Gluskin Sheff

First Quarter Results | 2013

three months ended September 30, 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 $5.6 billion, up $188 million from the preceding quarter, due to positive investment performance partially offset by net withdrawals. Average AUM for the quarter was slightly higher than for the preceding quarter, while the management fee percentage decreased slightly. All told, Base Management Fees for the three months ended September 30, 2012 increased by $0.4 million to $18.5 million from $18.1 million for the three months ended June 30, 2012.

Base EBITDA (which excludes Performance Fees net of related bonuses and sub-advisory fees, post-retirement obligations and non-cash expenses) for the three months ended September 30, 2012 increased $5.5 million to $9.0 million from $3.5 million for the three months ended June 30, 2012. Net Income was $5.9 million, or $0.21 on a basic ($0.20 diluted) per share basis for the three months ended September 30, 2012, compared with $2.3 million, or $0.08 per share, on a basic and diluted per share basis for the three months ended June 30, 2012.

We are pleased with the risk-adjusted returns that we generated for clients this quarter across all asset classes. Our fixed income and credit strategies in particular continued to build on their strong calendar year-to-date performance. Moreover, our application of more tactical approaches to our alternative investment strategies is enabling us to exploit the market's volatility more effectively in ways that both augment – and protect – our long-term investment stance.

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.

GERALD SHEFF
Co-Founder & Chairman
November 8, 2012

JEREMY FREEDMAN
President & Chief Executive Officer
November 8, 2012

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the three months ended September 30, 2012, is provided as of November 8, 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 September 30, 2012, the Audited Financial Statements for the years ended June 30, 2012 and 2011, and the related MD&As, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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.

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 September 30, 2012. The Canadian dollar is our functional and reporting currency for purposes of preparing the Company's unaudited interim 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

Any reference to Assets Under Management ("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 ("RSU") awards, minus the dollar value of base bonus RSUs 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 RSUs estimated to be awarded in respect of Performance Fees of the current year and excludes amortization of prior years' Performance Fee RSUs.

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, as applicable. 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 other income or incur losses from 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 and occupancy expenses, as well as the amortization of property and equipment and amortization of intangibles.

FINANCIAL HIGHLIGHTS

For the three months ended September 30, 2012:

- AUM increased by $188 million to $5.6 billion at September 30, 2012 or 3% from June 30, 2012. The increase in AUM is attributable to positive investment performance of $236 million, offset in part by net withdrawals of $48 million.
- Base Management Fees decreased to $18.5 million this quarter versus $19.3 million last year as the average Base Management Fee percentage decreased to 1.32% from 1.39% for the same quarter last year. This decline is substantially attributable to our having shifted assets out of our more economically sensitive Canadian Equity model into our more defensive Premium Income model, a shift that significantly benefited clients in terms of portfolio returns. Average AUM for the quarter was $5.6 billion compared with $5.5 billion for the same quarter last year.
- Base EBITDA was $9.0 million for both the three months ended September 30, 2012, and September 30, 2011.
- Net income for the three months ended September 30, 2012, was $5.9 million, and represented earnings per share, basic and diluted, of $0.21 and $0.20, respectively. Net income for the three months ended September 30, 2011, was $5.5 million, and represented earnings per share, basic and diluted, of $0.19.

MARKET OUTLOOK AND BUSINESS ENVIRONMENT

After a difficult second quarter of the calendar year, equity markets bounced back strongly in the third quarter, as the U.S. Federal Reserve announced a third round of "Quantitative Easing" and governments and central banks around the developed world committed to further monetary stimulus. We adjusted our portfolios towards a more aggressive tactical stance during the quarter and enjoyed positive absolute performance across all asset classes. Our fixed income and credit strategies in particular continued to build on their strong calendar year-to-date performance.

Our AUM increased by $188 million during the quarter, attributable to positive investment performance partially offset by net withdrawals. Initiatives that continue to focus on providing shareholder return and value remain an ongoing priority, including the application of more tactical approaches to our long/short and fixed income portfolios.

We continue to advocate for a diversified asset mix that can benefit from the themes in which we have the strongest conviction, including income-oriented strategies, whether that income 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 correlated to the broader equity markets.

SUMMARY FINANCIAL INFORMATION

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

	3 MONTHS ENDED SEP 30, 2012	3 MONTHS ENDED SEP 30, 2011
ASSETS UNDER MANAGEMENT *($ in millions)*		
Assets Under Management – Beginning of period	$ 5,452	$5,808
Net additions (withdrawals)	(48)	(129)
Investment performance[1]	236	(396)
Assets Under Management – End of period	$5,640	$ 5,283

	AS AT SEP 30, 2012	AS AT SEP 30, 2011
BALANCE SHEET INFORMATION		
Total assets	$103,811	$123,005

	3 MONTHS ENDED SEP 30, 2012	3 MONTHS ENDED SEP 30, 2011
INCOME STATEMENT INFORMATION		
Income		
Base management fees	$ 18,468	$ 19,302
Performance fees	1,096	281
Other income	750	777
	20,314	20,360
Operating expenses	(8,896)	(9,852)
Provision for bonus pool	(2,480)	(2,062)
EBITDA	8,938	8,446
Amortization	(808)	(574)
Provision for income taxes	(2,184)	(2,414)
Net income	$ 5,946	$ 5,458
Basic earnings per share	$ 0.21	$ 0.19
Diluted earnings per share	$ 0.20	$ 0.19
SELECTED ADJUSTED FINANCIAL INFORMATION		
EBITDA	$ 8,938	$ 8,446
Provision for bonus pool	2,480	2,062
Sub-advisor's share of performance fees	—	13
Post-retirement obligations	95	99
Stock option expense	205	484
EBITDA before compensation adjustment	11,718	11,104
Base cash bonus	(2,260)	(2,007)
Base RSU bonus	(251)	(441)
RSU amortization	911	667
Performance fees	(1,096)	(281)
Base EBITDA	9,022	9,042
Performance fees	1,096	281
Sub-advisor's share of performance fees	—	(13)
Performance fee cash bonus	(220)	(55)
Performance fee RSU bonus	(24)	(12)
Adjusted EBITDA	$ 9,874	$ 9,243

Note:

1. *Net of fees and other expenses.*

RESULTS OF OPERATIONS

Overall Performance

For the three months ended September 30, 2012, the Company earned $0.21 and $0.20 per share, on a basic and diluted basis, respectively, compared with $0.19 per share, on a basic and diluted basis, for the same period last year as net income increased by $0.4 million to $5.9 million from $5.5 million. Base EBITDA for the three months ended September 30, 2012, and 2011 remained relatively flat at $9.0 million as a decrease in Base Management Fees and an increase in bonus expense was offset by a decrease in operating expenses. Adjusted EBITDA for the three months ended September 30, 2012, increased by $0.6 million or 7% as Performance Fees earned for the three months ended September 30, 2012, totaled $1.1 million compared to $0.3 million for the three months ended September 30, 2011.

Income

Total income for the three months ended September 30, 2012, was $20.3 million versus $20.4 million in the year ago quarter.

Base Management Fees for the three months ended September 30, 2012, decreased year-over-year by $0.8 million or 4% to $18.5 million from $19.3 million as the average Base Management Fee Percentage decreased to 1.32% from 1.39% over the same period. Average AUM increased approximately $0.1 billion or 1% to $5.6 billion over the same period.

Performance Fees for the three months ended September 30, 2012, increased year-over-year by $0.8 million to $1.1 million from $0.3 million.

Other income for the three months ended September 30, 2012, remained relatively flat at $0.8 million.

Expenses

Total expenses for the three months ended September 30, 2012, decreased year-over-year by $0.3 million or 2% to $12.2 million from $12.5 million.

Salaries and benefits for the three months ended September 30, 2012, increased year-over-year by $0.7 million or 10% to $7.6 million from $6.9 million. The increase was caused primarily by an increase in accrued cash bonus expense of $0.4 million, which was due to higher Performance Fees in the quarter and a 90% estimate (September 30, 2011 – 82%) used for calculating the cash component of the current quarter's bonus. Also contributing to the increase in salaries and benefits is $0.3 million in respect of severance costs and an increase in RSU amortization of $0.2 million. These increases were partially offset by a $0.3 decrease in stock option expense.

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 are granted early in the fiscal year following the year to which the bonus relates, at which point the cost of

the RSUs are 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 reflects only the cash component of the total bonus awarded. However, the total bonus expense comprises 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 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 current quarter's bonus was 90% (September 30, 2011 – 82%).

Business development expenses for the three months ended September 30, 2012, decreased year-over-year by $0.2 million or 20% to $0.5 million from $0.7 million due primarily to a decrease in marketing and travel costs.

General and administrative expenses for the three months ended September 30, 2012, decreased year-over-year by $1.5 million to $3.2 million from $4.7 million. The decrease was attributed primarily to a decrease in systems and other consulting fees of $1.0 million due to the absence of move-related costs and a decrease in project spending. As well, third party sub-advisory fees decreased by $0.4 million.

Occupancy costs for the three months ended September 30, 2012, increased year-over-year by $0.4 million due to higher lease costs associated with our new premises.

Amortization of property, equipment and intangibles for the quarter ended September 30, 2012, increased by $0.2 million over the prior year quarter to $0.8 million from $0.6 million, due to leasehold improvements for the new office premises and a higher level of capitalized costs.

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 September 30, 2012, EBITDA increased year-over-year by $0.5 million to $8.9 million from $8.4 million.

Base EBITDA eliminates the effect of Performance Fees, Performance Fee related expenses, post-retirement obligations, stock options expense and amortization of prior years' RSU 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 September 30, 2012, Base EBITDA remained relatively flat year-over-year at $9.0 million due primarily to a decrease in operating expenses, offset by a decrease in Base Management Fees.

Adjusted EBITDA increased by $0.6 million or 7%, as Performance Fees earned for the three months ended September 30, 2012, was $1.1 million versus $0.3 million in the similar quarter last year.

Income before provision for income taxes for the three months ended September 30, 2012, increased year-over-year by $0.2 million to $8.1 million from $7.9 million.

Net income for the three months ended September 30, 2012, increased year-over-year by $0.4 million to $5.9 million from $5.5 million.

The Company's effective tax rate in the current quarter decreased to 26.9% versus 30.7% in same quarter last year as the impact of the non-deductibility for tax purposes of expenses associated with stock based compensation was lower in the current quarter. Also contributing to the decrease in the effective tax rate was a decrease in the statutory tax rate.

Accounts Receivable

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

Dividends

On September 20, 2012, the Company declared a regular dividend of $0.1625 per equity share for the quarter ended June 30, 2012, and a special dividend of $0.06 per equity share for the year ended June 30, 2012. These dividends were paid on October 19, 2012, to shareholders of record at the close of business on October 1, 2012.

Since going public in May 2006, the total regular quarterly and special dividends are as follows:

	REGULAR QUARTERLY DIVIDENDS	SPECIAL DIVIDENDS	TOTAL
Paid – since inception to September 30, 2012	$ 2.8275	$ 3.5100	$ 6.3375
Declared – in the first quarter of fiscal 2013	0.1625	0.0600	0.2225
TOTAL PER EQUITY SHARE	**$2.9900**	**$ 3.5700**	**$6.5600**

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

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

	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	AS AT JUN 30, 2012	AS AT SEP 30, 2012
Assets Under Management *($ in millions)*	$ 6,009	$ 6,058	$ 5,808	$ 5,283	$ 5,279	$ 5,473	$ 5,452	$ 5,640

	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	3 MONTHS ENDED JUN 30, 2012	3 MONTHS ENDED SEP 30, 2012
INCOME STATEMENT INFORMATION								
Income								
Base management fees	$ 21,024	$20,724	$20,822	$ 19,302	$ 18,373	$ 18,127	$ 18,051	$18,468
Performance fees	15,819	1,701	27,185	281	1,060	433	2,208	1,096
Other income	767	377	608	777	1,264	946	735	750
	$ 37,610	$22,802	$48,615	$20,360	$20,697	$19,506	$20,994	$20,314
Base EBITDA	9,752	10,184	10,166	9,042	8,207	7,092	3,502	9,022
Adjusted EBITDA	20,428	11,427	30,552	9,243	8,951	7,314	5,169	9,874
Net income	14,107	7,225	22,153	5,458	4,697	4,977	2,313	5,946
Basic earnings per share	$ 0.48	$ 0.25	$ 0.76	$ 0.19	$ 0.16	$ 0.17	$ 0.08	$ 0.21
Diluted earnings per share	$ 0.48	$ 0.24	$ 0.75	$ 0.19	$ 0.16	$ 0.17	$ 0.08	$ 0.20

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 pooled fund vehicles and segregated accounts) and December (for other pooled fund vehicles) 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 September 30, 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	1,274	6.4	13.6	11.0	5.9	11.9	13.6
U.S. Premium Income[5]	Aug 2011	405	7.5	14.0	—	—	—	18.3
Canadian Equity	Jan 1991	229	1.8	3.6	4.9	-5.2	8.8	11.9
U.S. Equity	Feb 1986	145	10.5	18.8	6.4	0.7	7.3	9.1
Resource[3]	Aug 2009	105	-6.9	0.1	6.3	—	—	8.4
International[3]	Aug 2008	71	7.6	9.5	0.3	—	—	0.7
Growth	Jul 1984	8	7.2	9.6	4.6	-2.3	8.8	10.8
		2,237						
Alternative Investment Strategies[4]								
Multi-Strategy	Jan 2009	302	3.0	1.4	0.6	—	—	2.8
Multi-Strategy Opportunities	Jan 2009	139	2.5	0.9	0.8	—	—	4.3
Income Long/Short[3]	Jul 2004	481	4.7	4.1	4.8	5.9	—	14.3
Equity Long/Short[3]	Jul 2004	16	7.6	4.2	2.2	-0.1	—	10.6
Other Long/Short Funds	—	66	—	—	—	—	—	—
		1,004						
Credit Alternative Investment Strategies								
Credit Arbitrage	Jan 2009	483	8.4	8.3	3.8	—	—	7.8
Enhanced Credit Arbitrage	Dec 2008	224	19.7	19.0	4.7	—	—	11.0
		707						
Fixed Income Investment Strategies								
Enhanced Yield[3]	Feb 2009	603	9.5	13.5	5.6	—	—	6.8
Enhanced Bond	Dec 2008	418	6.0	7.3	4.2	—	—	7.0
		1,021						
Institutional & Special Mandates[6]		671						
Assets Under Management		**5,640**						

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. AUM reflects all Assets Under Management, both in pooled funds and segregated accounts.*
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. *Since Inception return is non-annualized.*
6. *Includes institutional mandates managed primarily in accordance with our Canadian Equity portfolio model ($397 million), our Premium Income portfolio model ($145 million) and our Canadian Growth portfolio model ($92 million), and private client mandates managed primarily in accordance with a combination of our Canadian Equity and Premium Income portfolio models ($5 million), our Founders portfolio model ($26 million) and our U.S. Equity portfolio models ($6 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 DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer by others, and information required to be disclosed by the Company in its interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control over Financial Reporting
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 ICFR in the most recent quarter that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Management of the Company has evaluated the design of its DC&P and ICFR (as defined under National Instrument 52-109) as of September 30, 2012, under the supervision of the Chief Executive Officer and the Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the DC&P and ICFR were properly designed as of September 30, 2012.

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.

There are no significant regulatory capital requirements for the Company.

During the three months ended September 30, 2012, acquisition of property and equipment amounted to approximately $0.1 million (September 30, 2011 – $4.4 million) and acquisition of intangibles amounted to approximately $0.2 million (September 30, 2011 – $1.1 million). The decrease in property and equipment acquisitions relate primarily to the decrease in capital expenditures in respect of the

move to the Bay Adelaide Centre, which occurred in September 2011. Acquisitions of intangibles decreased as spend to develop technology was significantly reduced.

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, 2012.

Gluskin Sheff's policies and procedures related to the management of capital are described in note 8 of the Company's September 30, 2012, unaudited interim financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

These unaudited interim financial statements were prepared by management in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's Annual Audited Financial Statements for the year ended June 30, 2012. Accordingly, certain information and disclosure normally included in the annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board, have been omitted or condensed in these 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 September 30, 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:

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the 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 2 of the Company's unaudited interim financial statements for the three months ended September 30, 2012.

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.

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. 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. Additional information, including amounts accrued and expensed in the current quarter, is described in note 4 of the Company's unaudited interim financial statements for the three months ended September 30, 2012.

Executive Loan Program

The Company provides financial 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 loans. Where the employee loan principal outstanding exceeds the fair value of the collateral, management judgment is required to determine the fair value of the contingent liability.

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 after 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.

Impairment of non-financial assets
Finite life intangible assets, and property and equipment are reviewed for impairment whenever there is an indication that the asset may be impaired. Intangible assets not yet ready for use are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The values associated with intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives.

Deferred tax assets
Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. In addition, deferred 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.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

CHANGES IN ACCOUNTING POLICIES

There were no changes to the Company's accounting policies from those reported in the Audited Annual Financial Statements for the year ended June 30, 2012.

FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, short-term investments, restricted cash, accounts receivable, securities owned, accounts payable and accrued liabilities, dividends payable and accrued bonuses. The carrying value of cash, short-term investments, restricted cash, accounts receivable, accounts payable and accrued liabilities (excluding DSUs), dividends payable and accrued bonuses approximate their relevant fair value due to their short-term nature. DSUs are marked-to-market, with unrealized gains or losses being recognized in general and administrative expenses in the statement of income. Short-term investments are recorded at fair value using quotations from independent third-party pricing sources. At September 30, 2012, the Company held $10.7 million in cash (June 30, 2012 – $18.7 million), $44.1 million in short-term investments (June 30, 2012 – $35.1 million) and $2.1 million in restricted cash (June 30, 2012 – $2.1 million). Securities owned, if

any, 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 other income in the statement of income. The use of financial instruments exposes the Company to risks such as market risk, credit risk, liquidity risk and concentration risk. Refer to note 15 of the Company's September 30, 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 September 30, 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 September 30, 2012. For further information, refer to note 3 of the Company's September 30, 2012, unaudited interim financial statements.

SHARE CAPITAL

As at November 8, 2012, there has been no change to the capital structure of the Company from that disclosed in the unaudited interim financial statements dated September 30, 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 6 to the unaudited interim financial statements for the three months ended September 30, 2012.

The number of outstanding stock options to date pursuant to our incentive stock option plan is 1,937,000 of which 1,346,000 were exercisable at September 30, 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 SEP 30, 2012	AS AT JUN 30, 2012
ASSETS		
Current assets		
Cash	$ 10,668	$ 18,727
Short-term investments (note 2)	44,085	35,092
Accounts receivable (note 3)	8,121	8,791
Income taxes recoverable (note 9)	8,676	7,596
Prepaid expenses and other assets	1,053	1,264
	72,603	71,470
Non-current assets		
Restricted cash (note 6)	2,070	2,069
Property and equipment	24,320	24,912
Intangibles	1,837	1,817
Deferred income taxes, net (note 9)	2,981	3,118
	31,208	31,916
Total assets	**$103,811**	**$103,386**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 3, 6 and 10)	$ 10,844	$ 9,378
Dividends payable	6,485	—
Accrued bonuses (note 10)	3,942	9,185
	21,271	18,563
Non-current liabilities		
Long-term liabilities (note 6 and 10)	1,102	1,019
Post-retirement obligations (note 3 and 4)	10,286	10,191
	11,388	11,210
	$ 32,659	$ 29,773
SHAREHOLDERS' EQUITY		
Share capital (note 5)	$ 1,547	$ 2,154
Contributed surplus	12,999	14,314
Retained earnings	56,606	57,145
	71,152	73,613
Total liabilities and shareholders' equity	**$103,811**	**$103,386**

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

INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

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

	3 MONTHS ENDED SEP 30, 2012	3 MONTHS ENDED SEP 30, 2011
INCOME		
Base management fees (note 3)	$18,468	$ 19,302
Performance fees (note 3)	1,096	281
Other income (note 2)	750	777
	20,314	**20,360**
EXPENSES		
Salaries and benefits (notes 4, 6 and 10)	7,575	6,876
Reimbursements from pooled funds (note 3)	(902)	(875)
Business development (note 11)	533	666
General and administrative (note 6 and 12)	3,249	4,708
Occupancy (note 13)	921	539
Amortization of property and equipment	659	469
Amortization of intangibles	149	105
	12,184	**12,488**
Income before provision for income taxes	**$ 8,130**	**$ 7,872**
Provision for (recovery of) income taxes (note 9)		
Current income taxes	1,946	2,589
Deferred income taxes	238	(175)
	2,184	**2,414**
Net income and comprehensive income for the period attributable to shareholders	**$ 5,946**	**$ 5,458**
Net earnings per common share attributable to shareholders:		
Basic earnings per share (note 7)	**$ 0.21**	**$ 0.19**
Diluted earnings per share (note 7)	**$ 0.20**	**$ 0.19**

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

INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

($ in thousands of Canadian dollars)

	3 MONTHS ENDED SEP 30, 2012			
	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL EQUITY
Beginning of period	**$ 2,154**	**$ 14,314**	**$ 57,145**	**$ 73,613**
Net income and comprehensive income attributable to shareholders	—	—	5,946	5,946
Amortization of restricted share units (note 6)	—	920	—	920
Forfeiture of restricted share units (note 6)	—	(9)	—	(9)
Amortization of stock options (note 6)	—	259	—	259
Forfeiture of stock options (note 6)	—	(54)	—	(54)
Net treasury stock activity (note 5 and 6)	(607)	(2,532)	—	(3,139)
Deferred tax asset for dividends-in-kind (note 9)	—	101	—	101
Special dividend (note 14)	—	—	(1,749)	(1,749)
Quarterly dividend (note 14)	—	—	(4,736)	(4,736)
End of period	**$ 1,547**	**$12,999**	**$56,606**	**$ 71,152**

	3 MONTHS ENDED SEP 30, 2011			
	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL EQUITY
Beginning of period	**$ 5,219**	**$ 11,384**	**$ 81,808**	**$ 98,411**
Net income and comprehensive income attributable to shareholders	—	—	5,458	5,458
Amortization of restricted share units (note 6)	—	665	—	665
Forfeiture of restricted share units (note 6)	—	—	—	—
Amortization of stock options (note 6)	—	484	—	484
Forfeiture of stock options (note 6)	—	—	—	—
Net treasury stock activity (note 5 and 6)	1,061	(1,061)	—	—
Deferred tax asset for dividends in kind (note 9)	—	—	—	—
Special dividend (note 14)	—	—	(23,431)	(23,431)
Quarterly dividend (note 14)	—	—	(4,027)	(4,027)
End of period	**$6,280**	**$ 11,472**	**$59,808**	**$77,560**

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

STATEMENTS OF CASH FLOWS

($ in thousands of Canadian dollars)

CASH PROVIDED BY (USED IN)	3 MONTHS ENDED SEP 30, 2012	3 MONTHS ENDED SEP 30, 2011
OPERATING ACTIVITIES		
Net income for the period	$ 5,946	$ 5,458
Adjustments for non-cash items		
Amortization of property and equipment	659	471
Amortization of intangibles	149	103
Net realized and unrealized investment loss (note 2)	—	11
Post-retirement obligations (note 4)	95	99
Deferred income taxes (note 9)	238	(175)
Deferred share units (note 6)	159	(43)
Restricted share units (note 6)	911	665
Stock option expense (note 6)	205	484
Net interest income	(119)	(585)
	8,243	6,488
Changes in non-cash working capital items		
Restricted cash	(1)	1
Accounts receivable (note 3)	670	25,976
Prepaid expenses and other assets	211	(35)
Income taxes recoverable (note 9)	(1,080)	2,589
Accounts payable and accrued liabilities (note 3)	(1,061)	(4,806)
Accrued bonuses (note 10)	(5,243)	(15,124)
Securities owned (note 2)	—	(212)
	(6,504)	8,389
Cash provided by operating activities	**1,739**	**14,877**
INVESTING ACTIVITIES		
Purchases of property and equipment	(67)	(4,378)
Purchases of intangibles	(169)	(1,058)
(Purchases) Sales of short-term investments	(8,993)	8,328
Net interest received	119	585
Cash used in investing activities	**(9,110)**	**3,477**
FINANCING ACTIVITIES		
Acquisition of treasury stock (note 5)	(688)	—
Cash used in financing activities	**(688)**	**—**
Increase (decrease) in cash during the period	**(8,059)**	**18,354**
Cash – beginning of period	**18,727**	**10,480**
Cash – end of period	**$10,668**	**$28,834**

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

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. As at September 30, 2012, and 2011, the Company was controlled by Messrs. Ira Gluskin and Gerald Sheff, Co-Founders.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited interim financial statements were prepared by management in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's Annual Audited Financial Statements for the year ended June 30, 2012. Accordingly, certain information and disclosure normally included in the annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board, have been omitted or condensed in these unaudited interim financial statements. Certain comparative figures have been reclassified to conform with the current period's presentation.

The unaudited interim financial statements of the Company for the three months ended September 30, 2012, were authorized for issue by a resolution of the Board of Directors on November 8, 2012.

Basis of Presentation

These unaudited interim financial statements have been prepared on a going concern basis and historical cost basis, except for held-for-trading financial instruments and Deferred Share Units ("DSU"), which 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 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 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 6. 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 unaudited interim 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.

Significant Accounting Judgments and Estimates

These unaudited interim financial statements are prepared by management in accordance with IFRS, as issued by the IASB. 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 income 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 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 2.

(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 4. 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) *Executive Loan Program*
The Company provides financial 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 loans. Where the employee loan principal outstanding exceeds the fair value of the collateral, management judgment is required to determine the fair value of the contingent liability.

(iv) *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.

(v) *Impairment of non-financial assets*
Finite life intangible assets and property and equipment are reviewed for impairment whenever there is an indication that the asset may be impaired. Intangible assets not yet ready for use are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The values associated with intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives.

(vi) *Deferred tax assets*
Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. In addition, deferred 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. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Foreign currency translation
The unaudited interim 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 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, Short-term investments and Restricted cash
Cash consists of cash on deposit with banks. Short-term investments consist of temporary investments consisting of highly liquid investments in interest bearing notes, treasury bills and bonds with short-term maturities. Restricted cash is cash held in a segregated account, in connection with loan guarantees by the Company in respect of borrowings by certain employees from a Canadian Chartered Bank, pursuant to the Company's Executive Loan Program, as further described in note 6. The balance held as restricted cash is a proportion of the outstanding executives' borrowings and fluctuates directly with changes in the outstanding loan balances. Restricted cash balances will become available upon reduction of the outstanding loan balances.

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; or
- where there is no active market, but the fair value can be reliably measured, using valuation techniques.

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 the statement of 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. Accounts receivable are initially recognized at the amount expected to be received, less, when

material, a discount to reduce the accounts receivable to fair value. Subsequently, accounts receivable are measured at amortized cost using the effective interest method less a provision for impairment, if any. The provision is the difference between the amortized cost of the accounts receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account; and

– Accounts payable and accrued liabilities, dividends payable and accrued bonuses are classified as other financial liabilities.

(iv) *Fair value hierarchy*

All financial instruments recognized at fair value in the 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 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 impairment losses, if any. Property and equipment comprising 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 a period which includes the initial contractual 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

Intangible assets are initially measured at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortization and 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 whenever there is an indication that the intangible asset may be impaired. Intangible assets not yet ready for use are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. An intangible asset is considered impaired if the carrying value exceeds the estimated recoverable amount of the asset or Cash Generating Unit ("CGU"), as applicable, and the excess is charged to the statement of operations as an impairment loss. The recoverable amount of intangibles is based on a discounted cash flow analysis. If in subsequent periods the recoverable amount exceeds carrying value, the prior impairment loss is reversed to bring the carrying amount to the carrying amount (net of amortization) that would have been recognized had no impairment loss been recognized.

Previously capitalized technology development costs are derecognized when it is determined that those costs related to components of the technology that will not, or are unlikely to be put in use by the Company, for where there is no other residual value related thereto.

Intangible assets are being amortized on a straight-line basis at a rate of 25% per annum or declining balance basis at a rate of 30% per annum. 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 intangible assets 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 will begin.

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 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 of assets to a different investment model.

Investment income is derived from securities holdings, cash and short term investments. 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 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 in the asset values in the funds over the performance hurdle.

The Company also recovers expenses incurred on behalf of the pooled funds relating to the operation of these pooled funds, which include unitholder administration and fund accounting costs, and trustee fees.

Stock-Based Compensation

The Company has several stock-based compensation plans: the Stock Option plan, the DSU plan, the RSU plan, the Employee Subordinate Voting Share Ownership Plan and the Executive Loan Program, as outlined in note 6.

The Company has used the fair value-based method to account for the cost of stock options awarded under its Stock Option plan. The fair value of the stock options is estimated on the grant date using the Black-Scholes option valuation model. This cost is recognized using graded vesting over 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 grant. 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. At each reporting date, the obligation is adjusted to fair value based on the Company's stock price and changes in the fair value of the obligation are recognized in the general and administration expense on the statement of income. DSU participants are granted additional DSUs equal to the amount 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 general and administrative in the statement of income in the period in which the dividends are paid. The Company has historically made cash payments when settling any DSUs.

The obligation that results from the award of RSUs is recognized using graded vesting over the vesting period, i.e., over three years, as an increase in salaries and

benefits and contributed surplus. Each RSU is settled in shares of the Company on the vesting date. RSU participants are granted additional RSUs as a "dividend in kind" which is 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 dividends in kind is reflected in contributed surplus and dividend amounts in the period the dividend is declared. Each dividend in kind is settled in shares of the Company on the vesting date of the underlying RSUs to which they relate. The 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 restricted cash on the balance sheet. Financial guarantees are recognized at inception as a liability at fair value less directly attributable transaction costs. Subsequently, financial guarantee liabilities are measured at the higher of the initial value and the present value of any expected payment, when a payment under the guarantee has become probable.

Earnings per Share

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 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, related to the Stock Option and RSU plans as described in note 6, have been issued.

Income Taxes

Income taxes are comprised of current and deferred taxes. Income taxes are recognized in the statement of income except to the extent that they relate to items

recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively. 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, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Taxable income 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.

In general, deferred tax is recognized in respect of temporary differences between the accounting and tax basis of assets and liabilities. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and liabilities are presented as non-current.

Segment reporting

Management has determined that the Company has one reportable segment; being its investment management services. This segment reflects the Company's internal financial reporting and performance measurement.

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*, IAS 27 *Separate Financial Statements*, IFRS 13 *Fair Value Measurement* – and amended IAS 28 *Investments in Associates and Joint Ventures*.

In June 2011, the IASB amended IAS 19 *Employee Benefits* to reflect significant changes to recognition and measurement of defined benefit pension expense and termination benefits and expanded disclosure requirements.

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.

In December 2011, the IASB amended IAS 32 *Financial Instruments: Presentation* to clarify requirements for offsetting of financial assets and liabilities, effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company is in the process of assessing the impact that the amended standard will have on its financial statements and whether to early adopt the new requirement.

In June 2011, the IASB amended IAS 1 *Presentation of Financial Statements* to require entities to group together items within other comprehensive income (loss) that may be reclassified to net income (loss), effective for annual periods beginning on or after July 1, 2012. This change did not impact the operating results of the Company.

2. FINANCIAL INSTRUMENTS

Fair Value Measurement

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:

	SEP 30, 2012			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short-term investments	$ —	$44,085	$ —	$44,085
Total	$ —	$44,085	$ —	$44,085

	JUN 30, 2012			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Short-term investments	$ —	$35,092	$ —	$35,092
Total	$ —	$35,092	$ —	$35,092

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

Securities owned and securities sold short

The Company seeds 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. As at September 30, 2012, there were no securities owned (June 30, 2012 – $nil) and no securities sold short (June 30, 2012 – $nil).

The net realized gains and change in unrealized gains or losses incurred on securities owned during the period are included other income.

Details of other income are as follows:

	3 MONTHS ENDED	
	SEP 30, 2012	SEP 30, 2011
Net realized loss on securities owned	$ —	$ (19)
Change in unrealized gain on securities owned	—	8
Change in unrealized loss on short-term investments	—	(372)
Economic research subscriptions	664	545
Interest income	119	585
Other (loss) income	(33)	30
	$ 750	$ 777

3. RELATED PARTY TRANSACTIONS

Included in the Company's statement of income and comprehensive income for the three months ended September 30, 2012, are Performance Fees of $1,086 (September 30, 2011 – $260) and Base Management Fees of $14,689 (September 30, 2011 – $15,000) earned from the management of the Company's pooled funds, where the Company generally acts as the trustee, manager, transfer agent and principal distributor. 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 September 30, 2012, reimbursement of certain operating expenses by the Company's pooled funds to the Company totaled $902 (September 30, 2011 – $875). Expenses related to the operation of the pooled funds are included in: salaries and benefits, general and administrative, occupancy, and amortization of property and equipment and intangibles.

Included in the Company's accounts receivable as at September 30, 2012, is $5,938 (June 30, 2012 – $5,909) owing from the Company's pooled funds. Included in the Company's liabilities as at September 30, 2012, are post-retirement obligations of $10,286 (June 30, 2012 – $10,191) in respect of the Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, as described in note 4.

The Company's other income includes income from the economic research subscriptions of $664 (September 30, 2011 – $545) and related unearned income of $1,439 (September 30, 2011 – $1,318) is included in accounts payable and accrued liabilities.

Included in general and administrative expenses is $266 (September 30, 2011 – $206) 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.

Transactions with related parties and affiliates are conducted at normal market terms and are recorded at fair value.

4. POST-RETIREMENT OBLIGATIONS

During 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 entitles each Co-Founder to a lump sum retirement payment of $1,500, as at January 1, 2010, for Mr. Gluskin and as at June 30, 2010, for Mr. Sheff, for past years of service, which will be paid 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. The agreement also provides 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 $3,000 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 September 30, 2012, was $95 (September 30, 2011 – $99) using a discount rate of 3.75% (September 30, 2011 – 4.25%) and an annual inflation assumption of 2.0% (September 30, 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	$(759)
Impact of 1.0% decrease in the discount rate	$ 865
Impact of 1.0% increase in Consumer Price Index	$ 368
Impact of 1.0% decrease in Consumer Price Index	$(318)

5. 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 September 30, 2012, there were 16,677,003 SVS, 12,611,500 MVS (June 30, 2012 – 16,677,003 SVS and 12,611,500 MVS) and no preference shares outstanding (June 30, 2012 – nil). 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. MVS are non-redeemable and are convertible at a ratio of one-to-one for SVS.

In relation to the Company's RSU plan, as described in note 6, the Company may acquire shares in the open market which will be held in the 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 Company's 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 September 30, 2012, $688 (September 30, 2011 – $nil) of treasury shares were acquired. As at September 30, 2012, the Company held approximately 448,000 (June 30, 2012 – 406,000) treasury shares.

	3 MONTHS ENDED			
	SEP 30, 2012		SEP 30, 2011	
SHARE CAPITAL	NUMBER OF SHARES (000'S)	STATED VALUE	NUMBER OF SHARES (000'S)	STATED VALUE
BEGINNING OF PERIOD				
Multiple Voting Shares	12,611		12,613	
Subordinate Voting Shares[1]	16,272		16,483	
	28,883	**$2,154**	**29,096**	**$ 5,219**
ACTIVITY DURING THE PERIOD				
Convert from Multiple Voting Shares	—	—	(2)	—
Purchase of Treasury shares	(47)	(688)	—	—
Treasury shares vested	5	81	58	1,061
Convert to Subordinate Voting Shares	—	—	2	—
	(42)	**$ (607)**	**58**	**$ 1,061**
END OF THE PERIOD				
Multiple Voting Shares	12,611		12,611	
Subordinate Voting Shares[1]	16,230		16,543	
	28,841	**$1,547**	**29,154**	**$6,280**

Note:

1. *Net of treasury shares held by the Company.*

6. STOCK-BASED COMPENSATION PLANS

The Company has the following stock-based compensation plans: the Stock Option, DSU, RSU and Employee Subordinate Voting Share Ownership plans 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. During the three months ended September 30, 2012, the Company did not issue any stock options (September 30, 2011 – nil).

The expense related to stock options outstanding that has been included in salaries and benefits expense during the three months ended September 30, 2012, was $259 (September 30, 2011 – $484). Also included in the salaries and benefits expense for the three months ended September 30, 2012, is a reversal of $54 (September 30, 2011 – $nil) for stock option expense recognized in prior periods for options that were forfeited due to employee departures in the quarter. During the three months ended September 30, 2012, no stock options were exercised (September 30, 2011 – nil).

	3 months ended Sep 30, 2012		Year ended Jun 30, 2012	
Stock options	Options (000's)	Weighted average exercise price	Options (000's)	Weighted average exercise price
Balance – Beginning of period	**1,991**	**$ 18.10**	**2,094**	**$ 18.48**
Options granted	—	—	150	15.93
Options exercised	—	—	—	—
Options forfeited	(54)	20.34	(253)	20.03
Balance – End of period	**1,937**	**$ 18.03**	**1,991**	**$ 18.10**

	As at Sep 30, 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	1,255	2.66	$ 15.39	915	$ 15.40
$18.00 – $25.99	485	4.03	20.62	275	20.60
$26.00 – $33.99	197	2.01	28.50	156	28.50
	1,937	**2.94**	**$ 18.03**	**1,346**	**$ 17.98**

RANGE OF EXERCISE PRICES	AS AT JUN 30, 2012				
	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	1,289	2.89	$ 15.39	871	$ 15.39
$18.00 – $25.99	485	4.28	20.62	192	20.62
$26.00 – $33.99	217	2.27	28.50	172	28.50
	1,991	**3.16**	**$ 18.10**	**1,235**	**$ 18.03**

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 the value of DSUs are marked-to-market. 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 September 30, 2012 (September 30, 2011 – $nil).

The Company recorded a DSU expense of $159 during the three months ended September 30, 2012, including the mark-to-market adjustment (September 30, 2011 – negative $43). The corresponding liability is recognized in long-term liabilities in the Company's balance sheet. As at September 30, 2012, the liability is $1,077 (June 30, 2012 – $919).

	3 MONTHS ENDED	
DEFERRED SHARE UNITS (000'S)	SEP 30, 2012	SEP 30, 2011
Balance – Beginning of period	**69**	**48**
Issued during period	5	4
Balance – End of period	74	52

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 in kind. RSUs vest over time at the rate of one-third of the total RSUs granted on each anniversary of the original grant date.

For the three months ended September 30, 2012, the Company awarded $1,308 (September 30, 2011 – $4,908) of RSUs to employees, plus RSUs granted as dividends in kind for the aggregate amount of dividends that would have been paid if the RSUs had been SVS. The expense related to RSUs outstanding that has been included in the salaries and benefits expense during the three months ended September 30, 2012, was $920 (September 30, 2011 – $665) using graded vesting. Also included in the salaries and benefits expense for the three months ended September 30, 2012, is a reversal of $9 (September 30, 2011 – $nil) for RSU amortization recognized in prior periods for RSUs that were forfeited due to employee departures in the current quarter. During the three months ended September 30, 2012, dividends in kind of $76 (September 30, 2011 – $nil) were declared and subsequently granted in the second quarter of fiscal 2013. These dividends in kind are included in accounts payable and accrued liabilities until granting. Also included in dividend amounts for the three

months ended September 30, 2012, is a reversal of $2 (September 30, 2011 – $nil) for dividends in kind recognized in prior periods for dividends in kind that were forfeited due to employee departures in the current quarter.

During the three months ended September 30, 2012, $2,532 (September 30, 2011 – $1,061) of RSUs vested of which $nil (September 30, 2011 – $1,061) was settled with treasury stock held by the Trust in the quarter. The balance of $2,532 (September 30, 2011 – $nil) is included in accounts payable and accrued liabilities and will be settled with treasury stock held by the Trust in the second quarter of fiscal 2013.

	3 MONTHS ENDED	
RESTRICTED SHARE UNITS (000'S)	SEP 30, 2012	SEP 30, 2011
Balance – Beginning of period	**403**	**188**
Issued during period	89	278
Vested during the period	(157)	(58)
Forfeited during the period	(1)	—
Balance – End of period	**334**	**408**

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 $37 for the three months ended September 30, 2012 (September 30, 2011 – $35), 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 executive loan. Where the executive loan principal outstanding exceeds the fair value of the collateral, management will assess the probability of default by the executive and other possible

recourse from the executive's assets. Any corresponding liability is recognized in the Company's financial statements. As at September 30, 2012, the corresponding liability is $nil (June 30, 2012 – $nil).

As part of an agreement with the third party institution, the Company is required to hold a balance as restricted cash, which is a proportion of the outstanding executives' borrowings. The restricted cash balance fluctuates directly with changes in the outstanding executive loan balances. Restricted cash balances will become available upon reduction of the outstanding loan balances. As at September 30, 2012, $2,070 of restricted cash (June 30, 2012 – $2,069) is held in a segregated account in connection with this loan guarantee.

7. 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 September 30:

BASIC AND DILUTED EARNINGS PER SHARE	3 MONTHS ENDED SEP 30, 2012	3 MONTHS ENDED SEP 30, 2011
Numerator:		
Net income available to shareholders – basic and diluted	$ 5,946	$ 5,458
Denominator (Number of shares in thousands):		
Weighted average number of shares outstanding – basic	28,880	29,096
Weighted average number of dilutive share-based compensation	238	257
Weighted average number of shares outstanding – diluted	29,118	29,353
Earnings per share		
Basic	$ 0.21	$ 0.19
Diluted[1]	$ 0.20	$ 0.19

Note:

1. *For the three months ended September 30, 2012, the computation of diluted earnings per share excluded weighted-average options outstanding of 1,978 (September 30, 2011 – 900) with a weighted-average exercise price of $18.08 (September 30, 2011 – $22.66) as the option price was greater than the average market price of the Company's shares. For the three months ended September 30, 2012, the computation of diluted earnings per shares excluded RSU's outstanding of 89 (September 30, 2011 – nil).*

8. 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 working capital level of $100 as a registration requirement under the Ontario Securities Act. Throughout the three months ended September 30, 2012, and 2011, the Company maintained levels of working capital well in excess of the $100 requirement.

9. 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	
	SEP 30, 2012	SEP 30, 2011
Income tax provision based on statutory income tax rate, 26.50% (2012 – 27.25%)	**$2,154**	**$2,145**
Increase (decrease) in income taxes resulting from:		
Expenses not deductible for tax purposes	79	165
Realized and unrealized capital (gains) losses on securities owned	—	12
RSU dividends vested in the quarter	(53)	—
Other non-deductible items and changes in future tax rates	4	92
Income tax provision as reported, 26.86% (2012 – 30.65%)	**$2,184**	**$2,414**

The change in the statutory income tax rate from 27.25% in fiscal 2012 to 26.5% for fiscal 2013 is due to federal and provincial rate reductions that took effect in fiscal 2013.

The components of the Company's deferred income tax assets and liabilities as at September 30, 2012, and June 30, 2012, are as follows:

	AS AT SEP 30, 2012	AS AT JUN 30, 2012
Deferred income tax assets		
Accrued and long term liabilities	$ 372	$ 354
Restricted share units	723	1,020
Restricted share units dividends-in-kind	101	—
Post-retirement obligations	2,726	2,700
Total deferred income tax assets	**$3,922**	**$4,074**
Deferred income tax liabilities		
Property and equipment	(941)	(956)
Total deferred income tax liabilities	**$ (941)**	**$ (956)**
Net deferred income tax assets	**$2,981**	**$ 3,118**

As at September 30, 2012, the Company has approximately $1,476 (June 30, 2012 – $1,476) of unused capital losses realized on the disposition of security holdings, for which no benefit has been recognized in these unaudited interim financial statements.

10. SALARIES AND BENEFITS

The Company accrues for bonuses to its employees.

Included in salaries and benefits expense for the three months ended September 30, 2012, are accrued bonuses of $2,480 (September 30, 2011 – $2,062). Salaries and benefits expense also includes termination payments of $300 (September 30, 2011 – $nil) 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.

11. BUSINESS DEVELOPMENT

The following table presents the breakdown of business development expense by nature:

	3 MONTHS ENDED	
	SEP 30, 2012	SEP 30, 2011
Donations	$366	$ 325
Marketing	89	230
Travel	78	111
	$ 533	$666

12. GENERAL AND ADMINISTRATIVE

The following table presents the breakdown of general and administrative expense by nature:

	3 MONTHS ENDED	
	SEP 30, 2012	SEP 30, 2011
Insurance	$ 131	$ 126
Information technology infrastructure and system operating costs	1,054	1,200
Office services and telecommunications	551	501
System and other consulting fees	410	1,468
Regulatory fees	146	151
Professional fees	492	455
Sub-advisory fees and other fees	138	515
Economic research expenses	304	413
Other	23	(121)
	$3,249	$4,708

13. OCCUPANCY

The following table presents the breakdown of occupancy expense by nature:

	3 MONTHS ENDED	
	SEP 30, 2012	SEP 30, 2011
Lease for premises	$868	$ 512
Premises maintenance	53	27
	$921	$539

14. DIVIDENDS

The following dividends were declared by the Company during the three months ended September 30, 2012, and paid in the second quarter of fiscal 2013:

DIVIDENDS DECLARED	RECORD DATE	PAYMENT DATE	CASH DIVIDEND PER SHARE	TOTAL DIVIDEND AMOUNT ($000's)
June 30, 2012 – regular dividend Q4, 2012	October 1, 2012	October 19, 2012	$ 0.1625	$4,682
June 30, 2012 – special dividend	October 1, 2012	October 19, 2012	0.0600	1,729
Total Dividends Payable			$ 0.2225	$ 6,411

As part of the RSU plan, as described in note 6, the following dividends in kind were declared by the Company during the three months ended September 30, 2012, and granted in the second quarter of fiscal 2013:

DIVIDENDS IN KIND DECLARED	RECORD DATE	GRANT DATE	DIVIDEND IN KIND PER SHARE	TOTAL DIVIDEND IN KIND AMOUNT ($000's)
June 30, 2012 – regular dividend Q4, 2012	October 1, 2012	October 19, 2012	$ 0.1625	$56
June 30, 2012 – special dividend	October 1, 2012	October 19, 2012	0.0600	20
Total Dividends in Kind Payable			$ 0.2225	$76

15. FINANCIAL INSTRUMENT RISKS

The Company's financial instruments include cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, dividends payable and accrued bonuses (excluding DSUs), whose carrying values approximate their fair values due to their short-term nature. DSUs are marked-to-market. 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, 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 September 30, 2012, there were no investments in securities (June 30, 2012 – $nil). Price risk also arises from the possibility that changes in the Company's stock price will result in a change in the carrying value of DSUs. As at September 30, 2012, DSUs amounted to $1,077 (June 30, 2012 – $919). If the Company's stock price increased by 5%, this would have decreased net income before provision for income taxes by approximately $40 (June 30, 2012 – $34); conversely, if the Company's stock price decreased by 5%, this would have increased net income by the same amount.

(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 September 30, 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 September 30, 2012, and June 30, 2012, since almost all investments in debt securities have a term to maturity of less than a year.

(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. The Company is therefore exposed to foreign exchange risk, as the value of financial assets denominated in other currencies will fluctuate due to changes in foreign exchange rates. As at September 30, 2012, there were no investments in securities owned and managed by the Company denominated in U.S. dollars (June 30, 2012 – $nil). A total of $970 (June 30, 2012 – $952) of cash and $189 (June 30, 2012 – $238) of accounts receivable were denominated in U.S. dollars. As at September 30, 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 $43 (June 30, 2012 – $45).

In practice, the actual results may differ from this sensitivity analysis and the difference may 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, if any. As at September 30, 2012, the Company had $nil (June 30, 2012 – $nil) 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.

Also included in short-term investments are debt securities issued by the federal government, Canadian banks and Canadian chartered banks with credit ratings of

AA or higher as at September 30, 2012 and June 30, 2012. Credit risk is considered low as these instruments are held by high credit quality issuers and have terms to maturity of less than one year.

Additionally, the restricted cash balance is held at a Canadian chartered bank with a credit rating of AA- as at September 30, and June 30, 2012. As a result credit risk is considered minimal.

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 balance sheets are highly liquid. The majority of the investments held by the Company are readily marketable and are recorded at their fair values. Financial liabilities as at September 30, 2012, totaled $21,271 (June 30, 2012 – $18,563) which includes accounts payable and accrued liabilities, dividends payable and accrued bonuses, with all amounts due within one year. All other financial liabilities are due in the periods thereafter. 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.

Concentration Risk

Concentration risk arises from the possibility that changes in market factors will affect the carrying value of financial instruments similarly. The Company is exposed to concentration risk principally on its holdings of debt and equity securities. As at September 30, 2012, and June 30, 2012, the Company held debt securities issued by the federal government, Canadian banks and Canadian chartered banks. The Company has accepted the concentration risk associated with its holdings, as there is minimal credit risk associated with these debt securities.

16. 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 of interim financial statements by an entity's auditor.

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Compensation, Nominating and Governance Committee

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