months ended March 31, 2012 was $5.0 million, and represented earnings per share, basic and diluted, of $0.17. Net income for the three months ended March 31, 2011 was $7.2 million, and represented earnings per share, basic and diluted, of $0.25 and $0.24, respectively.

For the nine months ended March 31, 2012:

- AUM decreased by $335 million or 6% to $5.5 billion at March 31, 2012 from $5.8 billion at June 30, 2011. The decrease in AUM is attributable to negative investment performance of $142 million and net withdrawals of $193 million.
- Base Management Fees for the nine months ended March 31, 2012 decreased year-over-year by $6.3 million or 10% to $55.8 million from $62.1 million as average AUM for the nine months was $5.4 billion compared with $5.9 billion for the same

period last year and as the average Base Management Fee percentage decreased to 1.37% from 1.40%.
- Performance Fees (before amounts due to sub-advisors) of $1.8 million were earned for the nine months ended March 31, 2012 versus $17.7 million for the nine months ended March 31, 2011.
- Base EBITDA was $24.3 million for the nine months ended March 31, 2012, compared with $29.6 million year-over-year.
- Net income for the nine months ended March 31, 2012 was $15.1 million, and represented earnings per share, basic and diluted, of $0.52. Net income for the nine months ended March 31, 2011 was $27.7 million, and represented earnings per share, basic and diluted, of $0.95 and $0.94, respectively.

MARKET OUTLOOK AND BUSINESS ENVIRONMENT

Global equity markets were generally strong during the first quarter of 2012, driven by the European Central Bank's backdoor quantitative easing (via the Long-Term Refinancing Operation (LTRO) program), expectations for better economic growth in the U.S. and hopes for a "soft landing" in China. Investors perceived that some of the major risks to the global economy and capital markets had been mitigated, and seemed willing to refocus on company-specific fundamentals and profitability.

Our AUM increased by $0.2 billion during the quarter, attributable to positive investment performance and modest net additions. Initiatives that continue to focus on providing investor return remain an ongoing priority, including the application of more tactical approaches to our long/short portfolios.

We continue to emphasize a diversified asset mix that can benefit from the themes in which we have the strongest conviction, including income-oriented strategies, whether that be from equities, bonds or credit-related alternative strategies, and disciplined, well-managed long/short hedge funds that can tactically hedge out market volatility and generate returns that are not highly correlated to the broader equity markets.

While the investing environment remains extremely volatile and challenging, we are well positioned to distinguish ourselves with our range of strategies and our asset mix geared toward a prudent long-term stance.

SUMMARY FINANCIAL INFORMATION[1]

($ in thousands of Canadian dollars, except per share amounts and Assets Under Management)

	3 MONTHS ENDED MAR 31, 2012	3 MONTHS ENDED MAR 31, 2011	9 MONTHS ENDED MAR 31, 2012	9 MONTHS ENDED MAR 31, 2011
ASSETS UNDER MANAGEMENT				
($ in millions)				
Assets Under Management – Beginning of period	$5,279	$6,009	$5,808	$ 5,534
Net additions (withdrawals)	1	(116)	(193)	(191)
Investment performance[2]	193	165	(142)	715
Assets Under Management – End of period	$5,473	$ 6,058	$ 5,473	$6,058

		AS AT MAR 31, 2012	AS AT JUN 30, 2011	AS AT MAR 31, 2011
BALANCE SHEET INFORMATION				
Total assets		$97,945	$136,269	$106,176

	3 MONTHS ENDED MAR 31, 2012	3 MONTHS ENDED MAR 31, 2011	9 MONTHS ENDED MAR 31, 2012	9 MONTHS ENDED MAR 31, 2011
INCOME STATEMENT INFORMATION				
Revenue				
Base management fees	$ 18,127	$ 20,724	$ 55,802	$ 62,072
Performance fees	433	1,701	1,774	17,688
Investment and other income	946	377	2,987	1,514
	19,506	22,802	60,563	81,274
Operating expenses	(9,997)	(9,270)	(30,728)	(30,129)
Provision for bonus pool	(2,231)	(2,710)	(6,697)	(10,312)
EBITDA	7,278	10,822	23,138	40,833
Amortization	(623)	(354)	(1,766)	(1,043)
Provision for income taxes	(1,678)	(3,243)	(6,240)	(12,054)
Net income	$ 4,977	$ 7,225	$ 15,132	$ 27,736
Basic earnings per share	$ 0.17	$ 0.25	$ 0.52	$ 0.95
Diluted earnings per share	$ 0.17	$ 0.24	$ 0.52	$ 0.94
SELECTED ADJUSTED FINANCIAL INFORMATION				
EBITDA	$ 7,278	$ 10,822	$ 23,138	$ 40,833
Provision for bonus pool	2,231	2,710	6,697	10,312
Sub-advisor's share of performance fees	144	40	235	1,629
Post-retirement obligations	100	100	298	298
Stock option expense	(803)	561	(3)	1,789
EBITDA before compensation adjustment	8,950	14,233	30,365	54,861
Base cash bonus	(2,170)	(2,368)	(6,362)	(7,020)
Base RSU bonus	(241)	(522)	(707)	(1,543)
RSU amortization	986	542	2,817	1,031
Performance fees	(433)	(1,701)	(1,774)	(17,688)
Base EBITDA	7,092	10,184	24,339	29,641
Performance fees	433	1,701	1,774	17,688
Sub-advisor's share of performance fees	(144)	(40)	(235)	(1,629)
Performance fee cash bonus	(61)	(342)	(335)	(3,292)
Performance fee RSU bonus	(6)	(76)	(37)	(724)
Adjusted EBITDA	$ 7,314	$ 11,427	$ 25,506	$ 41,684

Notes:

1. *Certain of the comparative figures have been reclassified to conform with presentation adopted in the current period.*
2. *Net of fees and other expenses.*

RESULTS OF OPERATIONS

Overall Performance

For the three months ended March 31, 2012, the Company earned $0.17 per share on a basic and diluted basis, compared with $0.25 and $0.24 per share on a basic and diluted basis, respectively, for the same period last year as net income decreased by $2.2 million to $5.0 million from $7.2 million. Base EBITDA for the three months ended March 31, 2012 decreased by $3.1 million or 30% to $7.1 million from $10.2 million last year due to a decrease in Base Management Fees and an increase in operating expenses, partially offset by an increase in investment and other income and a decrease in bonus expense. Adjusted EBITDA decreased by $4.1 million or 36% as Performance Fees earned for the three months ended March 31, 2012 totaled $0.4 million compared to $1.7 million for the three months ended March 31, 2011.

Revenues

Total revenues for the three months ended March 31, 2012 decreased year-over-year by $3.3 million or 15% to $19.5 million from $22.8 million, due to a decline in Base Management Fees and Performance Fees earned, partially offset by an increase in investment and other income. Total revenues for the nine months ended March 31, 2012 decreased year-over-year by $20.7 million or 26% to $60.6 million from $81.3 million, due primarily to a decline in Base Management Fees and lower Performance Fees earned, offset in part by an increase in investment and other income.

Base Management Fees for the three months ended March 31, 2012 decreased year-over-year by $2.6 million or 13% to $18.1 million from $20.7 million as average AUM decreased approximately $0.6 billion or 10% over the same period, and the average Base Management Fee Percentage decreased to 1.34% from 1.39%. Base Management Fees for the nine months ended March 31, 2012 decreased year-over-year by $6.3 million or 10% to $55.8 million from $62.1 million as average AUM decreased approximately $0.5 billion or 9% over the same period, and the average Base Management Fee Percentage decreased to 1.37% from 1.40%.

Investment and other income for the three months ended March 31, 2012 increased year-over-year by $0.5 million to $0.9 million from $0.4 million due primarily to economic research subscription revenue recognized in the quarter of $0.7 million (versus $nil in the year ago quarter). Investment and other income for the nine months ended March 31, 2012 increased year-over-year by $1.5 million to $3.0 million from $1.5 million due primarily to economic research subscription revenue of $1.9 million recognized in the period (versus $nil in the nine months ended March 31, 2011).

Expenses

Total operating expenses for the three months ended March 31, 2012 increased year-over-year by $0.6 million or 4% to $12.9 million from $12.3 million. Total operating

expenses for the nine months ended March 31, 2012 decreased year-over-year by $2.3 million or 6% to $39.2 million from $41.5 million.

Salaries and benefits for the three months ended March 31, 2012 decreased year-over-year by $0.3 million or 3% to $7.5 million from $7.8 million. Part of this decrease was due to a reversal of $1.2 million for stock option expenses recognized in prior periods for options that were forfeited in the current quarter due to employee departures, and a decrease of $0.5 million in accrued cash bonus expense. This was partially offset by severance costs of $0.7 million, an increase in Restricted Share Units ("RSU") amortization expense of $0.4 million and increased salaries and benefits expense of $0.3 million due to the addition of new full-time employees. Salaries and benefits for the nine months ended March 31, 2012 decreased year-over-year by $3.1 million or 12% to $22.3 million from $25.4 million. The decrease was caused primarily by a decline in accrued cash bonus expense of $3.6 million and a reduction in stock option and Deferred Share Units ("DSU") expenses of $2.2 million, partially offset by an increase in RSU amortization of $1.8 million, an increase in salaries and benefits expense of $0.9 million due to the addition of new full-time employees and severance costs. Commencing in fiscal 2011, a portion of bonuses is paid in the form of RSUs and a portion is paid in cash. RSUs granted in relation to bonus awards for a specified year will be granted early in the fiscal year following the year to which the bonus relates, at which point the cost of the RSUs will be reflected in compensation expense using a graded vesting methodology over the three year vesting period. Therefore, the accrual for the current year's bonus award in any year will reflect only the cash component of the total bonus to be awarded. However, the total bonus expense will comprise the cash component of the current year's bonus award and the amortization of RSUs granted in respect of bonus awards from prior years.

The ratio of the bonuses to be paid in RSUs versus cash is dependent on the amount of the bonus awarded to each employee and increases with the size of the award. The total annual bonus amounts are not known until the end of the fiscal year. Therefore, the calculation of cash bonuses accrued in each interim quarter of the Company's fiscal year requires an estimate of the percentage that will be paid in cash. The percentage estimate for the cash component used in calculating the nine months ended March 31, 2012 bonus is 90% (March 31, 2011 – 82%).

Business development expenses for the three months ended March 31, 2012 increased by $0.1 million year-over-year to $0.7 million. Business development expenses consist primarily of marketing, donations and travel. The increase was mainly due to higher donations expense (mainly due to timing) offset in part by a decrease in advertising expenses. Business development expenses for the nine months ended March 31, 2012 declined by $0.4 million year-over-year to $2.2 million, with the decrease due to lower donations expense (mainly due to timing) and lower advertising expenses.

Year-over-year, general and administrative expenses for the quarter ended March 31, 2012 remained relatively flat at $4.0 million. General and administrative expenses for the nine months ended March 31, 2012 decreased year-over-year by $0.5 million or 4% to $13.3 million from $13.8 million. The decrease was mainly due to a decrease in third party sub-advisory fees and move-related expenses, which were partially offset by costs associated with the economic research subscriptions and higher systems and telecommunications costs. General and administrative expenses consist primarily of insurance, systems development and operating costs, other consulting expenses, regulatory fees, legal fees, professional fees, information access, telecommunications, sub-advisory fees and costs related to economic research subscriptions.

Occupancy costs for the three and nine months ended March 31, 2012 increased year-over-year by $0.4 million and $0.8 million respectively due to higher lease costs associated with our larger premises.

Amortization of property, equipment and intangibles for the quarter ended March 31, 2012 increased by $0.2 million over the prior year quarter to $0.6 million from $0.4 million, due to the new office premises and a higher level of capitalized systems costs. Amortization of property, equipment and intangibles for the nine months ended March 31, 2012 increased by $0.7 million over the same period last year to $1.8 million for the same reasons. Included in intangibles is $2.6 million in expenditures that have been capitalized in respect of development of systems not yet available for use by the Company and included in property and equipment is $0.6 million for artwork not yet available for use. Once an asset is available for use, amortization and the annual assessment for impairment will begin.

EBITDA, Base EBITDA, Adjusted EBITDA and Net Income

This information is set out in the table of Summary Financial Information, which reconciles EBITDA to net income.

For the three months ended March 31, 2012, EBITDA decreased year-over-year by $3.5 million to $7.3 million from $10.8 million.

Base EBITDA eliminates the effect of Performance Fees, Performance Fee related expenses, post-retirement obligations, stock options expense and amortization of prior years' restricted share unit awards, and deducts the dollar value of the expected base RSU bonus to be awarded in respect of the current year. For the three months ended March 31, 2012, Base EBITDA decreased year-over-year by $3.1 million or 30% to $7.1 million from $10.2 million due to a decrease in Base Management Fees and an increase in operating expenses, partially offset by an increase in investment and other income and a decrease in bonus expense.

Adjusted EBITDA decreased by $4.1 million or 36% as Performance Fees earned for the three months ended March 31, 2012 totaled $0.4 million compared to $1.7 million for the three months ended March 31, 2011.

Income before provision for income taxes for the three months ended March 31, 2012 decreased year-over-year by $3.8 million to $6.7 million from $10.5 million.

Net income for the three months ended March 31, 2012 decreased year-over-year by $2.2 million to $5.0 million from $7.2 million.

The Company's effective tax rate in the current quarter was 25.22% versus 31.00% in the same quarter last year. The decrease in the effective tax rate is due primarily to the reversal of stock option expense for forfeited stock options.

Accounts Receivable

The Company's accounts receivable as at March 31, 2012 and June 30, 2011 consisted primarily of amounts attributable to Base Management Fees and Performance Fees.

Dividends

On September 15, 2011, the Company declared a regular quarterly dividend of $0.1375 per equity share for the quarter ended June 30, 2011, and a special dividend of $0.8000 per equity share for the year ended June 30, 2011. These dividends were paid on October 21, 2011 to shareholders of record at the close of business on September 28, 2011.

On November 2, 2011, the Company declared a regular quarterly dividend of $0.1625 per equity share for the quarter ended September 30, 2011. This dividend was paid on December 7, 2011 to shareholders of record at the close of business on November 15, 2011.

On February 9, 2012, the Company declared a regular quarterly dividend of $0.1625 per equity share for the quarter ended December 31, 2011. This dividend was paid on March 16, 2012 to shareholders of record at the close of business on February 23, 2012.

Since going public in May 2006, the Company has paid regular quarterly dividends totaling $2.665 per equity share and special dividends totaling $3.510 per equity share for a total of $6.175 per equity share.

SUMMARY OF QUARTERLY RESULTS

The following quarterly financial information was taken from the Company's unaudited quarterly reports to shareholders. This information is consistent with the annual audited financial statements of the Company.

SUMMARY FINANCIAL INFORMATION FOR THE LAST EIGHT QUARTERS[1]

($ in thousands of Canadian dollars, except per share amounts and Assets Under Management)

	AS AT JUN 30, 2010	AS AT SEP 30, 2010	AS AT DEC 31, 2010	AS AT MAR 31, 2011	AS AT JUN 30, 2011	AS AT SEP 30, 2011	AS AT DEC 31, 2011	AS AT MAR 31, 2012
Assets Under Management *($ in millions)*	$ 5,534	$ 5,849	$ 6,009	$ 6,058	$ 5,808	$ 5,283	$ 5,279	$ 5,473

	3 MONTHS ENDED JUN 30, 2010	3 MONTHS ENDED SEP 30, 2010	3 MONTHS ENDED DEC 31, 2010	3 MONTHS ENDED MAR 31, 2011	3 MONTHS ENDED JUN 30, 2011	3 MONTHS ENDED SEP 30, 2011	3 MONTHS ENDED DEC 31, 2011	3 MONTHS ENDED MAR 31, 2012
INCOME STATEMENT INFORMATION								
Revenue								
Base management fees	$19,769	$ 20,324	$ 21,024	$20,724	$20,822	$ 19,302	$ 18,373	$ 18,127
Performance fees	1,899	168	15,819	1,701	27,185	281	1,060	433
Investment and other income	148	370	767	377	608	777	1,264	946
	$21,816	$20,862	$ 37,610	$22,802	$48,615	$20,360	$20,697	$19,506
Base EBITDA	8,435	9,706	9,752	10,184	10,166	9,042	8,207	7,092
Adjusted EBITDA	9,943	9,830	20,428	11,427	30,552	9,243	8,951	7,314
Net income	5,835	6,404	14,107	7,225	22,153	5,458	4,697	4,977
Basic earnings per share	$ 0.20	$ 0.22	$ 0.48	$ 0.25	$ 0.76	$ 0.19	$ 0.16	$ 0.17
Diluted earnings per share	$ 0.20	$ 0.22	$ 0.48	$ 0.24	$ 0.75	$ 0.19	$ 0.16	$ 0.17

Note:

1. *Certain of the comparative figures have been reclassified to conform with presentation adopted in the current period.*

Performance Fees contribute significantly to the variability of income quarter-over-quarter since, from a timing perspective, they are recognized primarily in June (for certain Funds and segregated accounts) and December (for other Funds) and because the level of Performance Fees is dependent on the investment performance of the underlying portfolios.

SUMMARY OF PORTFOLIO AUM AND PERFORMANCE

For the period ended March 31, 2012
($ in millions of Canadian dollars)

Annualized Rates of Return[1] (net of all fees paid and accrued)

	INCEPTION DATE	AUM $	CALENDAR YEAR-TO-DATE	1 YEAR %	3 YEAR %	5 YEAR %	10 YEAR %	SINCE INCEPTION %
Equity Investment Strategies[2]								
Premium Income	Jul 2001	1,237	2.6	3.3	15.6	6.3	12.1	13.9
Canadian Equity	Jan 1991	312	0.4	-12.3	15.0	-4.0	8.5	12.1
U.S. Premium Income	Aug 2011	213	3.3	—	—	—	—	16.9
U.S. Equity	Feb 1986	109	10.6	9.5	7.7	0.4	4.4	9.3
Resource[3]	Aug 2009	96	-2.4	-10.6	—	—	—	12.0
International[3]	Aug 2008	77	13.9	-1.3	7.0	—	—	2.4
Growth	Jul 1984	19	7.4	-4.2	9.3	-0.8	6.5	11.0
		2,063						
Alternative Investment Strategies[4]								
Multi-Strategy	Jan 2009	420	1.2	-1.7	1.9	—	—	2.6
Multi-Strategy Opportunities	Jan 2009	225	0.7	-1.3	3.8	—	—	4.4
Income Long/Short[3]	Jul 2004	311	2.5	1.7	8.6	6.1	—	15.0
Equity Long/Short[3]	Jul 2004	14	3.1	-1.3	6.7	-0.5	—	10.7
Other Long/Short Funds	—	42						
		1,012						
Credit Alternative Investment Strategies								
Credit Arbitrage	Jan 2009	458	5.0	1.1	7.9	—	—	7.9
Enhanced Credit Arbitrage	Dec 2008	268	10.5	-2.3	10.8	—	—	10.1
		726						
Fixed Income Investment Strategies								
Enhanced Yield[3]	Feb 2009	555	4.1	-0.7	6.4	—	—	6.2
Enhanced Bond	Dec 2008	455	3.3	4.6	6.9	—	—	7.3
		1,010						
Institutional & Special Mandates[5]		662						
Assets Under Management		5,473						

Notes:

1. *Past performance is not necessarily indicative of future performance.*
2. *Where, for a particular portfolio model, we manage both a pooled fund and segregated accounts, we have measured the performance of whichever has been in operation the longest to represent the overall performance of the portfolio model.*
3. *The performance presented includes the historical returns of the incubated versions of each respective portfolio, prior to it being offered to Gluskin Sheff clients.*
4. *The Multi-Strategy Fund, Multi-Strategy Opportunities Fund, Multi-Strategy Trust and Multi-Strategy Opportunities Trust are portfolios that invest in a combination of Gluskin Sheff's individual alternative long/short portfolios. As such, to avoid double-counting, AUM held within one of the aforementioned portfolios is excluded from the AUM figures provided for the underlying/individual long/short portfolios.*
5. *Includes institutional mandates managed primarily in accordance with our Canadian Equity portfolio model ($391 million), our Premium Income portfolio model ($137 million) and our Canadian Growth portfolio model ($92 million), private client mandates managed primarily in accordance with a combination of our Canadian Equity and Premium Income portfolio models ($11 million), our Founders portfolio model ($26 million) and our U.S. Equity portfolio models ($5 million). All numbers are approximate.*

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures and Internal Control over Financial Reporting
Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all information required to be disclosed by the Company is recorded, processed, summarized and reported within required time periods and that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management of the Company has ensured that internal controls over financial reporting ("ICFR") have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no changes in internal controls over financial reporting in the most recent quarter that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Consistent with *National Instrument 52-109*, the Company's Chief Executive Officer and Chief Financial Officer have evaluated the DC&P and ICFR as of March 31, 2012 and have concluded that the controls have been properly designed.

LIQUIDITY AND CAPITAL RESOURCES

The Company generates positive cash flow from operations and has limited requirements for long-term capital due to the nature of its business. We believe that our Base Management Fees and current cash resources will continue to be sufficient to satisfy our ongoing operational needs and there are no significant regulatory capital requirements for the Company.

During the three months ended March 31, 2012, acquisition of property and equipment amounted to $0.7 million (March 31, 2011 – $5.5 million) and acquisition of intangibles amounted to $1.1 million (March 31, 2011 – $0.6 million). The increases relate primarily to capital expenditures in respect of the move to the Bay Adelaide Centre and in respect to continued enhancements to our systems and technology. Included in intangible assets is $2.5 million related to technology being implemented to replace its existing client service platform. The Company has recently commenced a detailed review of the project to determine whether or not some or all of the proposed features of the new technology will ultimately be put into use. To the extent that the Company determines that some or all of the project's elements will not be put into use, an impairment charge for the costs capitalized related to those elements will be taken in the period in which the determination is made.

Gluskin Sheff's current liabilities are in the normal course of the Company's operations and are payable within one year. Payment will be funded through cash provided by operating activities. Gluskin Sheff has no debt.

Aside from funding normal working capital requirements, Gluskin Sheff expects to fund new business initiatives and corporate development from its cash reserves and positive cash flow.

The Company has no off-balance sheet financial arrangements and no material contractual obligations other than those described in the Company's Annual Audited Financial Statements as at June 30, 2011.

Gluskin Sheff's policies and procedures related to the management of capital are described in note 9 of the Company's March 31, 2012 unaudited interim financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

These unaudited interim financial statements were prepared in accordance with IAS 34, using the accounting policies the Company intends to adopt in its financial statements as at and for the year ending June 30, 2012. In preparing the Company's first annual financial statements under IFRS, the Company is required to use the standards in effect as at June 30, 2012, which may differ from the policies the Company currently expects to adopt and used in the current interim financial statements. Differences may arise as a result of new standards being issued, with an effective date of June 30, 2012 or prior, before the preparation of the Company's 2012 annual financial statements. Accordingly, to the extent that new standards are issued with an effective date of June 30, 2012 or prior, the accounting policies used in these interim financial statements may differ from those used in the Company's 2012 annual financial statements.

A summary of significant accounting policies underlying the financial statements is presented in note 1 of the Company's unaudited interim financial statements for the three months ended March 31, 2012. Accounting policies are an integral part of our financial statements, which are prepared in accordance with IFRS. Understanding these policies is a key factor in understanding our reported results of operations and financial position. Certain critical accounting policies require us to make estimates and assumptions that affect the amount of assets, liabilities, revenues and expenses reported in the financial statements. Due to their nature, estimates involve judgments based on available information. Therefore, actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements. Management has made the following critical accounting estimates:

Stock Option Plan

The Company has a stock option plan for employees and directors. Option awards are measured and recognized at fair value and are expensed, using a graded vesting methodology, over the applicable vesting period of the awards. Estimates are made for a number of variables that are factored into the valuation of the stock options at

the time the options are awarded. The use of stock options will now be limited to special circumstances only. There will be no further issuance of stock options for directors.

Post-Retirement Obligations
In fiscal 2010, the Company reached an agreement with its Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, following their departures from their respective roles as President & Chief Investment Officer and as Chief Executive Officer. The agreement provides for a lump sum retirement payment to each of $1.5 million at the end of their respective five year transition periods, or on their death, and fixed annual payments to each of $250,000 plus certain employment benefits commencing at the end of their respective transition periods for the balance of their natural lives. The Company engaged a third-party actuary to compute the fair value of the post-retirement obligation estimates, including discount rates, life expectancy and annual inflation assumptions which were used in the actuarial valuation. The Co-Founders were immediately vested and therefore any costs relating up to fiscal 2010 were recorded as an expense in fiscal 2010. Additional information, including amounts accrued and expensed in the current year, are described in note 5 of the Company's unaudited interim financial statements for the three months ended March 31, 2012.

Bonus Expense
Commencing in fiscal 2011, a portion of the bonus pool is paid in RSUs. The ratio of bonuses to be paid in RSUs versus cash is dependent on the amount of the bonus awarded to each employee and increases with the size of the award. The total annual bonus amounts are not known until the end of the fiscal year, and therefore the actual percentages to be paid in RSUs versus cash will not be known with certainty until such time. Therefore, the calculation of cash bonuses accrued in each interim quarter of the Company's fiscal year requires an estimate of the percentage that will be paid in cash.

CHANGES IN ACCOUNTING POLICIES

In 2008, the Canadian Accounting Standards Board announced that Canadian GAAP will be replaced by IFRS. Publicly accountable, profit-oriented enterprises were required to adopt IFRS for fiscal periods beginning on or after January 1, 2011. The Company adopted IFRS effective July 1, 2011, with a transition date of July 1, 2010, and has prepared its unaudited interim financial statements for the three months ended March 31, 2012 using IFRS accounting policies. The Company's IFRS accounting policies are described in note 1 of the unaudited interim financial statements.

The Company has developed a formal project structure involving the Audit Committee, senior management and external advisors. Project progress reports have been provided to the Company's Audit Committee on a quarterly basis.

The Company's IFRS Conversion Plan consists of four phases:

- **Component Diagnostic Phase (Phase 1)** – a high level analysis of the major difference between Canadian GAAP and IFRS. The diagnostic indicated the areas that would most likely have significant impact on the Company.
- **Detailed Component Diagnostic Phase (Phase 2)** – involved a deeper analysis of the differences that were identified in the Component Diagnostic Phase.
- **Design Phase (Phase 3)** – resulting in the design and development of detailed solutions to address differences identified during the Detailed Component Diagnostic Phase.
- **Implementation Phase (Phase 4)** – implementing all the required changes necessary for IFRS.

The Company has completed Phases 1 through 3 and has substantially completed Phase 4 of the IFRS Conversion Plan.

Completing the IFRS Changeover

The Company continues to focus its resources on the following areas of Phase 4 – Implementation with the development of IFRS financial statements and note disclosures.

Phase 4 will be considered finalized on issuance of the Company's 2012 annual financial statements.

The Company continues to monitor the development and interpretation of accounting standards, industry practices as well as regulatory developments with respect to IFRS.

As indicated in the MD&A in the 2011 Audited Annual Report, while there were no initial accounting differences between Canadian GAAP and IFRS, the transition to IFRS does result in some presentation differences relating to property and equipment and deferred income tax assets, which are discussed below. This information reflects current views, assumptions and expectations of the Company and is subject to change based on final decisions on conversion to IFRS.

Property and Equipment

Software development costs of $0.4 million which were previously capitalized as Property and Equipment – Software were reclassed to Intangibles in the opening IFRS balance sheet. These software development costs relate to expenditures incurred to further develop or to create software which provides future benefit.

Deferred Income Tax Asset

Under Canadian GAAP, a portion of the Company's deferred income tax asset was presented as a current asset whereas IFRS presents all deferred income taxes as non-current. With the transition to IFRS, deferred income tax asset is reclassed from current to non-current assets.

Internal Controls
The Company has developed and implemented changes to its financial reporting systems and processes to effectively transition to IFRS. In addition, the Company's internal controls and accounting procedures were reviewed and no material changes were required on the adoption of IFRS accounting policies. The impact of these changes on the Company's internal control over financial reporting was not significant.

FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and short-term investments, accounts receivable, securities owned, accounts payable, accrued liabilities, and accrued bonuses. The carrying value of cash, accounts receivable, accounts payable and accrued liabilities (excluding DSUs), and accrued bonuses approximate their relevant fair value due to their short-term nature. DSUs are marked-to-market each quarter-end, with unrealized gains or losses being recognized in salaries and benefits in the income statement. At March 31, 2012 the Company held $7.9 million in cash, $41.1 million in short-term investments and $1.0 million in securities owned (collectively "marketable securities"). Securities owned and certain short-term investments are held pursuant to the Company's strategy of seeding new portfolio models, some of which the Company may eventually introduce as part of its investment strategies. The Company's marketable securities have been designated as held-for-trading and are recorded at fair value using quotations from independent third party pricing sources, with realized and unrealized gains or losses being recognized in investment and other income in the income statement. The use of financial instruments exposes the Company to risks such as credit risk, interest rate risk and market risk. Refer to note 14 of the Company's March 31, 2012 unaudited interim financial statements for a more detailed analysis of risk exposures and sensitivity analyses for certain risks.

MANAGING RISKS

Gluskin Sheff is exposed to a number of risks that are inherent in the investment management industry.

The following risks are noted, and they are described in greater detail in the Company's Annual Information Form.

Risk factors related to the Company:

- Changes in the securities markets
- Poor investment performance
- Loss of key employees
- Changes in the investment management industry
- Competitive pressures
- Failure in our ability to manage risks in our portfolio models

- Rapid growth or decline in our AUM
- Litigation risks
- Employee errors or misconduct
- Failure to implement effective information security policies, procedures and capabilities
- Failure to implement effective and efficient technologies
- Failure to develop effective business resiliency plans
- Failure to comply with government regulations
- Failure to maintain adequate insurance coverage on favourable economic terms

The foregoing risk factors are mitigated to the extent possible and practical from a cost and perceived benefit perspective by senior management's direct involvement in the day-to-day operation of the business. Members of senior management meet regularly to address business issues, consider new risks to the business and chart the direction of the Company in terms of new product development, marketing initiatives and strategic direction. Management has regular access to information deemed critical to the ongoing monitoring of the Company's performance and key business metrics in order to consider a change in operational plans or strategic direction as considered appropriate in the circumstances.

The Company also maintains an appropriate system of internal controls and procedures to safeguard assets, control expenses and ensure that financial reporting is accurate and reliable.

The Company believes confidentiality is essential to the success of the business and strives to consistently maintain the highest standards of trust, integrity and professionalism. Account information is kept under strict control in compliance with all applicable laws, and physical, procedural and electronic safeguards are maintained in order to protect this information from access by unauthorized parties.

The Company's investment performance is monitored on an ongoing basis, including a review of trends and activity in the capital markets. The Company has a disciplined investment approach, which is the foundation of its investment philosophy and methodology for investing in capital markets.

Finally, the Company maintains appropriate insurance coverage for general business liability risks. Insurance coverage is reviewed at least annually, or whenever there is a significant change in the Company's operations or risk profile.

CORPORATE GOVERNANCE

The objective of good corporate governance is to enhance value for all stakeholders over the long term by aligning the interests of our Company with the interest of our stakeholders.

The Board of Directors (the "Board") and Company management have designed our corporate governance policies and practices to ensure we are focused on our responsibilities to our shareholders and on creating long-term shareholder value. Our

practices and policies comply with regulations and guidelines established by Canadian securities regulators. We continuously monitor all proposed new rules and modify our policies and practices to meet any additional requirements. The Company has adopted the following significant governance practices:

- As at March 31, 2012, the Board consisted of ten directors, seven of whom were independent. The independent directors are not employees of the Company or parties to material contracts with the Company and are only entitled to directors' fees. The Company believes that the size and composition of the Board are well suited to the circumstances of the Company.
- The independent directors meet without management present at the end of each regularly scheduled board meeting. All Board members can and do interact with management as situations arise.
- For all independent directors, there is a minimum share ownership requirement of 6,000 Subordinate Voting Shares and one-half of all directors' fees are taken in the form of DSUs, ensuring alignment of their interests with those of shareholders.
- The memberships of the Audit Committee and the Compensation, Nominating and Governance Committee, sub-committees reporting to the Board, are exclusively composed of independent directors.
- The Audit Committee is chaired by Robert S. Weiss, FCA, who has extensive financial experience, as do the other Audit Committee members. This Committee assists the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process and the system of internal controls over financial reporting.
- The Compensation, Nominating and Governance Committee is chaired by Herbert Solway, QC. This Committee is responsible for administering the Company's compensation policy and for developing the Company's approach to corporate governance issues.

RELATED PARTY TRANSACTIONS

There were no changes to the nature and extent of related party transactions entered into by the Company in the three months ended March 31, 2012. For further information, refer to note 4 of the Company's March 31, 2012 unaudited interim financial statements.

SHARE CAPITAL

As at May 10, 2012, there has been no change to the capital structure of the Company from that disclosed in the unaudited interim financial statements dated March 31, 2012. During the quarter, there were no changes to the number of outstanding Subordinate Voting Shares and Multiple Voting Shares.

The Subordinate Voting Shares and Multiple Voting Shares rank *pari passu* with respect of the payment of dividends, return of capital and distribution of assets in the event of liquidation, dissolution or winding up the Company. Each Multiple Voting Share is convertible into one Subordinate Voting Share. Subordinate Voting Shares carry one vote per share, while Multiple Voting Shares carry 15 votes per share. Holders of Subordinate Voting Shares are entitled to elect one-third of the directors and holders of Multiple Voting Shares are entitled to elect two-thirds of the directors.

Beginning in fiscal 2011, the number of issued and outstanding shares is reduced by the number of shares acquired in the open market by a trust established by the Company for the benefit of the RSU plan participants, which is described in note 7 to the unaudited interim financial statements.

The number of stock options issued to date pursuant to our incentive stock option plan are 1,991,000, of which 1,182,000 were exercisable at March 31, 2012.

OTHER INFORMATION

Additional information relating to Gluskin Sheff + Associates Inc. is also available on SEDAR at www.sedar.com.

INTERIM BALANCE SHEETS (UNAUDITED)

($ in thousands of Canadian dollars)

	AS AT MAR 31, 2012	AS AT JUN 30, 2011
ASSETS		
Current assets		
Cash and short-term investments (note 3)	$49,039	$ 73,004
Accounts receivable (note 4)	8,212	36,154
Securities owned at fair value (note 3)	1,038	589
Income taxes recoverable (note 10)	6,798	3,820
Prepaid expenses and other assets	849	967
	65,936	114,534
Property and equipment	24,845	17,192
Intangibles	4,214	2,147
Deferred income taxes (note 10)	2,950	2,396
Total assets	$ 97,945	$136,269
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 5,614	$ 10,018
Accrued bonuses	6,723	17,211
	12,337	27,229
Long-term liabilities	1,132	1,307
Post-retirement obligations (note 5)	9,620	9,322
	10,752	10,629
	$23,089	$ 37,858
SHAREHOLDERS' EQUITY		
Share capital (note 6)	$ 1,943	$ 5,219
Contributed surplus (note 6)	12,701	11,384
Retained earnings	60,212	81,808
	74,856	98,411
Total liabilities and shareholders' equity	$ 97,945	$136,269

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

Approved by the Board of Directors

GERALD SHEFF
Co-Founder & Chairman

JEREMY FREEDMAN
President & Chief Executive Officer

INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

($ in thousands of Canadian dollars, except per share amounts)

	3 MONTHS ENDED MAR 31, 2012	3 MONTHS ENDED MAR 31, 2011	9 MONTHS ENDED MAR 31, 2012	9 MONTHS ENDED MAR 31, 2011
REVENUE				
Base management fees (note 4)	$ 18,127	$ 20,724	$ 55,802	$ 62,072
Performance fees (note 4)	433	1,701	1,774	17,688
Investment and other income (note 3)	946	377	2,987	1,514
	19,506	**22,802**	**60,563**	**81,274**
EXPENSES				
Salaries and benefits (notes 5, 7 and 11)	7,511	7,762	22,303	25,386
Reimbursements from pooled funds (note 4)	(864)	(914)	(2,596)	(2,792)
Business development	698	603	2,177	2,582
General and administrative (note 12)	3,978	4,048	13,280	13,800
Occupancy	905	481	2,261	1,465
Amortization of property and equipment	498	280	1,425	878
Amortization of intangibles	125	74	341	165
	12,851	**12,334**	**39,191**	**41,484**
Income before provision for income taxes	**$ 6,655**	**$10,468**	**$ 21,372**	**$39,790**
Provision for (recovery of) income taxes (note 10)				
Current income taxes	1,852	3,476	6,794	12,835
Deferred income taxes	(174)	(233)	(554)	(781)
	1,678	**3,243**	**6,240**	**12,054**
Net income and comprehensive income for the period attributable to shareholders	**$ 4,977**	**$ 7,225**	**$ 15,132**	**$ 27,736**
Net earnings per common share attributable to shareholders:				
Basic earnings per share (note 8)	$ 0.17	$ 0.25	$ 0.52	$ 0.95
Diluted earnings per share (note 8)	$ 0.17	$ 0.24	$ 0.52	$ 0.94

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

INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

($ in thousands of Canadian dollars)

	3 months ended Mar 31, 2012			
	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Beginning of period	$ 5,907	$12,893	$ 59,953	$ 78,753
Net income and comprehensive income	—	—	4,977	4,977
Amortization of restricted share units	—	1,117	—	1,117
Forfeiture of restricted share units	—	(131)	—	(131)
Amortization of stock options	—	356	—	356
Forfeiture of stock options	—	(1,159)	—	(1,159)
Net treasury stock activity	(3,964)	(375)	—	(4,339)
Quarterly dividend paid	—	—	(4,718)	(4,718)
End of period	$ 1,943	$12,701	$ 60,212	$74,856

	3 months ended Mar 31, 2011			
	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Beginning of period	$ 5,113	$10,172	$60,430	$ 75,715
Net income and comprehensive income	—	—	7,225	7,225
Amortization of restricted share units	—	542	—	542
Amortization of stock options	—	561	—	561
Exercise of stock options	106	(106)	—	—
Net treasury stock activity	—	—	—	—
Deferred share units[1]	—	112	—	112
Quarterly dividend paid	—	—	(4,000)	(4,000)
End of period	$ 5,219	$ 11,281	$ 63,655	$ 80,155

Note:

1. *Commencing June 30, 2011, DSUs are accounted for on a liability basis. Previously, the DSUs were accounted for on an equity basis.*

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

INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

($ in thousands of Canadian dollars)

	9 MONTHS ENDED MAR 31, 2012			
	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL EQUITY
Beginning of period	**$ 5,219**	**$ 11,384**	**$ 81,808**	**$ 98,411**
Net income and comprehensive income	—	—	15,132	15,132
Amortization of restricted share units	—	2,964	—	2,964
Forfeiture of restricted share units	—	(147)	—	(147)
Amortization of stock options	—	1,197	—	1,197
Forfeiture of stock options	—	(1,200)	—	(1,200)
Net treasury stock activity	(3,276)	(1,497)	—	(4,773)
Special dividend paid	—	—	(23,431)	(23,431)
Quarterly dividend paid	—	—	(13,297)	(13,297)
End of period	**$ 1,943**	**$ 12,701**	**$ 60,212**	**$ 74,856**

	9 MONTHS ENDED MAR 31, 2011			
	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL EQUITY
Beginning of period	**$ 8,531**	**$ 8,171**	**$ 71,022**	**$ 87,724**
Net income and comprehensive income	—	—	27,736	27,736
Amortization of restricted share units	—	1,031	—	1,031
Amortization of stock options	—	1,997	—	1,997
Exercise of stock options	226	(133)	—	93
Net treasury stock activity	(3,538)	—	—	(3,538)
Deferred share units[1]	—	423	—	423
Forfeited stock options	—	(208)	—	(208)
Special dividend paid	—	—	(23,419)	(23,419)
Quarterly dividend paid	—	—	(11,684)	(11,684)
End of period	**$ 5,219**	**$ 11,281**	**$ 63,655**	**$ 80,155**

Note:

1. *Commencing June 30, 2011, DSUs are accounted for on a liability basis. Previously, the DSUs were accounted for on an equity basis.*

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

INTERIM STATEMENTS OF CASHFLOWS (UNAUDITED)

($ in thousands of Canadian dollars)

CASH PROVIDED BY (USED IN)	3 MONTHS ENDED MAR 31, 2012	3 MONTHS ENDED MAR 31, 2011	9 MONTHS ENDED MAR 31, 2012	9 MONTHS ENDED MAR 31, 2011
OPERATING ACTIVITIES				
Net income for the period	$ 4,977	$ 7,225	$ 15,132	$ 27,736
Adjustments for non-cash items				
Amortization of property and equipment	498	280	1,425	878
Amortization of intangibles	125	74	341	165
Net realized and unrealized investment gain	(33)	(46)	(86)	(780)
Post-retirement obligations	100	100	298	298
Deferred income taxes	(174)	(234)	(554)	(782)
Deferred share units	71	113	54	424
Restricted share units	986	542	2,817	1,031
Stock option expense	(803)	560	(3)	1,788
	5,747	8,614	19,424	30,758
Changes in non-cash working capital items				
Accounts receivable	(540)	9,591	27,942	(543)
Prepaid expenses and other assets	(3)	(175)	118	(52)
Income taxes recoverable	(515)	(3,512)	(2,978)	(1,419)
Income taxes payable	—	(1,516)	—	—
Accounts payable and accrued liabilities	129	(1,510)	(4,600)	3,792
Accrued bonuses	2,231	2,710	(10,488)	(7,937)
Securities sold short	—	(233)	—	138
Securities owned	(257)	2,801	(396)	1,813
Cash provided by operating activities	**6,792**	**16,770**	**29,022**	**26,550**
INVESTING ACTIVITIES				
Purchases of property and equipment	(713)	(5,516)	(9,078)	(7,265)
Purchases of intangibles	(1,105)	(636)	(2,408)	(1,244)
Cash used in investing activities	**(1,818)**	**(6,152)**	**(11,486)**	**(8,509)**
FINANCING ACTIVITIES				
Dividends paid	(4,718)	(4,000)	(36,728)	(35,103)
Acquisition of treasury stock	(4,050)	—	(4,484)	(3,538)
Release of treasury shares	86	—	1,208	—
Exercise of stock options	—	—	—	93
Vesting of restricted share units	(375)	—	(1,497)	—
Cash used in financing activities	**(9,057)**	**(4,000)**	**(41,501)**	**(38,548)**
Increase (decrease) in cash during the period	**(4,083)**	**6,618**	**(23,965)**	**(20,507)**
Cash and short-term investments – beginning of period	**53,122**	**69,958**	**73,004**	**97,083**
Cash and short-term investments – end of period	**$49,039**	**$ 76,576**	**$ 49,039**	**$ 76,576**
CASH AND SHORT-TERM INVESTMENTS COMPRISE				
Cash	$ 7,947	$ 11,137	$ 7,947	$ 11,137
Short-term investments	41,092	65,439	41,092	65,439
	$49,039	$ 76,576	$ 49,039	$ 76,576
SUPPLEMENTARY INFORMATION				
Income taxes paid during the period	$ 2,437	$ 8,494	$ 9,843	$ 14,373
Interest paid during the period	$ 72	$ —	$ 72	$ —

Notes to Unaudited Interim Financial Statements

($ in thousands in Canadian dollars, except per share amounts)

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 provides investment management services to clients in Canada and abroad. The Company is listed on the Toronto Stock Exchange ("TSX") and trades under the symbol "GS". Its registered office is at Bay Adelaide Centre, 333 Bay Street, Suite 5100, Toronto, Ontario, M5H 2R2.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These unaudited interim financial statements have been prepared by management to comply with IFRS 1, *First-time Adoption of International Financial Reporting Standards*, and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company expects to adopt in its financial statements as at and for the year ending June 30, 2012.

As these unaudited interim financial statements are prepared using International Financial Reporting Standards ("IFRS"), certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS have been included in these financial statements for the comparative annual period. Previously, the Company prepared interim and annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

These unaudited interim financial statements should be read in conjunction with the Company's audited annual financial statements as at and for the year ended June 30, 2011 and in conjunction with the IFRS transition disclosures included in note 2 to these unaudited interim financial statements.

The unaudited interim financial statements of the Company for the three months ended March 31, 2012 were authorized for issue by a resolution of the Board of Directors on May 10, 2012.

Certain comparative figures have been reclassified to conform with the current year's presentation.

Basis of presentation
These unaudited interim financial statements have been prepared on a going concern basis and the historical cost basis, except for certain financial instruments that have been measured at fair value.

These unaudited interim financial statements are presented in Canadian dollars, which is the Company's functional currency. In these notes to the unaudited interim financial statements, all dollar amounts and number of shares are stated in thousands, unless otherwise noted. Per share amounts and option exercise prices are stated in dollars and cents.

Principles of consolidation
The unaudited interim financial statements comprise the consolidated interim financial statements and include the accounts of the Company and a trust (the "Trust") established for the participants of the Company's Restricted Share Unit ("RSU") Plan. The RSU plan is described in note 7. The Trust may hold shares of the Company purchased in the open market to hedge, in whole or in part, the Company's potential economic exposure that could arise on outstanding RSUs due to fluctuations in the Company's share price. The Company consolidates the Trust in these unaudited interim financial statements, and accounts for the shares owned by the Trust as treasury stock. The Trust was established on December 1, 2010 and the financial statements of the Trust are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances, income and expenses resulting from intercompany transactions are eliminated in full.

Significant accounting judgments and estimates
These financial statements are prepared by management in accordance with IFRS. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates and the difference could be material. Management believes that the potential significant areas where judgment is necessarily applied are those which relate to:

(i) *Fair value of financial instruments*
When the fair value of financial assets and financial liabilities recorded in the unaudited interim balance sheets cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in note 3.

(ii) *Stock option plan*

The Company has a stock option plan and measures the cost of the stock option plan by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for the stock option plan requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, the future stock price of the Company and estimated forfeiture rates. The forfeiture rates are based on best available estimates at the time of grant, and the Company will revise those estimates, if necessary, if subsequent information indicates that the number of options expected to vest differs from previous estimates.

(iii) *Post-retirement obligations*

The Company reached an agreement with its Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, following their departures from their respective roles as President & Chief Investment Officer and as Chief Executive Officer as described in note 5. Estimating the fair value of the post-retirement obligation requires estimates including discount rates, life expectancy and annual inflation assumptions. The Company engaged a third-party actuary to compute the fair value of the post-retirement obligation.

(iv) *Provisions*

Due to the nature of provisions, a considerable part of their determination is based on estimates and judgments, including assumptions concerning the future. The actual outcome of these uncertain factors may be materially different from the estimates, causing differences with the estimated provisions.

(v) *Bonus expense*

Commencing in fiscal 2011, a portion of the bonus pool is being paid in RSUs. The ratio of bonuses to be paid in RSUs versus cash is dependent on the amount of the bonus awarded to each employee and increases with the size of the award. The total annual bonus amounts are not known until the end of the fiscal year, and therefore the actual percentages to be paid in RSUs versus cash will not be known with certainty until such time. Therefore, the calculation of cash bonuses accrued in each interim quarter of the Company's fiscal year requires an estimate of the percentage that will be paid in cash.

Foreign currency translation

The financial statements are expressed in Canadian dollars, as the Canadian dollar is the functional currency of the Company.

- Assets, including the fair values of financial assets, and liabilities denominated in foreign currencies are converted into Canadian dollars at the rates of exchange established on each balance sheet date.

- Purchases and sales of financial assets and liabilities, dividends and interest income denominated in foreign currencies are converted into Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions.
- Realized and unrealized exchange gains (losses) on assets, liabilities and income denominated in foreign currencies are included in the statement of income.

Cash and short-term investments

Cash and short-term investments consist of cash on deposit with banks and temporary investments consisting of highly liquid investments in interest bearing notes, treasury bills and bonds with short-term maturities.

Financial Instruments

Financial assets may be classified as held-for-trading or loans and receivables. Financial liabilities may be classified as held-for-trading or other financial liabilities.

(i) *Measurement of financial instruments*

All financial instruments are initially measured at fair value. After initial recognition, financial instruments classified as held-for-trading are measured:

- at fair value using quoted market prices in an active market;
- where there is no active market, but the fair value can be reliably measured, using valuation techniques; otherwise
- at cost.

DSUs are marked-to-market each quarter-end, with unrealized gains or losses recognized in salaries and benefits expense in the income statement. All other financial instruments, which include loans and receivables and other financial liabilities, are measured at amortized cost using the effective interest rate method.

(ii) *Changes in fair value*

Changes in fair value of financial instruments classified as held-for-trading are reflected in net income.

(iii) *Classification of the Company's financial instruments*

The Company's financial instruments are classified as follows:

- Short-term investments, securities owned at fair value and securities sold short are classified as held-for-trading;
- Accounts receivable are classified as loans and receivables; and
- Accounts payable and accrued liabilities, and accrued bonuses are classified as other financial liabilities.

(iv) *Fair value hierarchy*
All financial instruments recognized at fair value in the unaudited interim balance sheet are classified into three fair value hierarchy levels as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(v) *Offsetting financial assets and financial liabilities*
Financial assets and financial liabilities are offset and the net amount reported in the unaudited interim balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Property and equipment
All property and equipment are recorded at cost less accumulated amortization and any impairments. Property and equipment comprised of furniture, office art, computer equipment and automobiles are recorded at cost and are amortized on a declining balance basis at rates from 20% to 30% per annum. Computer software and other assets are being amortized on a straight-line basis at rates of 30% and 33.3% per annum respectively. Leasehold improvements are amortized on a straight-line basis over the initial lease term plus two renewal periods of the respective lease.

Assets residual values, useful lives and methods of amortization are reviewed at each reporting date, and adjusted prospectively if appropriate.

Intangible assets
The useful life of intangible assets is assessed as either finite or indefinite. Following the initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The qualifying costs incurred to develop new technology systems are recognized as intangible assets with finite lives. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment at least annually or whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed annually. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method as appropriate, and are treated as changes in accounting estimates.

Included in intangibles are expenditures that have been capitalized in respect of development of systems not yet available for use by the Company. Once the asset is available for use, amortization and the annual assessment for impairment will begin.

Intangibles with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the obligation at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Where some or all of the expenditure is expected to be reimbursed by insurance or some other party, and it is virtually certain, the reimbursement is recognized as a separate asset on the balance sheet, and the net amount is recorded in the statement of income. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed.

Revenue recognition

Base Management Fees are calculated on various portfolio models by applying an agreed-upon rate to the net asset value of assets under management. Base Management Fees are recognized on an accrual and gross basis. Base Management Fees are accrued monthly and are collected on a monthly or quarterly basis.

Performance Fees are calculated by applying an agreed-upon formula to the growth in the net asset value of clients' assets and recognized when they are earned, which occurs at the end of each performance year or upon closure of an account or transfer to a different investment model.

Investment income is derived from securities holdings and invested cash. Investment income is recognized on an accrual basis.

The economic research annual subscription fees received from subscribers are recognized on a monthly pro rata basis and included in investment and other income. The unearned portion, if any, is reflected as unearned revenue and is included in accounts payable and accrued liabilities on the balance sheet.

Management Agreements
The Company has agreements to manage the Company's pooled fund vehicles. Under the terms of the agreements, the Company is responsible for the day-to-day operation and distribution of these pooled funds, for which it receives an annual management fee, calculated and payable monthly, by applying an agreed rate to the month-end fair value of each pooled fund. If certain performance hurdles in the pooled funds are exceeded, the Company receives an annual performance fee, payable at the end of the performance year, and calculated by applying an agreed percentage to the appreciation over the performance hurdle.

The Company also recovers expenses incurred for the operation of these pooled funds, which include unitholder administration and fund accounting costs, legal, audit and trustee fees.

Stock-Based Compensation
The Company has several stock-based compensation plans: the Stock Option plan, the Deferred Share Unit ("DSU") plan, the Restricted Share Unit ("RSU") plan, the Employee Subordinate Voting Share Ownership Plan and the Executive Loan Program, as outlined in note 7.

The Company has used the fair value-based method to account for stock options awarded under its Stock Option plan. The fair value of the stock options is estimated on the award date using the Black-Scholes option valuation model. This cost is recognized using graded vesting over the vesting period, i.e., five years, as an increase in salaries and benefits and contributed surplus. When the options are exercised, the contributed surplus amount is credited to share capital in the balance sheet. If cash proceeds are received from options that are exercised they are also credited to share capital in the balance sheet.

The obligation that results from the award of a DSU is recognized as an expense immediately as vesting occurs on the date of granting. The corresponding amount is included in long-term liabilities on the balance sheet as payment will not be made until the DSU participant is no longer on the Board of Directors. On a quarterly basis, the obligation is recorded at fair value based on the Company's stock price and changes in the fair value of the obligation are recognized in the salaries and benefits expense on the statement of income. DSU participants are granted additional DSUs equal to the amounts of dividends that would have been paid to the participant if DSUs held by the participant had been Subordinate Voting Shares. The cost associated with granting these additional DSUs is reflected in salaries and benefits in the statement of income in the period in which the dividends occur. The Company has historically made cash payments when settling any DSUs.

The obligation that results from the award of RSUs are recognized using graded vesting over the vesting period, i.e., three years, as an increase in salaries and benefits and contributed surplus. RSU participants are granted additional RSUs equal to the amounts of dividends that would have been paid to the participant if the RSUs held

by the participant had been Subordinate Voting Shares. The cost associated with granting these additional RSUs is reflected in contributed surplus and salaries and benefits expense over the vesting period of the underlying RSUs to which they relate. Each RSU is settled in shares of the Company on the vesting date. The RSU trust was established to acquire shares on the open market to hedge, if considered appropriate, the Company's economic exposure relating to fluctuations in the market price of the Company's Subordinate Voting Shares.

The Company's contributions to the Employee Subordinate Voting Share Ownership Plan are expensed as they occur.

The Company provides guarantees under the Company's Executive Loan Program for full recourse loans made to eligible employees by third party financial institutions at market interest rates to acquire shares of the Company on the open market. The acquired shares serve as collateral against the employee loan. Cash, representing the amount of outstanding guarantees under the Program, is held in a segregated cash account and is included in the Company's cash and short-term investments on the balance sheet.

Earnings per Share

The treasury stock method is used in the calculation of earnings per share amounts. Basic earnings per share amounts are determined by dividing net income by the weighted average number of shares outstanding during the year excluding shares held in the RSU trust, which are not considered to be outstanding in the relevant period for accounting purposes. Diluted earnings per share are determined by dividing net income by the total shares outstanding assuming that all potentially dilutive common shares have been issued.

Income Taxes

The Company records income tax assets and liabilities for the current and prior year by measuring the amounts expected to be recovered from, or paid to, the taxation authorities. The current tax payable is based on taxable income for the year. This may differ from income reported on the Company's unaudited interim financial statements of income since taxable income excludes certain items that are taxable or deductible in other years and also excludes items that are never taxable or deductible for tax purposes. Enacted or substantively enacted tax rates and laws are used to compute both current and deferred tax assets and liabilities. Changes in taxes arising from a change in tax rates and laws will be recognized in the period when the tax rate or law is substantively enacted. Deferred tax assets and liabilities reflect temporary differences between the accounting and tax basis of an asset and/or liability. Current and deferred tax assets and liabilities relating to items recognized in shareholders' equity are also recorded in shareholders' equity and not in the unaudited interim statements of income. Deferred tax assets and liabilities are only offset if a legally enforceable right exists to offset the related current tax asset and liability and the deferred tax relates to the same taxable entity and taxation authority.

Segment reporting
Management has determined that the Company's dominant industry segment is investment management services.

Future accounting changes
In November 2009, the IASB issued IFRS 9 *Financial Instruments* ("IFRS 9") which will replace IAS 39 Financial Instruments: recognition and Measurement ("IAS 39"). In October 2010, the IASB issued a revised version of IFRS 9. The revised standard adds guidance on the classification and measurement of financial liabilities and supersedes the previous IFRS 9.

In May 2011, the IASB issued the following standards – IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 27 *Separate Financial Statements*, IFRS 13 *Fair Value Measurement* – and amended IAS 28 *Investments in Associates and Joint Ventures*.

Each of the aforementioned new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is in the process of assessing the impact that the new and amended standards will have on its financial statements and whether to early adopt any of the new requirements.

2. TRANSITION TO IFRS

The Company has adopted IFRS effective July 1, 2011. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP. The Company's financial statements for the year ending June 30, 2012 will be the first annual financial statements that comply with IFRS. Accordingly, the Company will make an unreserved statement of compliance with IFRS beginning with its 2012 annual financial statements. The Company's transition date is July 1, 2010 (the "transition date") and the Company has prepared its IFRS opening balance sheet as at that date. These unaudited interim financial statements have been prepared in accordance with the accounting policies described in note 1. In preparing the Company's first annual financial statements under IFRS, the Company is required to use the standards in effect as at June 30, 2012, which may differ from the policies the Company currently expects to adopt and has used in these unaudited interim financial statements. Differences may arise as a result of new standards being issued, with an effective date of June 30, 2012 or prior, before the preparation of the Company's 2012 annual financial statements. Accordingly, the 2012 annual financial statements may differ from these unaudited interim financial statements.

The Company has applied IFRS 1 *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1") in preparing these unaudited interim financial statements, which requires first-time adopters to retrospectively apply all issued and

outstanding IFRS. IFRS 1 does, however, provide for certain optional exemptions and certain mandatory exceptions to the full retrospective application of IFRS. This note explains the principal adjustments made by the Company as at July 1, 2010 and to its previously published Canadian GAAP financial statements for the year ended June 30, 2011.

Exemption options from full retrospective application

The Company did not make any optional exemption elections.

Mandatory exceptions to full retrospective application

Hindsight was not used to create or revise estimates at the transition date and, accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS, except where necessary to reflect any differences in accounting policies.

IFRS financial statements

The first date at which IFRS was applied was July 1, 2010. In accordance with IFRS, the Company has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied all IFRS standards which were effective as of July 1, 2011, as required; and
- applied certain mandatory exceptions as applicable for first time IFRS adopters.

Reconciliations of Canadian GAAP to IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP, however significant differences exist in certain matters of recognition, measurement and disclosure. IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods under Canadian GAAP to IFRS.

RECONCILIATION OF EQUITY AS REPORTED UNDER CANADIAN GAAP TO IFRS	AS AT JUN 30, 2011
Shareholders' Equity – Canadian GAAP	$98,411
There are no IFRS transition adjustments	—
Shareholders' Equity – IFRS	$98,411

RECONCILIATION OF NET INCOME AND COMPREHENSIVE INCOME AS REPORTED UNDER CANADIAN GAAP TO IFRS	3 MONTHS ENDED MAR 31, 2012	9 MONTHS ENDED MAR 31, 2012
Net Income and Comprehensive Income – Canadian GAAP	$4,977	$15,132
There are no IFRS transition adjustments	—	—
Net Income and Comprehensive Income – IFRS	$4,977	$15,132

The transition from Canadian GAAP to IFRS did not result in any accounting differences for the Company. However, it did result in some presentation differences relating to property and equipment and deferred income tax assets. Software costs related to development costs incurred to further develop or create software which provided future benefit were reclassed to intangibles from property and equipment with no change to the amortization periods. Under Canadian GAAP, a portion of the Company's deferred income tax assets/liabilities was presented as a current asset; under IFRS, all deferred income tax assets/liabilities are classified as non-current.

The transition from Canadian GAAP to IFRS has not had a significant impact on the presentation of the Company's statement of cash flows for the three and nine months ended March 31, 2012. Adjustments include the movement of purchases for system development from property and equipment purchases to intangible asset purchases. The corresponding amortization of system development assets are also reclassed to amortization of intangibles.

3. FINANCIAL INSTRUMENTS

Fair Value Measurement

IFRS 7 *Financial Instruments: Disclosures* as issued by the IASB requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs to the valuation of an asset or liability as of the measurement date.

The following tables present the level within the fair value hierarchy for financial assets and liabilities classified as held-for-trading and carried at fair value as at:

	MAR 31, 2012			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short-term investments	$ —	$41,092	$ —	$41,092
Securities owned at fair value	1,009	29	—	1,038
Total	**$1,009**	**$ 41,121**	**$ —**	**$42,130**

	JUN 30, 2011			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short-term investments	$ —	$ 61,637	$ —	$ 61,637
Securities owned at fair value	574	15	—	589
Total	**$ 574**	**$61,652**	**$ —**	**$62,226**

During the three months ended March 31, 2012 and the year ended June 30, 2011, there were no transfers between any of the fair value hierarchy levels.

Securities owned and securities sold short

The Company has seeded new portfolio models, some of which the Company may introduce as part of its investment strategies offered to clients. 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 from entering into the short sale transaction, whereas the amount of the potential loss is unlimited. The fair values of securities owned and sold short vary daily based on general market conditions and matters specific to the issuers of the securities.

The net realized gains and change in unrealized gains or losses incurred on securities owned and sold short are included in investment and other income.

Details of investment and other income are as follows:

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2012	MAR 31, 2011	MAR 31, 2012	MAR 31, 2011
Net realized gain on securities owned and securities sold short	$ 89	$ 646	$ 59	$ 894
Change in unrealized gain (loss) on securities owned and securities sold short	(56)	(600)	27	(114)
Change in unrealized loss on short-term investments	189	40	111	38
Economic research subscriptions	671	—	1,871	—
Interest and other income	53	291	919	696
	$946	$ 377	$2,987	$1,514

4. RELATED PARTY TRANSACTIONS

Included in the Company's total revenue for the three months ended March 31, 2012 are Performance Fees of $425 (March 31, 2011 – $951) and Base Management Fees of $14,135 (March 31, 2011 – $15,631) 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. For the nine months ended March 31, 2012, the Company's total revenue includes Performance Fees of $1,745 (March 31, 2011 – $16,034) and Base Management Fees of $43,640 (March 31, 2011 – $47,809) earned from the management of the Company's pooled fund vehicles. In the case of those pooled funds that are limited partnerships, an affiliate of the Company is the General Partner.

For the three months ended March 31, 2012, reimbursement of certain operating expenses by the Company's pooled funds to the Company totaled $864 (March 31, 2011 – $914). For the nine months ended March 31, 2012, these reimbursements totaled $2,596 (March 31, 2011 – $2,792).

Included in the Company's accounts receivable as at March 31, 2012 is $5,428 (June 30, 2011 – $15,026) owing from the Company's pooled funds. Included in the Company's liabilities as at March 31, 2012 are post-retirement obligations of $9,620 (June 30, 2011 – $9,322) in respect of the Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, as described in note 5.

Included in the Company's general and administrative expenses is an amount due to an employee as part of a compensation arrangement related to the economic research subscriptions. The corresponding liability is included in accounts payable and accrued liabilities.

5. POST-RETIREMENT OBLIGATIONS

During the second quarter of fiscal 2010, the Company reached an agreement with its Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, that governs the terms of their arrangements with the Company following their departures from their respective roles as President & Chief Investment Officer and Chief Executive Officer. Under this agreement, Messrs. Gluskin and Sheff will continue to be employed by the Company for a period of up to five years. The agreement provides for a lump sum retirement payment to each of $1.5 million at the end of their respective 5 year transition periods being no later than January 1, 2015 for Mr. Gluskin and June 30, 2015 for Mr. Sheff, or on their death, and fixed annual payments to each of $250 plus certain employment benefits commencing at the end of their respective transition periods for the balance of their natural lives. Such compensation has been established at levels commensurate with the tenure and seniority of the Co-Founders and has been reviewed by the Company's Compensation, Nominating and Governance Committee and the Board's independent directors. The Company has an irrevocable letter of credit for $3 million issued by a Schedule I bank in support of its obligations under the post-retirement agreement.

The post-retirement benefits to be provided to the Co-Founders represent in substance a defined benefit plan, for which the Co-Founders are immediately fully vested. Accordingly, the cumulative cost of these benefits was recognized as an expense in the second quarter of fiscal 2010. The Company expects to fund the future retirement benefits to the Co-Founders out of operating cash flow as amounts become due and therefore has no current plans to pre-fund these benefits. The Co-Founders will not be required to contribute to the retirement plan. The expense and increase in the related liability recognized for the three months ended March 31, 2012 was $100 (March 31, 2011 – $100) and for the nine months ended March 31, 2012 was $298

(March 31, 2011 – $298) using a discount rate of 4.25% (March 31, 2011 – 4.50%) and an annual inflation assumption of 2.0% (March 31, 2011 – 2.0%) in respect of certain non-fixed-rate benefits included in the transition agreement. This amount is included in salaries and benefits expense. Any future changes in estimates will result in amendments to the liability of the plan in the period in which the changes occur.

Sensitivity analysis

The following table presents the sensitivity analysis of certain assumptions on the post-retirement obligations and expense.

	CHANGE IN OBLIGATIONS AND EXPENSE
Impact of 1.0% increase in the discount rate	$(760)
Impact of 1.0% decrease in the discount rate	$ 868
Impact of 1.0% increase in Consumer Price Index	$ 361
Impact of 1.0% decrease in Consumer Price Index	$ (311)

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized

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

Shares issued and outstanding

As at March 31, 2012, there were 16,677,003 SVS and 12,611,500 MVS (March 31, 2011 – 16,675,503 SVS and 12,613,000 MVS) and no preference shares outstanding. MVS rank equally in all respects with the SVS, except that each MVS is entitled to 15 votes at any shareholders' meeting for all matters other than the election of directors.

In relation to the Company's RSU plan (described in note 7), the Company may acquire shares in the open market which will be held in a trust for the benefit of the RSU participants to hedge the potential economic exposure that could arise on outstanding RSUs due to fluctuation in the stock price. These shares are recorded as treasury shares and are not considered to be outstanding for basic and diluted earnings per share calculations or in the calculation of share capital. During the three months ended March 31, 2012, $4,050 (March 31, 2011 – $nil) of treasury shares were acquired. As at March 31, 2012, the Company held approximately 419,000 (March 31, 2011 – 193,000) treasury shares.

SHARE CAPITAL	3 MONTHS ENDED MAR 31, 2012 NUMBER OF SHARES (000's)	STATED VALUE	3 MONTHS ENDED MAR 31, 2011 NUMBER OF SHARES (000's)	STATED VALUE	9 MONTHS ENDED MAR 31, 2012 NUMBER OF SHARES (000's)	STATED VALUE	9 MONTHS ENDED MAR 31, 2011 NUMBER OF SHARES (000's)	STATED VALUE
BEGINNING OF PERIOD								
Multiple Voting Shares	12,611		12,613		12,613		13,613	
Subordinate Voting Shares[1]	16,519		16,474		16,483		15,661	
	29,130	$ 5,907	29,087	$ 5,113	29,096	$ 5,219	29,274	$ 8,531
ACTIVITY DURING THE PERIOD								
Convert from Multiple Voting Shares	—	—	—	—	(2)	—	(1,000)	—
Exercise of Stock Options	—	—	9	106	—	—	15	226
Purchase of Treasury shares	(265)	(4,050)	—	—	(292)	(4,484)	(193)	(3,538)
Treasury shares vested	5	86	—	—	66	1,208	—	—
Convert to Subordinate Voting Shares	—	—	—	—	2	—	1,000	—
	(260)	$(3,964)	9	$ 106	(226)	$(3,276)	(178)	$(3,312)
END OF THE PERIOD[2]								
Multiple Voting Shares	12,611		12,613		12,611		12,613	
Subordinate Voting Shares[1]	16,259		16,483		16,259		16,483	
	28,870	$ 1,943	29,096	$5,219	28,870	$ 1,943	29,096	$ 5,219

Notes:
1. *Net of treasury shares held by the Company.*
2. *Certain of the comparative figures have been reclassified to conform with presentation adopted in the current period.*

7. STOCK-BASED COMPENSATION PLANS

The Company has the following stock-based compensation plans: Stock Option, DSU, RSU, Employee Subordinate Voting Share Ownership and the Executive Loan Program. These are described in detail below.

Stock Option Plan

The Company's Stock Option Plan was established in May 2006. The exercise price of a stock option is determined as at the close of the business day before the stock option grant is approved by the Board of Directors. The expiry date of the stock options is seven years from the date of the grant. Stock options become exercisable over time at the rate of 20% of the total stock options granted on each anniversary of the grant date. The regular use of employee stock options as an element of annual compensation was discontinued in fiscal 2011 with the use of options limited to special circumstances only. There will be no further issuance of stock options for directors. During the three months ended March 31, 2012, the Company issued 50,000 stock options (three months ended March 31, 2011 – nil) to participants. The fair value of options granted during the three months ended March 31, 2012 has

been estimated at $4.24 per option using the Black-Scholes option pricing model. The assumptions used to determine the fair value of the options on the grant date include: (i) exercise price of $15.65; (ii) risk-free interest rate of 1.41%; (iii) expected option life of 5 years; (iv) expected volatility of 41.96%; and (v) expected dividend yield of 3.67%.

The expense related to stock options outstanding that has been included in the salaries and benefits expense during the three months ended March 31, 2012 was $356 (March 31, 2011 – $561) and for the nine months ended March 31, 2012 was $1,197 (March 31, 2011 – $1,789). Also included in the salaries and benefits expense for the three months ended March 31, 2012 is a reversal of $1,159 for stock option expense recognized in prior periods for options that were forfeited due to employee departures in the current quarter. For the nine months ended March 31, 2012, the reversal was $1,200.

	3 MONTHS ENDED				9 MONTHS ENDED			
	MAR 31, 2012		MAR 31, 2011		MAR 31, 2012		MAR 31, 2011	
STOCK OPTIONS	OPTIONS (000's)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000's)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000's)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000's)	WEIGHTED AVERAGE EXERCISE PRICE
Balance – Beginning of period	2,163	$18.35	2,174	$18.49	2,094	$18.48	2,277	$18.54
Options granted	50	15.65	—	—	150	15.93	—	—
Options exercised	—	—	(30)	15.51	—	—	(36)	15.52
Options forfeited	(222)	19.72	—	—	(253)	19.72	(97)	19.91
Balance – End of period	1,991	$18.13	2,144	$ 18.53	1,991	$ 18.13	2,144	$18.53

	AS AT MAR 31, 2012				
		OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING (000's)	WEIGHTED AVERAGE REMAINING CONTRACTUAL YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE (000's)	WEIGHTED AVERAGE EXERCISE PRICE
$10.00 – $17.99	1,286	3.14	$15.39	810	$15.46
$18.00 – $25.99	480	4.53	20.62	192	20.62
$26.00 – $33.99	225	2.52	28.50	180	28.50
	1,991	3.41	$18.13	1,182	$18.28

RANGE OF EXERCISE PRICES	AS AT JUN 30, 2011				
		OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING (000's)	WEIGHTED AVERAGE REMAINING CONTRACTUAL YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE (000's)	WEIGHTED AVERAGE EXERCISE PRICE
\$10.00 – \$17.99	1,194	3.45	\$ 15.33	612	\$ 15.43
\$18.00 – \$25.99	665	5.28	20.60	133	20.60
\$26.00 – \$33.99	235	3.27	28.50	141	28.50
	2,094	**4.01**	**\$18.48**	**886**	**\$18.29**

Deferred Share Unit Plan

The Company's DSU Plan was established in September 2006 and represents notional units granted to the Company's Board of Directors in order to enhance the Company's ability to attract and retain talented individuals to serve as independent members of the Board of Directors, and to promote a significant alignment of the interests of the independent directors and the interests of the shareholders of the Company by providing the independent directors with a long-term incentive tied to the long-term performance of the SVS. Members of the Company's Board of Directors are required to take 50% of their annual retainers and other fees in the form of DSUs. The number of DSUs received is determined by the market value of the Company's SVS on each director's fee payment date. The DSUs are fully vested on the grant date. DSUs allocated under this plan are adjusted to reflect dividends and changes in the market value of SVS and the value of DSUs are marked-to-market each quarter end. DSUs cannot be redeemed for cash or SVS (purchased on the open market) until the holder is no longer a director of the Company. There have been no payments under this DSU plan for the three months ended March 31, 2012 (March 31, 2011 – \$nil).

The Company recorded a DSU expense of \$71 during the three months ended March 31, 2012 and for the nine months ended March 31, 2012 of \$54, including the mark-to-market adjustment. The DSU expense for the three months ended March 31, 2011 was \$113 and for the nine months ended March 31, 2011 was \$424.

DEFERRED SHARE UNITS (000'S)	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2012	MAR 31, 2011	MAR 31, 2012	MAR 31, 2011
Balance – Beginning of period	59	41	48	32
Issued during period	5	3	16	12
Balance – End of period	64	44	64	44

Restricted Share Units

The Company's RSU plan was established in September 2010 and represents notional share units granted to employees in order to enhance the Company's ability to attract and retain talented employees, and to promote a significant alignment of the interests of employees and the interests of the shareholders of the Company by providing employees with a long-term incentive tied to the long-term performance of the SVS. The number of RSUs received is determined by the market value of the Company's SVS at the time of award. RSUs allocated under this plan are adjusted to reflect dividends. RSUs vest over time at the rate of one-third of the total RSUs granted on each anniversary of the grant date.

For the three months ended March 31, 2012, no RSUs were awarded (March 31, 2011 – $0.3 million), other than RSUs granted for the aggregate amount of dividends that would have been paid if the RSUs had been SVS. For the nine months ended March 31, 2012, the Company awarded $4.9 million (March 31, 2011 – $3.5) of RSUs to employees. The expense related to RSUs outstanding that has been included in the salaries and benefits expense during the three months ended March 31, 2012 was $1,117 (March 31, 2011 – $542) and for the nine months ended March 31, 2012 was $2,964 (March 31, 2011 – $1,031) using graded vesting. Also included in the salaries and benefits expense for the three months ended March 31, 2012 is a reversal of $131 for RSU expense recognized in prior periods for RSUs that were forfeited due to employee departures in the current quarter. For the nine months ended March 31, 2012, the reversal was $147.

	3 MONTHS ENDED		9 MONTHS ENDED	
RESTRICTED SHARE UNITS (000'S)	MAR 31, 2012	MAR 31, 2011	MAR 31, 2012	MAR 31, 2011
Balance – Beginning of period	434	177	188	—
Issued during period	5	14	314	191
Vested during the period	(23)	—	(84)	—
Forfeited during the period	(17)	—	(19)	—
Balance – End of period	399	191	399	191

Employee Subordinate Voting Share Ownership Plan
Under the Company's Employee Subordinate Voting Share Ownership Plan, employees who meet the eligibility criteria can contribute up to a certain percentage of their annual gross salary by way of payroll deductions. The company matches a certain percentage of the employee contribution amount, to a defined maximum amount. The Company's contributions, amounting to $43 for the three months ended March 31, 2012 (March 31, 2011 – $36) and amounting to $103 for the nine months ended March 31, 2012 (March 31, 2011 – $68), are included in the salaries and benefits expense when paid.

Executive Loan Program
The Executive Loan Program is designed to allow the next generation of Company leadership to accumulate meaningful equity positions in the Company to further align their interests with those of the shareholders. The Company provides guarantees for full recourse loans made to eligible employees by third party institutions at market interest rates to acquire shares of the Company on the open market. The acquired shares serve as collateral against the employee loan. Included in cash and short-term investments at March 31, 2012 is $2.1 million (June 30, 2011 – $0.9 million) held in a segregated account in connection with this loan guarantee.

8. 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 average number of shares outstanding during the period excluding shares held in the Trust which are not considered to be outstanding in the relevant period for accounting purposes.

The following table presents the Company's basic and diluted earnings per share for the three months ended March 31:

BASIC AND DILUTED EARNINGS PER SHARE	3 MONTHS ENDED MAR 31, 2012	3 MONTHS ENDED MAR 31, 2011
Numerator:		
Net income available to shareholders – basic and diluted	$ 4,977	$ 7,225
Denominator (Number of shares in thousands):		
Weighted average number of shares outstanding – basic	29,030	29,089
Weighted average number of dilutive share-based compensation	138	461
Weighted average number of shares outstanding – diluted	29,168	29,550
Earnings per share		
Basic	$ 0.17	$ 0.25
Diluted[1]	$ 0.17	$ 0.24

The following table presents the Company's basic and diluted earnings per share for the nine months ended March 31:

BASIC AND DILUTED EARNINGS PER SHARE	9 MONTHS ENDED MAR 31, 2012	9 MONTHS ENDED MAR 31, 2011
Numerator:		
Net income available to shareholders – basic and diluted	$ 15,132	$ 27,736
Denominator (Number of shares in thousands):		
Weighted average number of shares outstanding – basic	29,085	29,193
Weighted average number of dilutive share-based compensation	208	311
Weighted average number of shares outstanding – diluted	29,293	29,504
Earnings per share		
Basic	$ 0.52	$ 0.95
Diluted[2]	$ 0.52	$ 0.94

Notes:

1. *For the three months ended March 31, 2012, the computation of diluted earnings per share excluded weighted-average options outstanding of 2,105 (March 31, 2011 – 275) with a weighted-average exercise price of $18.21 (March 31, 2011 – $27.53) as the option price was greater than the average market price of the Company's shares.*
2. *For the nine months ended March 31, 2012, the computation of diluted earnings per share excluded weighted-average options outstanding of 1,013 (March 31, 2011 – 960) with a weighted-average exercise price of $21.70 (March 31, 2011 – $22.58) as the option price was greater than the average market price of the Company's shares.*

9. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue operations as a going concern and to meet regulatory requirements and other contractual obligations.

The Company's capital is comprised of share capital (net of treasury shares), 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. In the normal course of business, the Company generates adequate operating cash flows to meet its obligations.

The Company is required to maintain a minimum capital level of $100 as a registration requirement under the Ontario Securities Act. Throughout the three months and nine months ended March 31, 2012, the Company maintained levels of capital well in excess of the $100 requirement.

10. INCOME TAXES

The Company's income tax expense differs from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax rate as a result of the following:

	3 MONTHS ENDED	
	MAR 31, 2012	MAR 31, 2011
Income tax provision based on statutory income tax rate, 27.25% (2011 – 29.25%)	$ 1,813	$ 3,057
Increase (decrease) in income taxes resulting from:		
Stock-based compensation	(210)	197
Realized and unrealized capital (gains) losses on securities owned	9	215
Realized and unrealized capital (gains) losses on short-term investments	(76)	—
Deferred tax asset not previously recorded	(12)	(104)
Other non-deductible items and changes in future tax rates	154	(122)
Income tax provision as reported, 25.22% (2011 – 31.00%)	$ 1,678	$ 3,243

	9 MONTHS ENDED	
	MAR 31, 2012	MAR 31, 2011
Income tax provision based on statutory income tax rate, 27.25% (2011 – 29.25%)	$ 5,823	$ 11,638
Increase (decrease) in income taxes resulting from:		
Stock-based compensation	8	647
Realized and unrealized capital (gains) losses on securities owned	(4)	33
Realized and unrealized capital (gains) losses on short-term investments	87	—
Deferred tax asset not previously recorded	32	(148)
Prior year's (over)/under-provision	195	(34)
Other non-deductible items and changes in future tax rates	99	(82)
Income tax provision as reported, 29.20% (2011 – 30.29%)	$6,240	$12,054

The change in the statutory income tax rate from 29.25% in fiscal 2011 to 27.25% for fiscal 2012 is due to federal and provincial rate reductions that took effect in fiscal 2012.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The movement in significant components of the Company's deferred income tax assets and liabilities for the three months ended March 31, 2012 and the nine months ended March 31, 2012 is as follows:

	3 months ended Mar 31, 2012		
	As at Jan 1, 2012	Recognized in income	As at Mar 31, 2012
Deferred income tax assets			
Accrued and long term liabilities	$ 369	$ (7)	$ 362
Restricted share units	780	140	920
Post-retirement obligations	2,380	25	2,405
Total deferred income tax assets	**$ 3,529**	**$ 158**	**$ 3,687**
Deferred income tax liabilities			
Unrealized investment income on securities owned and securities sold short	$ (13)	$ —	$ (13)
Property and equipment	(740)	16	(724)
Total deferred income tax liabilities	**$ (753)**	**$ 16**	**$ (737)**
Net deferred income tax assets	**$ 2,776**	**$ 174**	**$ 2,950**

	9 months ended Mar 31, 2012		
	As at Jul 1, 2011	Recognized in income	As at Mar 31, 2012
Deferred income tax assets			
Accrued and long term liabilities	$ 410	$ (48)	$ 362
Restricted share units	397	523	920
Post-retirement obligations	2,332	73	2,405
Total deferred income tax assets	**$ 3,139**	**$ 548**	**$ 3,687**
Deferred income tax liabilities			
Unrealized investment income on securities owned and securities sold short	$ (88)	$ 75	$ (13)
Property and equipment	(655)	(69)	(724)
Total deferred income tax liabilities	**$ (743)**	**$ 6**	**$ (737)**
Net deferred income tax assets	**$ 2,396**	**$ 554**	**$ 2,950**

As at March 31, 2012, the Company has approximately $1,426 (June 30, 2011 – $996) of unused capital losses realized on the disposition of security holdings, for which no benefit has been recognized in these financial statements.

11. SALARIES AND BENEFITS

The Company accrues for bonuses to its employees.

Included in salaries and benefits expense for the three months ended March 31, 2012 are accrued bonuses of $2,231 (March 31, 2011 – $2,710) and for the nine months ended March 31, 2012 of $6,697 (March 31, 2011 – $10,312). Salaries and benefits expense also includes termination payments accrued for former employees. The current portion of termination payments payable are included in accounts payable and accrued liabilities while the long-term portion of termination payments payable are included in the long-term liabilities on the balance sheet.

12. GENERAL AND ADMINISTRATIVE

General and administrative expenses consist primarily of insurance, system development and operating costs, other consulting expenses, regulatory fees, legal fees, professional fees, information access, and telecommunications costs, sub-advisory fees and costs related to economic research subscriptions.

Included in the Company's general and administrative expense are sub-advisory fees for the three months ended March 31, 2012 of $326 (March 31, 2011 – $370) and for the nine months ended March 31, 2012 of $1,014 (March 31, 2011 – $2,629).

13. DIVIDENDS

The following dividends were paid by the Company during the nine months ended March 31, 2012:

DIVIDENDS PAID	RECORD DATE	PAYMENT DATE	CASH DIVIDEND PER SHARE	TOTAL DIVIDEND AMOUNT ($000's)
June 30, 2011 – regular dividend Q4, 2011	September 28, 2011	October 21, 2011	$ 0.1375	$ 4,027
June 30, 2011 – special dividend	September 28, 2011	October 21, 2011	0.8000	23,431
September 30, 2011 – regular dividend Q1, 2012	November 15, 2011	December 7, 2011	0.1625	4,552
December 31, 2011 – regular dividend Q2, 2012	February 23, 2012	March 16, 2012	0.1625	4,718
Total Dividends Paid			**$ 1.2625**	**$36,728**

14. FINANCIAL INSTRUMENT RISKS

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities and accrued bonuses, whose carrying values approximate their fair values due to their short-term nature. Financial instruments comprised of short-term investment holdings and other securities owned are recorded at fair value using quotations from independent third-party pricing sources.

Financial instruments present a number of specific risks as identified below:

Market Risk

Market risk refers to the risk that a change in the level of one or more of market prices, interest rates or foreign currency exchange rates, or other market factors such as credit risk and liquidity risk, will result in losses. As many of the Company's financial instruments are recognized at fair value and classified as held-for-trading, any changes will affect reported earnings as they occur. The maximum risk resulting from financial instruments is determined by the fair values of the financial instruments. The maximum gain to the Company in respect of the securities sold short is the proceeds received entering into the short sale transaction, whereas the amount of the potential loss is unlimited. The Company manages market risk by the daily monitoring of its securities owned and securities sold short. The Company separates market risk into three categories: price risk, interest rate risk and foreign exchange risk.

(i) Price Risk

Price risk arises from the possibility that changes in the prices of the Company's investments will result in changes in carrying values. As at March 31, 2012, investments in securities owned amounted to $1,038 or 1.1% (June 30, 2011 – $589 or 0.4%) of total assets and there were no securities sold short (June 30, 2011 – $nil). If the fair value of securities owned increased by 5%, with all other variables held constant, this would have increased net income before provision for income taxes by approximately $39 (June 30, 2011 – $22); conversely, if the value of securities owned decreased by 5%, this would have decreased net income by the same amount.

In practice, the actual results may differ from this sensitivity analysis and the difference may be expected to be material.

(ii) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the carrying value of financial instruments. As at March 31, 2012, the Company was subject to interest risk through some of its short-term investments. The Company's sensitivity to interest rate as determined based on portfolio weighted duration was not significant as at March 31, 2012 since almost all investments in debt securities have a term to maturity of less than a year. The interest rate risk at June 30, 2011 was minimal.

(iii) Foreign Exchange Risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in changes in carrying value. The Company holds financial assets denominated in currencies other than the Canadian dollar. It is therefore exposed to foreign exchange risk, as the value of investments denominated in other currencies will fluctuate due to changes in foreign exchange rates. As at March 31, 2012, certain investments in securities owned and managed by the Company were denominated in U.S. dollars. Investments in securities owned that were denominated in U.S. dollars amounted to $1,038 (June 30, 2011 – $589) whereas there were no investments in securities sold short (June 30, 2011 – $nil). Furthermore, a total of $274 (June 30, 2011 – $266) of cash and $160 (June 30, 2011 – $1,192) of accounts receivable were denominated in U.S. dollars. As at March 31, 2012, had the foreign exchange rate between the U.S. dollar and the Canadian dollar increased or decreased by 5%, with all other variables held constant, the increase or decrease, respectively, in net income before provision for income taxes would have amounted to approximately $55 (June 30, 2011 – $92).

In practice, the actual results may differ from this sensitivity analysis and the difference may be expected to be material.

Credit Risk

Credit risk arises from the potential that counterparties will fail to satisfy their obligations as they come due. The Company incurs credit risk when entering into, settling and financing various investment transactions. The Company is exposed to credit risk principally on its holdings of corporate debt securities. As at March 31, 2012, the Company had $5,556 (June 30, 2011 – $30,803) in corporate debt securities included in short-term investments. The Company's risk management strategy is to invest primarily in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to any on issuer. The breakdown of the Company's corporate debt portfolio using S&P credit ratings is presented below:

CREDIT RATING	AS AT MAR 31, 2012	AS AT JUN 30, 2011
A+	$ —	$ 8,021
A	5,556	17,679
A-	—	5,103
Total Corporate Debt Securities	**$5,556**	**$30,803**

Credit risk is also managed by dealing with counterparties the Company believes to be creditworthy by actively monitoring credit exposure and the financial health of the counterparties. The majority of accounts receivable relates to Base Management Fees and Performance Fees receivable from the pooled funds and managed accounts managed by the Company, which are current.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's exposure to liquidity risk is minimal as it maintains sufficient levels of liquid assets to meet its obligations as they come due. The current assets reflected in the consolidated balance sheets are highly liquid. The majority of the investments held by the Company are readily marketable and are recorded at their fair value. Financial liabilities, including accounts payable and accrued liabilities, and accrued bonuses, are short-term in nature and are generally due within several months. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. The Company manages liquidity risk by monitoring cash balances on a daily basis.

15. AUDITORS

The unaudited interim financial statements of Gluskin Sheff + Associates Inc. have been prepared by and are the responsibility of Gluskin Sheff + Associates Inc.'s management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review or interim financial statements by an entity's auditor.

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Audit Committee

DONALD CARTY
Compensation, Nominating and Governance Committee

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President & Chief Executive Officer
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