Gluskin Sheff

Third Quarter Results | 2013

THREE MONTHS ENDED MARCH 31, 2013

"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

THIRD QUARTER ENDED MARCH 31, 2013

Assets Under Management at quarter-end were $6.1 billion, up $375 million from the preceding quarter. Net additions of $135 million, together with positive investment performance of $240 million, were responsible for the increase in AUM. Our AUM of $6.1 billion this quarter-end marks an all-time high. Base Management Fees for the three months ended March 31, 2013, increased by $0.5 million to $19.2 million from $18.7 million for the three months ended December 31, 2012.

Base EBITDA (which excludes Performance Fees net of related bonuses, post-retirement obligations and non-cash expenses) for the three months ended March 31, 2013, decreased $0.1 million to $9.5 million from $9.6 million for the three months ended December 31, 2012. Excluding expenses of $0.8 million relating to a process the Company undertook at the request of its founding shareholders to explore shareholder value maximization alternatives, Base EBITDA would have been $10.3 million for the three months ended March 31, 2013. Base operating expenses (excluding bonus provision and the shareholder value maximization project costs described earlier) for the three months ended March 31, 2013, decreased $0.5 million to $7.9 million from $8.4 million for the three months ended December 31, 2012, as the Company continues to benefit from cost efficiency initiatives. Net Income was $6.7 million, or $0.23 on a basic and diluted per share basis for the three months ended March 31, 2013, compared with $24.7 million, or $0.85 per share on a basic and diluted per share basis for the three months ended December 31, 2012. The three months ended December 31, 2012 included Performance Fees from December year-end pooled fund vehicles of $31.0 million.

We are pleased to report that the strong risk-adjusted returns we delivered to our clients with low volatility across all asset classes throughout calendar 2012 continued throughout the first quarter of calendar 2013, with all of our strategies enjoying positive absolute performance. Our emphasis on strategies that take advantage of positive trends in the U.S. as well as international capital markets has been quite beneficial. At the same time, we are sticking to our disciplines and our focus on generating steady income and yield and employing long/short strategies with low correlations to the broader markets.

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
May 9, 2013

JEREMY FREEDMAN
President & Chief Executive Officer
May 9, 2013

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2013, is provided as of May 9, 2013. It should be read in conjunction with the unaudited interim financial statements, including the notes thereto, of Gluskin Sheff + Associates Inc. for the three months ended March 31, 2013, 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 March 31, 2013. 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. Certain comparative figures have been reclassified to conform with the current period's presentation.

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 bonus 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, if any, 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 March 31, 2013:

- AUM increased by $375 million to $6.1 billion at March 31, 2013, or 6.6% from December 31, 2012. The increase in AUM is attributable to positive investment performance of $240 million and net additions of $135 million.
- Base Management Fees increased to $19.2 million this quarter versus $18.1 million in the year ago quarter as average AUM for the quarter increased to $5.9 billion from $5.4 billion for the same quarter last year and the Base Management Fee Percentage declined to 1.31% from 1.34%. The decline in the Base Management Fee Percentage is substantially attributable to our having shifted assets out, during the past 12 months, of our more economically sensitive Canadian Equity model into our more defensive Premium Income models, a shift that significantly benefited clients in terms of portfolio returns.
- Base EBITDA was $9.5 million for the three months ended March 31, 2013, compared with $7.1 million in the year ago quarter. Excluding project costs of $0.8 million related to a process the Company undertook at the request of its founding shareholders to explore shareholder value maximization alternatives, Base EBITDA would have been $10.3 million for the three months ended March 31, 2013, compared with $7.1 million in the year ago quarter.
- Net income for the three months ended March 31, 2013, was $6.7 million, and represented earnings per share, basic and diluted, of $0.23. Net income for the three months ended March 31, 2012, was $5.0 million, and represented earnings per share, basic and diluted, of $0.17.

For the nine months ended March 31, 2013:

- AUM increased by $648 million to $6.1 billion at March 31, 2013, or 11.9% from June 30, 2012. The increase in AUM is attributable to positive investment performance of $611 million and net additions of $37 million.
- Base Management Fees increased to $56.5 million for the nine months ended March 31, 2013, versus $55.8 million last year as the average AUM for the nine months ended March 31, 2013, was $5.7 billion compared with $5.4 billion for the same period last year. Base Management Fee percentage decreased to 1.32% from 1.37% for the same period last year. This decline is substantially attributable to the asset mix shift described above.
- Base EBITDA was $28.1 million for the nine months ended March 31, 2013, compared with $24.3 million year-over-year. Excluding the project costs for the shareholder value maximization process described earlier, Base EBITDA would have been $28.9 million for the nine months ended March 31, 2013, compared with $24.3 million year-over-year.

- Net income for the nine months ended March 31, 2013, was $37.4 million, and represented earnings per share, basic and diluted, of $1.29 and $1.28, respectively. Net income for the nine months ended March 31, 2012, was $15.1 million, and represented earnings per share, basic and diluted, of $0.52. The nine months ended March 31, 2013, included Performance Fees from December year-end pooled fund vehicles of $31.0 million.

MARKET OUTLOOK AND BUSINESS ENVIRONMENT

During the quarter, two of the major U.S. stock market indices surpassed the all-time highs reached in 2007. The Canadian equity markets experienced more modest growth during the quarter, and have since struggled amid growing uncertainty in the resource sector. From a longer-term strategic perspective we remain constructive on many parts of the equity markets (particularly income-oriented equities) and on investment grade corporate credit. From a shorter-term tactical perspective, many markets have become somewhat overbought after a very strong finish to 2012 and a strong first quarter in 2013. As a result, we gradually adopted a more conservative short-term positioning as the first quarter wound down – raising cash levels in certain equity portfolios as we took profits in stocks that had done well. We are now positioned to reinvest that cash as we see opportunities arise at the individual stock level and as the broader markets correct off their highs. Our portfolio managers and analysts are also encouraged by the fact that correlations between individual stocks have been dropping in recent months, which is allowing us to add more value at the security selection level on both the long and the short side.

Our AUM increased by $375 million during the quarter, attributable to positive investment performance and net additions. Initiatives that continue to focus on providing strong risk-adjusted returns to our clients in a volatile environment have resulted in the application of more tactical approaches to our long/short strategies and fixed income portfolios. In that regard, we opened our new GS+A Tactical Fixed Income Fund to client investment during the quarter.

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

RECENT DEVELOPMENTS

- On April 15, 2013, the Company announced that at the request of its founding shareholders, Ira Gluskin and Gerald Sheff, the Company undertook a process to explore shareholder value maximization alternatives, which process has now concluded. The founders, the Board and management have concluded that the current platform remains an excellent way to serve clients and enhance shareholder value.
- The Company believes that its success has been and will continue to be dependent, to a significant degree, on its ability to attract and retain exceptionally talented and appropriately motivated individuals in all major aspects of its business. In furtherance of that objective, the Compensation, Nominating and Governance Committee of the Board, in consultation with the Company's senior management team, continuously monitors market and other competitively relevant developments affecting the Company's compensation policies and practices. To the extent considered appropriate, the Committee, from time-to-time, recommends changes to those policies and practices to the Board. As a result of recent market developments, including information that became available to the Company during the recent shareholder value maximization review process, certain changes to its compensation policies and practices, intended to be responsive to such developments and information and to ensure the alignment of key employee compensation with overall corporate best interests, are being considered.

SUMMARY FINANCIAL INFORMATION

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

	3 MONTHS ENDED MAR 31, 2013	3 MONTHS ENDED MAR 31, 2012	9 MONTHS ENDED MAR 31, 2013	9 MONTHS ENDED MAR 31, 2012
ASSETS UNDER MANAGEMENT *($ in millions)*				
Assets Under Management – Beginning of period	$ 5,725	$ 5,279	$ 5,452	$ 5,808
Net additions (withdrawals)	135	23	37	(203)
Investment performance[1]	240	171	611	(132)
Assets Under Management – End of period	$ 6,100	$ 5,473	$ 6,100	$ 5,473

	AS AT MAR 31, 2013	AS AT JUN 30, 2012	AS AT MAR 31, 2012
BALANCE SHEET INFORMATION			
Total assets	$110,993	$103,386	$ 97,945

	3 MONTHS ENDED MAR 31, 2013	3 MONTHS ENDED MAR 31, 2012	9 MONTHS ENDED MAR 31, 2013	9 MONTHS ENDED MAR 31, 2012
INCOME STATEMENT INFORMATION				
Income				
Base management fees	$ 19,244	$ 18,127	$ 56,459	$ 55,802
Performance fees	1,568	433	35,105	1,774
Other income	822	946	2,423	2,987
	21,634	19,506	93,987	60,563
Operating expenses	**(8,661)**	**(9,997)**	**(25,959)**	**(30,728)**
Provision for bonus pool	**(2,788)**	**(2,231)**	**(14,323)**	**(6,697)**
EBITDA	10,185	7,278	53,705	23,138
Amortization	(759)	(623)	(2,381)	(1,766)
Provision for income taxes	(2,677)	(1,678)	(13,905)	(6,240)
Net income	**$ 6,749**	**$ 4,977**	**$ 37,419**	**$ 15,132**
Basic earnings per share	**$ 0.23**	**$ 0.17**	**$ 1.29**	**$ 0.52**
Diluted earnings per share	**$ 0.23**	**$ 0.17**	**$ 1.28**	**$ 0.52**
SELECTED ADJUSTED FINANCIAL INFORMATION				
EBITDA	**$ 10,185**	**$ 7,278**	**$ 53,705**	**$ 23,138**
Provision for bonus pool	2,788	2,231	14,323	6,697
Sub-advisor's share of performance fees	—	144	—	235
Post-retirement obligations	95	100	286	298
Stock option expense	339	(803)	944	(3)
EBITDA before compensation adjustment	**13,407**	**8,950**	**69,258**	**30,365**
Base cash bonus	(2,507)	(2,170)	(6,977)	(6,362)
Base RSU bonus	(442)	(241)	(1,231)	(707)
RSU amortization	563	986	2,138	2,817
Performance fees	(1,568)	(433)	(35,105)	(1,774)
Base EBITDA	**9,453**	**7,092**	**28,083**	**24,339**
Performance fees	1,568	433	35,105	1,774
Sub-advisor's share of performance fees	—	(144)	—	(235)
Performance fee cash bonus	(314)	(61)	(7,379)	(335)
Performance fee RSU bonus	(55)	(6)	(1,302)	(37)
Adjusted EBITDA	**$ 10,652**	**$ 7,314**	**$ 54,507**	**$ 25,506**

Notes:

1. *Net of fees and other expenses.*

RESULTS OF OPERATIONS

Overall Performance

For the three months ended March 31, 2013, the Company earned $0.23 per share, on a basic and diluted basis, compared with $0.17 per share, on a basic and diluted basis, for the same period last year as net income increased by $1.7 million to $6.7 million from $5.0 million. Base EBITDA for the three months ended March 31, 2013, increased by $2.4 million or 33.3% to $9.5 million from $7.1 million for the same period last year as Base Management Fees increased and operating expenses decreased. Excluding project costs of $0.8 million related to a process the Company undertook at the request of its founding shareholders to explore shareholder value maximization alternatives, Base EBITDA would have been $10.3 million for the three months ended March 31, 2013, compared with $7.1 million in the year ago quarter. Adjusted EBITDA for the three months ended March 31, 2013, increased by $3.4 million or 45.6% to $10.7 million versus $7.3 million for the same period last year. This was the result of the increase in Base EBITDA of $2.4 million and an increase in Performance Fees, net of related bonus expense, of $1.0 million.

For the nine months ended March 31, 2013, the Company earned $1.29 and $1.28 on a basic and diluted per share basis, respectively, compared with $0.52 on a basic and diluted per share basis for the same period last year as net income increased by $22.3 million to $37.4 million from $15.1 million. Base EBITDA for the nine months ended March 31, 2013, increased by $3.8 million or 15.4% to $28.1 million from $24.3 million as operating expenses decreased. Adjusted EBITDA for the nine months ended March 31, 2013, increased by $29.0 million or 113.7% to $54.5 million versus $25.5 million last year. This was the result of the increase in Base EBITDA of $3.8 million and an increase in Performance Fees, net of related bonus expense, of $25.3 million.

Income

Total income for the three months ended March 31, 2013, was $21.6 million versus $19.5 million in the year ago quarter. Total income for the nine months ended March 31, 2013, was $94.0 million versus $60.6 million last year.

Base Management Fees for the three months ended March 31, 2013, increased year-over-year by $1.1 million or 6.2% to $19.2 million from $18.1 million as average AUM increased $0.5 billion or 9.4% to $5.9 billion over the same period and the average Base Management Fee Percentage decreased to 1.31% from 1.34%. Base Management Fees for the nine months ended March 31, 2013, increased year-over-year by $0.7 million or 1.2% to $56.5 million from $55.8 million as average AUM increased $0.3 billion or 5.7%. Base Management Fee Percentage decreased to 1.32% from 1.37% over the same period.

Performance Fees for the three months ended March 31, 2013, increased year-over-year by $1.2 million to $1.6 million from $0.4 million. Performance Fees for the nine months ended March 31, 2013, increased year-over-year by $33.3 million to $35.1 million from $1.8 million.

Other income for the three months ended March 31, 2013, remained relatively unchanged year-over-year. Other income decreased year-over-year by $0.6 million for the nine months ended March 31, 2013 to $2.4 million from $3.0 million, due primarily to the absence of a $0.3 million capital gain realized in the prior year period and a decrease in investment income of $0.5 million, offset in part by an increase of $0.2 million in economic research subscription revenues.

Expenses

Total expenses for the three months ended March 31, 2013, decreased year-over-year by $0.7 million or 5.0% to $12.2 million from $12.9 million. Total expenses for the nine months ended March 31, 2013, increased year-over-year by $3.5 million or 8.9% to $42.7 million from $39.2 million.

Salaries and benefits for the three months ended March 31, 2013, decreased year-over-year by $0.1 million or 0.5% to $7.3 million from $7.4 million. The decrease is primarily attributable to a $1.3 million decline in salaries due to the absence of employee severances of $0.7 million incurred in the same period last year and a decrease in base salaries of $0.6 million. Also contributing to the decrease was a decline in RSU amortization of $0.4 million. Partially offsetting these decreases was the absence of a $1.2 million reversal, in the prior year quarter, of stock option expenses recognized in prior periods for options that were forfeited due to employee departures and an increase in the accrued cash bonus expense of $0.6 million due to higher income before provision for income taxes in the quarter. Salaries and benefits for the nine months ended March 31, 2013, increased year-over-year by $7.3 million or 33.4% to $29.2 million from $21.9 million primarily attributable to an increase in accrued cash bonus expense of $7.7 million related to the higher Performance Fees in the period. Also contributing to the increase is the absence of the $1.2 million stock option expense reversal as described previously, and an increase in employee benefits of $0.2 million. These increases were partially offset by a $0.7 million decrease in base salaries as employee severances were $0.1 million less than the prior year period and base salaries decreased by $0.6 million. RSU amortization also decreased by $0.7 million year-over-year.

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 nine months ended March 31, 2013, bonus is 85% (March 31, 2012 – 90%).

Business development expenses for the three months ended March 31, 2013, remained relatively flat year-over-year. Business development expenses for the nine months ended March 31, 2013, decreased year-over-year by $0.5 million or 22.1% to $1.6 million from $2.1 million due to a decrease in donations, marketing and travel costs.

General and administrative expenses for the three months ended March 31, 2013, decreased year-over-year by $0.7 million or 16.2% to $3.5 million from $4.2 million. The decrease was attributed primarily to decreases in: information technology infrastructure and system operating costs of $0.5 million, due primarily to vendor reviews and renegotiations, systems and other consulting fees of $0.4 million, due to decreases in consulting fees and project spending, and a decrease in sub-advisory and other fees of $0.4 million. As well, office services and telecommunications and economic research expenses each declined by $0.1 million. These decreases were offset by an increase in professional fees of $1.1 million, due primarily to $0.8 million for expenses related to a process the Company undertook at the request of its founding shareholders to explore shareholder value maximization alternatives, and a $0.3 million increase in directors' fees relating primarily to the mark-to-market valuation of the DSUs. General and administrative expenses for the nine months ended March 31, 2013, decreased year-over-year by $4.4 million or 31.8% to $9.4 million from $13.8 million. The decrease was attributed primarily to a decrease in systems and other consulting fees of $2.5 million, due to a decline in project spending and consultants used; a decrease in sub-advisory and other fees of $1.3 million; and a decrease in information technology infrastructure and system operating costs of $1.2 million due to vendor reviews and renegotiations. As well, office services and telecommunications decreased by $0.3 million, due primarily to vendor reviews and renegotiations, and economic research expenses decreased by $0.2 million as related project costs were completed in the prior year period. Partially offsetting these decreases was an increase in professional fees of $1.0 million, due primarily to the $0.8 million in expenses for the shareholder value maximization process described previously.

Occupancy costs for the three months ended March 31, 2013, remained relatively unchanged. Occupancy costs for the nine months ended March 31, 2013, increased year-over-year by $0.6 million due to higher lease costs associated with our new premises.

Amortization of property, equipment and intangibles for the three months ended March 31, 2013, increased by $0.2 million over the prior year quarter to $0.8 million from $0.6 million, primarily as amortization for artwork only began part way through the prior year quarter. Amortization of property, equipment and intangibles for the nine months ended March 31, 2013, increased by $0.6 million over the prior year to $2.4 million from $1.8 million, primarily as amortization of leasehold improvements and other assets related to the new office premises was recognized during the entire current period and only partly in the prior year period.

EBITDA, Base EBITDA, Adjusted EBITDA and Net Income

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

For the three months ended March 31, 2013, EBITDA increased year-over-year by $2.9 million to $10.2 million from $7.3 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 March 31, 2013, Base EBITDA increased year-over-year by $2.4 million or 33.3% to $9.5 million from $7.1 million due to an increase in Base Management Fees and a decrease in operating expenses.

Adjusted EBITDA increased by $3.3 million or 45.6%, as Performance Fees earned for the three months ended March 31, 2013, were $1.6 million versus $0.4 million in the similar quarter last year.

Income before provision for income taxes for the three months ended March 31, 2013, increased year-over-year by $2.7 million to $9.4 million from $6.7 million.

Net income for the three months ended March 31, 2013, increased year-over-year by $1.7 million to $6.7 million from $5.0 million.

The Company's effective tax rate for the three months ended March 31, 2013, increased to 28.40% from 25.22% year-over-year. This increase was primarily due to an increase in non-deductible expenses for tax purposes.

Accounts Receivable

The Company's accounts receivable as at March 31, 2013, 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.

On November 8, 2012, the Company declared a regular dividend of $0.1750 per equity share for the quarter ended September 30, 2012. This dividend was paid on December 17, 2012, to shareholders of record at the close of business on November 21, 2012.

Given the significant proportion of total Assets Under Management with a December 31 performance year-end, the Board of Directors considered and approved the payment of a special dividend on a semi-annual basis in respect of Performance Fees. Consequently, on January 21, 2013, the Company declared a special dividend of $0.65 per equity share for the six months ended December 31, 2012, payable to shareholders of record at the close of business on February 21, 2013. This special dividend was paid on March 15, 2013.

On February 7, 2013, the Company declared a regular dividend of $0.1750 per equity share for the quarter ended December 31, 2012, payable to shareholders of record at the close of business on February 21, 2013. This regular dividend was paid on March 15, 2013.

On May 9, 2013, the Company declared a regular dividend of $0.1750 per equity share for the quarter ended March 31, 2013, payable to shareholders of record at the close of business on May 22, 2013. This regular dividend will be paid on June 14, 2013.

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 March 31, 2013	$3.3400	$ 4.2200	$7.5600
Declared – in the fourth quarter of fiscal 2013	0.1750	0.0000	0.1750
TOTAL PER EQUITY SHARE	**$ 3.5150**	**$ 4.2200**	**$ 7.7350**

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 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	AS AT DEC 31, 2012	AS AT MAR 31, 2013
Assets Under Management *($ in millions)*	$ 5,808	$ 5,283	$ 5,279	$ 5,473	$ 5,452	$ 5,640	$ 5,725	$ 6,100

	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	3 MONTHS ENDED DEC 31, 2012	3 MONTHS ENDED MAR 31, 2013
INCOME STATEMENT INFORMATION								
Income								
Base management fees	$20,822	$ 19,302	$ 18,373	$ 18,127	$ 18,051	$18,468	$ 18,747	$19,244
Performance fees	27,185	281	1,060	433	2,208	1,096	32,441	1,568
Other income	608	777	1,264	946	735	750	851	822
	$48,615	$20,360	$20,697	$19,506	$20,994	$20,314	$52,039	$21,634
Base EBITDA	10,166	9,042	8,207	7,092	3,502	9,022	9,608	9,453
Adjusted EBITDA	30,552	9,243	8,951	7,314	5,169	9,874	33,981	10,652
Net income	22,153	5,458	4,697	4,977	2,313	5,946	24,724	6,749
Basic earnings per share	$ 0.76	$ 0.19	$ 0.16	$ 0.17	$ 0.08	$ 0.21	$ 0.85	$ 0.23
Diluted earnings per share	$ 0.75	$ 0.19	$ 0.16	$ 0.17	$ 0.08	$ 0.20	$ 0.85	$ 0.23

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 March 31, 2013
($ in millions of Canadian dollars)

Annualized Rates of Return[1]

INVESTMENT STRATEGIES	INCEPTION DATE	AUM $	CALENDAR YEAR-TO-DATE[8]	1 YEAR %	3 YEAR %	5 YEAR %	10 YEAR %	SINCE INCEPTION %
Equity[2]								
Premium Income[4]	Jul 2001	1,355	4.1	10.3	9.7	7.6	12.0	13.6
U.S. Premium Income[5]	Aug 2011	619	9.6	18.1	—	—	—	21.4
Canadian Equity[4]	Jan 1991	177	4.4	7.2	1.5	-1.9	9.9	11.9
U.S. Equity[4]	Feb 1986	174	10.1	9.9	8.7	4.3	9.2	9.3
Resource[3, 4]	Aug 2009	113	1.5	-1.1	4.7	—	—	8.3
International[3, 5]	Aug 2008	117	7.1	8.7	4.2	—	—	3.7
Growth[4]	Jul 1984	4	8.0	9.3	6.1	0.8	10.3	10.9
		2,559						
Equity Alternative[6]								
Multi-Strategy[5]	Jan 2009	429	2.6	6.7	1.7	—	—	3.6
Income Long/Short[3, 5]	Jul 2004	490	1.5	5.5	3.8	7.1	—	13.9
Focused Long/Short[5]	Jan 2007	178	3.8	14.7	8.1	7.9	—	14.8
Equity Long/Short[3, 5]	Jul 2004	22	1.5	7.5	1.4	2.4	—	10.3
		1,119						
Credit Alternative & Fixed Income								
Credit Arbitrage[5]	Jan 2009	398	3.4	9.5	4.4	—	—	8.3
Enhanced Credit Arbitrage[5]	Dec 2008	102	5.3	18.9	6.5	—	—	12.1
Tactical Fixed Income[5]	Jan 2013	547	1.2	—	—	—	—	1.2[7]
Enhanced Yield[3, 5]	Feb 2009	315	2.2	10.6	5.4	—	—	7.2
Enhanced Bond[5]	Dec 2008	360	2.4	7.2	4.6	—	—	7.2
		1,722						
Institutional & Special Mandates[9]		700						
Assets Under Management		6,100						

Notes:

1. *Past performance is not necessarily indicative of future returns. Performance is presented net of fees and expenses and assumes reinvestment of all dividends.*
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 fund vehicles 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 returns presented for this strategy represent the returns of a composite of segregated portfolios. The returns of the associated fund are not included in the composite returns.*
5. *The returns presented are those of the GS+A fund, Series A.*
6. *The Multi-Strategy Fund and Multi-Strategy 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.*
7. *Since inception return is non-annualized.*
8. *Calendar year-to-date returns are non-annualized.*
9. *Includes institutional mandates managed primarily in accordance with our Canadian Equity portfolio model ($325 million), our Premium Income portfolio model ($160 million) and our Growth portfolio model ($100 million), and private client mandates managed primarily in accordance with a combination of our Canadian Equity and Premium Income portfolio models ($6 million), our Founders portfolio model ($34 million), our U.S. Equity portfolio models ($20 million), our Enhanced Bond portfolio ($35 million), and other special mandates ($20 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 March 31, 2013, 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 March 31, 2013.

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 March 31, 2013, acquisition of intangibles amounted to approximately $0.2 million (March 31, 2012 – $1.1 million). The decrease in acquisitions of intangibles is attributable to reductions in project spending.

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 March 31, 2013, 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 interim financial statements.

A summary of significant accounting policies underlying the financial statements is presented in note 1 of the Company's unaudited interim financial statements for the three months ended March 31, 2013. 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 March 31, 2013.

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 provided in note 4 of the Company's unaudited interim financial statements for the three months ended March 31, 2013.

Executive Loan Program

The Company provides financial guarantees for full recourse loans made to eligible employees by a third party institution 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 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.

Impairment of Non-Financial Assets
Finite life intangible assets and property and equipment are reviewed for impairment whenever there is an indication that the assets may be impaired. Intangible assets not yet ready for use are tested for impairment annually or whenever there is an indication that the intangible assets 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, accounts payable and accrued liabilities and accrued bonuses. The carrying value of cash, short-term investments, restricted cash, accounts receivable, accounts payable and accrued liabilities and accrued bonuses approximate their relevant fair value due to their short-term nature. DSUs, which are included in long-term liabilities, 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 March 31, 2013, the Company held $27.8 million in cash (June 30, 2012 – $18.7 million), $39.9 million in short-term investments (June 30, 2012 – $35.1 million) and $2.4 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 March 31, 2013, 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 and information technology recovery 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 the Company's management have designed our corporate governance policies and practices to ensure we are focused on our responsibilities to our stakeholders and on creating long-term shareholder value. Our practices and policies comply with regulations and guidelines established by Canadian securities regulators. We continuously monitor all proposed new rules and modify our policies and practices to meet any additional requirements. The Company has adopted the following significant governance practices:

- As at March 31, 2013, 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.
- Herbert Solway, QC, serves as the Lead Director on the Board.
- 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 Paul Beeston, CM. This Committee is responsible for administering the Company's compensation policy and for developing the Company's approach to corporate governance issues.

RELATED PARTY TRANSACTIONS

There were no changes to the nature and extent of related party transactions entered into by the Company in the three months ended March 31, 2013. For further information, refer to note 3 of the Company's March 31, 2013, unaudited interim financial statements.

SHARE CAPITAL

As at May 9, 2013, there has been no change to the capital structure of the Company from that disclosed in the unaudited interim financial statements dated March 31, 2013. During the quarter ended March 31, 2013, the number of outstanding Subordinated Voting Shares increased due to the exercise of stock options. During the quarter ended March 31, 2013, there were no changes to the number of outstanding 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 March 31, 2013.

The number of outstanding stock options to date pursuant to our incentive stock option plan is 1,586,000 of which 1,084,000 were exercisable at March 31, 2013.

OTHER INFORMATION

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

INTERIM BALANCE SHEETS (UNAUDITED)

($ in thousands of Canadian dollars)

	AS AT MAR 31, 2013	AS AT JUN 30, 2012
ASSETS		
Current assets		
Cash	$ 27,811	$ 18,727
Short-term investments (note 2)	39,918	35,092
Accounts receivable (note 3)	9,989	8,791
Income taxes recoverable	1,050	7,596
Prepaid expenses and other assets	829	1,264
	79,597	71,470
Non-current assets		
Restricted cash (note 6)	2,375	2,069
Property and equipment	23,223	24,912
Intangibles	1,820	1,817
Deferred income taxes, net (note 9)	3,978	3,118
	31,396	**31,916**
Total assets	**$110,993**	**$103,386**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 3, 6 and 10)	$ 5,838	$ 9,378
Accrued bonuses (note 10)	14,356	9,185
	20,194	**18,563**
Non-current liabilities		
Long-term liabilities (note 6 and 10)	1,685	1,019
Post-retirement obligations (note 3 and 4)	10,477	10,191
	12,162	**11,210**
	$ 32,356	**$ 29,773**
SHAREHOLDERS' EQUITY		
Share capital (note 5)	$ 5,909	$ 2,154
Contributed surplus	14,069	14,314
Retained earnings	58,659	57,145
	78,637	73,613
Total liabilities and shareholders' equity	**$110,993**	**$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 Mar 31, 2013	3 months ended Mar 31, 2012	9 months ended Mar 31, 2013	9 months ended Mar 31, 2012
INCOME				
Base management fees (note 3)	$19,244	$ 18,127	$56,459	$55,802
Performance fees (note 3)	1,568	433	35,105	1,774
Other income (note 2)	822	946	2,423	2,987
	21,634	**19,506**	**93,987**	**60,563**
EXPENSES				
Salaries and benefits (notes 4, 6 and 10)	7,341	7,375	29,234	21,913
Reimbursements from pooled funds (note 3)	(940)	(864)	(2,757)	(2,596)
Business development (note 11)	647	663	1,628	2,090
General and administrative (note 6 and 12)	3,485	4,157	9,428	13,832
Occupancy (note 13)	916	897	2,749	2,186
Amortization of property and equipment	589	498	1,899	1,425
Amortization of intangibles	170	125	482	341
	12,208	**12,851**	**42,663**	**39,191**
Income before provision for income taxes	**$ 9,426**	**$ 6,655**	**$ 51,324**	**$ 21,372**
Provision for (recovery of) income taxes (note 9)				
Current income taxes	3,112	1,852	14,538	6,794
Deferred income taxes	(435)	(174)	(633)	(554)
	2,677	**1,678**	**13,905**	**6,240**
Net income and comprehensive income attributable to shareholders	**$ 6,749**	**$ 4,977**	**$37,419**	**$ 15,132**
Net earnings per common share attributable to shareholders:				
Basic earnings per share (note 7)	**$ 0.23**	**$ 0.17**	**$ 1.29**	**$ 0.52**
Diluted earnings per share (note 7)	**$ 0.23**	**$ 0.17**	**$ 1.28**	**$ 0.52**

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 MAR 31, 2013			
	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL EQUITY
Beginning of period	$ 3,503	$14,080	$ 76,163	$ 93,746
Net income and comprehensive income attributable to shareholders	—	—	6,749	6,749
Amortization of restricted share units (note 6)	—	570	—	570
Forfeiture of restricted share units (note 6)	—	(7)	—	(7)
Amortization of stock options (note 6)	—	339	—	339
Net treasury stock activity (note 5 and 6)	88	(44)	—	44
Exercise of stock options (note 5 and 6)	2,318	(1,232)	—	1,086
Deferred tax asset for dividends-in-kind (note 9)	—	95	—	95
Special dividend (note 14)	—	213	(19,109)	(18,896)
Quarterly dividend (note 14)	—	55	(5,144)	(5,089)
End of period	$ 5,909	$14,069	$ 58,659	$ 78,637

	3 MONTHS ENDED MAR 31, 2012			
	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL EQUITY
Beginning of period	$ 5,907	$ 12,893	$ 59,953	$ 78,753
Net income and comprehensive income attributable to shareholders	—	—	4,977	4,977
Amortization of restricted share units (note 6)	—	1,117	—	1,117
Forfeiture of restricted share units (note 6)	—	(131)	—	(131)
Amortization of stock options (note 6)	—	356	—	356
Forfeiture of stock options (note 6)	—	(1,159)	—	(1,159)
Net treasury stock activity (note 5 and 6)	(3,964)	(375)	—	(4,339)
Quarterly dividend	—	—	(4,718)	(4,718)
End of period	$ 1,943	$ 12,701	$ 60,212	$ 74,856

INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

($ in thousands of Canadian dollars)

	9 MONTHS ENDED MAR 31, 2013			
	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	—	—	37,419	37,419
Amortization of restricted share units (note 6)	—	2,154	—	2,154
Forfeiture of restricted share units (note 6)	—	(16)	—	(16)
Amortization of stock options (note 6)	—	998	—	998
Forfeiture of stock options (note 6)	—	(54)	—	(54)
Net treasury stock activity (note 5 and 6)	1,437	(2,722)	—	(1,285)
Exercise of stock options (note 5 and 6)	2,318	(1,232)	—	1,086
Deferred tax asset for dividends-in-kind (note 9)	—	227	—	227
Special dividend (note 14)	—	233	(20,858)	(20,625)
Quarterly dividend (note 14)	—	167	(15,047)	(14,880)
End of period	**$ 5,909**	**$14,069**	**$ 58,659**	**$ 78,637**

	9 MONTHS ENDED MAR 31, 2012			
	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL EQUITY
Beginning of period	**$ 5,219**	**$ 11,384**	**$ 81,808**	**$ 98,411**
Net income and comprehensive income attributable to shareholders	—	—	15,132	15,132
Amortization of restricted share units (note 6)	—	2,964	—	2,964
Forfeiture of restricted share units (note 6)	—	(147)	—	(147)
Amortization of stock options (note 6)	—	1,197	—	1,197
Forfeiture of stock options (note 6)	—	(1,200)	—	(1,200)
Net treasury stock activity (note 5 and 6)	(3,276)	(1,497)	—	(4,773)
Special dividend	—	—	(23,431)	(23,431)
Quarterly dividend	—	—	(13,297)	(13,297)
End of period	**$ 1,943**	**$ 12,701**	**$ 60,212**	**$ 74,856**

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 MAR 31, 2013	3 MONTHS ENDED MAR 31, 2012	9 MONTHS ENDED MAR 31, 2013	9 MONTHS ENDED MAR 31, 2012
OPERATING ACTIVITIES				
Net income for the period	$ 6,749	$ 4,977	$ 37,419	$ 15,132
Adjustments for non-cash items				
Amortization of property and equipment	589	498	1,899	1,425
Amortization of intangibles	170	125	482	341
Net realized and unrealized investment loss (note 2)	—	6	—	552
Post-retirement obligations (note 4)	95	100	286	298
Deferred income taxes (note 9)	(435)	(173)	(633)	(554)
Deferred share units (note 6)	391	71	666	54
Restricted share units (note 6)	563	986	2,138	2,817
Stock option expense (note 6)	339	(803)	944	(3)
Net interest (income) loss	(114)	61	(370)	(491)
	8,347	5,848	42,831	19,571
Changes in non-cash working capital items				
Restricted cash	(266)	(1)	(306)	(1,178)
Accounts receivable (note 3)	33,335	(540)	(1,198)	27,942
Prepaid expenses and other assets	30	(3)	435	118
Income taxes recoverable (note 9)	1,183	(515)	6,546	(2,978)
Accounts payable and accrued liabilities (note 3)	(3,826)	(161)	(3,459)	(4,892)
Accrued bonuses (note 10)	2,769	2,231	5,171	(10,488)
Securities owned (note 2)	—	(257)	—	(396)
	33,225	754	7,189	8,128
Cash provided by operating activities	**41,572**	**6,602**	**50,020**	**27,699**
INVESTING ACTIVITIES				
Purchases of property and equipment	(26)	(713)	(210)	(9,078)
Purchases of intangibles	(191)	(1,105)	(485)	(2,408)
(Purchases) Sales of short-term investments	(75)	589	(4,826)	19,908
Net interest income (loss)	114	(61)	370	491
Cash used in investing activities	**(178)**	**(1,290)**	**(5,151)**	**8,913**
FINANCING ACTIVITIES				
Dividends paid (note 14)	(23,977)	(4,718)	(35,497)	(36,728)
Acquisition of treasury stock (note 5)	—	(4,050)	(1,374)	(4,484)
Exercise of stock options	1,086	—	1,086	—
Cash used in financing activities	**(22,891)**	**(8,768)**	**(35,785)**	**(41,212)**
Increase (decrease) in cash during the period	**18,503**	**(3,456)**	**9,084**	**(4,600)**
Cash – beginning of period	**9,308**	**9,336**	**18,727**	**10,480**
Cash – end of period	**$ 27,811**	**$ 5,880**	**$ 27,811**	**$ 5,880**

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 March 31, 2013, and June 30, 2012, 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 International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), 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 and nine months ended March 31, 2013, were authorized for issue by a resolution of the Board of Directors on May 9, 2013.

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 a third party institution 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.

(v) *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.

(vi) *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.

(vii) *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 is 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 their useful economic lives 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 intangible 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 intangible assets 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 periods and the amortization methods for intangible assets with finite useful lives are reviewed annually. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the intangible assets are accounted for by changing the amortization period or method as appropriate, and are treated as changes in accounting estimates.

Intangible assets may include 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 client's 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 under management 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 fund vehicles, 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 vehicle. If certain performance hurdles in the pooled fund vehicles 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 fund vehicles relating to the operation of these pooled fund vehicles, 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 for employee's stock options and as an increase in general and administrative and contributed surplus for director's stock options. 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 expense 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 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. 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 in whole or in part, 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 recognized in salaries and benefits expense as they occur.

The Company provides guarantees under the Company's Executive Loan Program for full recourse loans made to eligible employees by a third party financial institution 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 Executive Loan 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 during the year excluding shares held in the Trust, which are not considered to be outstanding in the relevant period for accounting purposes, 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 and for any installments made during the year. Taxable income may differ from income reported on the statements of income in the Company's unaudited interim financial statements 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 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 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

The IASB issued IFRS 9 *Financial Instruments* ("IFRS 9") that amends the classification and measurement criteria for financial instruments. This is the first phase of a three-phase project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the current standard for accounting for financial instruments. The remaining phases of this project are currently under development and include impairment methodology and hedge accounting. The impact of this new standard to the Company will be assessed once the remaining phases of the project are completed. The new standard is effective for annual periods beginning on or after January 1, 2015.

The IASB issued IFRS 10 *Consolidated Financial Statements* which introduces a single consolidation model for all entities which focuses on control, including the rights an investor has to variable returns resulting from its involvement with the investee and the investor's ability to affect those returns through its power over the investee. The standard is currently not expected to have a significant impact on the Company's financial position or results of operations. However, the Company will continue to monitor the impact as certain situations may arise where the Company will need to consolidate internally seeded pooled fund vehicles. The standard is effective for annual periods beginning on or after January 1, 2013.

The IASB issued IFRS 13 *Fair Value Measurement* to consolidate all the fair value measurement and disclosure guidance into a single standard. The new standard establishes a framework for measuring fair value and sets out related disclosure

requirements when fair value measurement is required or permitted under other standards. The standard requires more extensive financial statement disclosure but is not expected to have a significant impact on the Company's financial position or results of operations. The standard is effective for annual periods beginning on or after January 1, 2013.

2. FINANCIAL INSTRUMENTS

Fair Value Measurement

As at March 31, 2013, the Company held $39,918 in financial assets classified as held-for-trading carried at fair value (June 30, 2012 – $35,092). As at March 31, 2013, and June 30, 2012, these financial assets were short-term investments and represented level 2 financial assets within the fair value hierarchy. During the three and nine months ended March 31, 2013, and March 31, 2012, there were no transfers between any of the fair value hierarchy levels.

Securities Owned and Securities Sold Short

The Company may seed 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, whereas the amount of the potential gain is unlimited. 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. During the three months ended March 31, 2013, the Company purchased $5,000 in units of the GS+A Tactical Fixed Income Fund to provide seed capital. All of these units were redeemed during the three months ended March 31, 2013, and resulted in a realized gain of $9. As at March 31, 2013, 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, if any, are included in other income.

Details of other income are as follows:

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2013	MAR 31, 2012	MAR 31, 2013	MAR 31, 2012
Net realized gain (loss) on securities owned	$ (3)	$ 91	$ (3)	$ 61
Change in unrealized gain (loss) on securities owned	—	(1)	—	25
Change in unrealized gain (loss) on short-term investments	—	189	—	111
Economic research subscriptions	684	671	2,051	1,871
Gain on sale of property and equipment	—	—	—	260
Interest income	114	11	370	563
Other (loss) income	27	(15)	5	96
	$822	$946	$2,423	$2,987

3. RELATED PARTY TRANSACTIONS

Included in the Company's statement of income and comprehensive income for the three months ended March 31, 2013, are Performance Fees of $1,557 (March 31, 2012 – $425) and Base Management Fees of $15,455 (March 31, 2012 – $14,135) earned from the management of the Company's pooled fund vehicles, where the Company generally acts as the trustee, manager, transfer agent and principal distributor. In the case of those pooled fund vehicles that are limited partnerships, an affiliate of the Company is the General Partner. For the nine months ended March 31, 2013, Performance Fees of $35,055 (March 31, 2012 – $1,745) and Base Management Fees of $45,183 (March 31, 2012 – $43,640) are earned from the management of the Company's pooled fund vehicles, where the Company generally acts as the trustee, manager, transfer agent and principal distributor. In the case of those pooled fund vehicles that are limited partnerships, an affiliate of the Company is the General Partner.

For the three months ended March 31, 2013, reimbursement of certain operating expenses by the Company's pooled fund vehicles to the Company totaled $940 (March 31, 2012 – $864). For the nine months ended March 31, 2013, reimbursement of certain operating expenses by the Company's pooled fund vehicles to the Company totaled $2,757 (March 31, 2012 – $2,596). Expenses related to the operation of the pooled fund vehicles

are included in: salaries and benefits, general and administrative, occupancy, and amortization of property and equipment and amortization of intangibles.

Included in the Company's accounts receivable as at March 31, 2013, is $7,411 (June 30, 2012 – $5,909) owing from the Company's pooled fund vehicles. Included in the Company's liabilities as at March 31, 2013, are post-retirement obligations of $10,477 (June 30, 2012 – $10,191) in respect of the Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, as described in note 4.

Included in general and administrative expenses for the three and nine months ended is $274 (March 31, 2012 – $214) and $821 (March 31, 2012 – $605), respectively, 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 March 31, 2013, was $95 (March 31, 2012 – $100) and for the nine months ended March 31, 2013, was $286 (March 31, 2012 – $298) using a discount rate of 3.75% (March 31, 2012 – 4.25%) and an annual inflation assumption of 2.0% (March 31, 2012 – 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

Authorized

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

Shares Issued and Outstanding

As at March 31, 2013, there were 16,787,446 SVS, 12,611,500 MVS and no preference shares outstanding (June 30, 2012 – 16,677,003 SVS, 12,611,500 MVS and no

preference shares outstanding). MVS rank equally in all respects with the SVS, except that each MVS is entitled to 15 votes at any shareholders' meeting for all matters other than the election of directors. 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 stock and are not considered to be outstanding for basic and diluted earnings per share calculations or in the calculation of share capital. During the three months ended March 31, 2013, $nil (March 31, 2012 – $4,050) of treasury stock was acquired. During the nine months ended March 31, 2013, $1,374 (March 31, 2012 – $4,484) of treasury stock was acquired. As at March 31, 2013, the Company held approximately 325,000 shares (June 30, 2012 – 406,000 shares) of treasury stock.

	3 MONTHS ENDED			
	MAR 31, 2013		MAR 31, 2012	
SHARE CAPITAL	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE
BEGINNING OF PERIOD				
Multiple Voting Shares	12,611		12,611	
Subordinate Voting Shares[1]	16,347		16,519	
	28,958	$ 3,503	29,130	$ 5,907
ACTIVITY DURING THE PERIOD				
Purchase of treasury stock	—	—	(265)	(4,050)
Treasury stock vested	6	88	5	86
Exercise of stock options	110	2,318	—	—
	116	$2,406	(260)	$(3,964)
END OF THE PERIOD				
Multiple Voting Shares	12,611		12,611	
Subordinate Voting Shares[1]	16,463		16,259	
	29,074	$5,909	28,870	$ 1,943

Notes:

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

	9 MONTHS ENDED			
	MAR 31, 2013		MAR 31, 2012	
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 stock	(95)	(1,374)	(292)	(4,484)
Treasury stock vested	176	2,811	66	1,208
Exercise of stock options	110	2,318	—	—
Convert to Subordinate Voting Shares	—	—	2	—
	191	$ 3,755	(226)	$ (3,276)
END OF THE PERIOD				
Multiple Voting Shares	12,611		12,611	
Subordinate Voting Shares[1]	16,463		16,259	
	29,074	$5,909	28,870	$ 1,943

Notes:

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

6. STOCK-BASED COMPENSATION PLANS

The Company has the following stock-based compensation plans: the Stock Option, DSU, RSU, 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 March 31, 2013, the Company did not issue any stock options to participants (March 31, 2012 – 50,000). During the nine months ended March 31, 2013, the Company did not issue any stock options to participants (March 31, 2012 – 150,000).

The expense related to stock options outstanding that has been included in salaries and benefits expense for employee stock options and general and administrative expense for director stock options during the three months ended March 31, 2013, was a total of $339 (March 31, 2012 – $356). Also included in the salaries and benefits expense for the three months ended March 31, 2013, is a reversal of $nil (March 31, 2012 – $1,159) for stock option expense recognized in prior periods for options that were forfeited due to departures in the quarter. The expense related to stock options outstanding that has been included in salaries and benefits expense for employee stock options and general and administrative expense for director stock options during the nine months ended March 31, 2013, was a total of $998 (March 31, 2012 – $1,197). Also included in the salaries and benefits expense for the nine months ended March 31, 2013, is a reversal of $54 (March 31, 2012 – $1,200) for stock option expense recognized in prior periods for options that were forfeited due to departures in the period. During the three and nine months ended March 31, 2013, 341,000 stock options were exercised (March 31, 2012 – nil).

	3 MONTHS ENDED				9 MONTHS ENDED			
	MAR 31, 2013		MAR 31, 2012		MAR 31, 2013		MAR 31, 2012	
STOCK OPTIONS	OPTIONS (000's)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000's)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000's)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000's)	WEIGHTED AVERAGE EXERCISE PRICE
Balance – Beginning of period	**1,927**	**$18.02**	**2,163**	**$18.35**	**1,991**	**$ 18.10**	**2,094**	**$18.48**
Options granted	—	—	50	15.65	—	—	150	15.93
Options exercised	(341)	15.52	—	—	(341)	15.52	—	—
Options forfeited	—	—	(222)	19.72	(64)	20.39	(253)	19.72
Balance – End of period	**1,586**	**$ 18.56**	**1,991**	**$18.13**	**1,586**	**$ 18.56**	**1,991**	**$ 18.13**

RANGE OF EXERCISE PRICES	AS AT MAR 31, 2013				
		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	911	2.73	$ 15.34	601	$ 15.36
$18.00 – $25.99	480	3.53	20.62	288	20.62
$26.00 – $33.99	195	1.52	28.50	195	28.50
	1,586	2.82	$ 18.56	1,084	$ 19.12

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 share 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 and nine months ended March 31, 2013 (March 31, 2012 – $nil).

The Company recorded a DSU expense of $391 during the three months ended March 31, 2013, including the mark-to-market adjustment (March 31, 2012 – $71). The Company recorded a DSU expense of $666 during the nine months ended March 31, 2013, including the mark-to-market adjustment (March 31, 2012 – $54). The corresponding liability is recognized in long-term liabilities in the Company's balance sheet. As at March 31, 2013, the liability is $1,585 (June 30, 2012 – $919).

	3 MONTHS ENDED		9 MONTHS ENDED	
DEFERRED SHARE UNITS (000'S)	MAR 31, 2013	MAR 31, 2012	MAR 31, 2013	MAR 31, 2012
Balance – Beginning of period	80	59	69	48
Issued during period	7	5	18	16
Balance – End of period	87	64	87	64

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

During the three months ended March 31, 2013, the Company did not award any RSUs (March 31, 2012 – $nil) other than RSUs granted as dividends-in-kind for the aggregate amount of dividends that would have been paid if the RSUs had been SVS. During the three months ended March 31, 2013, dividends-in-kind of $269 (March 31, 2012 – $nil) were declared and granted. Also included in dividend amounts for the three months ended March 31, 2013, is a reversal of $1 (March 31, 2012 – $nil) for dividends-in-kind recognized in prior periods for dividends-in-kind that were forfeited due to employee departures in the current period. For the nine months ended March 31, 2013, the Company awarded $1,308 (March 31, 2012 – $4,908) in RSUs to employees, plus $403 (March 31, 2012 – $nil) of RSUs granted as dividends-in-kind for the aggregate

amount of dividends that would have been paid if the RSUs had been SVS. Also included in dividend amounts for the nine months ended March 31, 2013, is a reversal of $3 (March 31, 2012 – $nil) for dividends-in-kind recognized in prior periods for dividends-in-kind that were forfeited due to employee departures in the current period. The expense related to RSUs outstanding that has been included in the salaries and benefits expense during the three months ended March 31, 2013, was $570 (March 31, 2012 – $1,117) and for the nine months ended March 31, 2013, was $2,154 (March 31, 2012 – $2,964) using graded vesting. Also included in the salaries and benefits expense for the three months ended March 31, 2013, is a reversal of $7 (March 31, 2012 – $131) and for the nine months ended March 31, 2013, is a reversal of $16 (March 31, 2012 – $147) for RSU amortization recognized in prior periods for RSUs that were forfeited due to employee departures in the current period.

During the three months ended March 31, 2013, $44 (March 31, 2012 – $375) of RSUs vested of which $44 (March 31, 2012 – $85) were settled with treasury stock held by the Trust in the current quarter. The balance as of March 31, 2012, of $290 was included in accounts payable and accrued liabilities and was settled with treasury stock held by the Trust in the fourth quarter of fiscal 2012. During the three months ended March 31, 2013, the balance of $36 from the prior quarter and an additional $8 for dividends owed was settled with treasury stock held by the Trust in the current quarter. During the nine months ended March 31, 2013, $2,722 (March 31, 2012 – $1,497) of RSUs vested of which $2,722 (March 31, 2012 – $1,207) were settled with treasury stock held by the Trust in the period. The balance as of March 31, 2012 of $290 was included in accounts payable and accrued liabilities and was settled with treasury stock held by the Trust in the fourth quarter of fiscal 2012.

	3 MONTHS ENDED		9 MONTHS ENDED	
RESTRICTED SHARE UNITS (000'S)	MAR 31, 2013	MAR 31, 2012	MAR 31, 2013	MAR 31, 2012
Balance – Beginning of period	334	434	403	188
Issued during period	16	5	114	314
Vested during the period	(5)	(23)	(171)	(84)
Forfeited during the period	(1)	(17)	(2)	(19)
Balance – End of period	344	399	344	399

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 $35 for the three months ended March 31, 2013 (March 31, 2012 – $43) and $113 for the nine months ended March 31, 2013 (March 31, 2012 – $103), are included in the salaries and benefits expense.

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 a third party institution 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 March 31, 2013, 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 and will become available upon reduction of the outstanding loan balances. As at March 31, 2013, $2,375 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 March 31:

BASIC AND DILUTED EARNINGS PER SHARE	3 MONTHS ENDED MAR 31, 2013	3 MONTHS ENDED MAR 31, 2012
Numerator:		
Net income available to shareholders – basic and diluted	$ 6,749	$ 4,977
Denominator (Number of shares in thousands):		
Weighted average number of shares outstanding – basic	29,014	29,030
Weighted average number of dilutive share-based compensation	292	138
Weighted average number of shares outstanding – diluted	29,306	29,168
Earnings per share		
Basic	$ 0.23	$ 0.17
Diluted[1]	$ 0.23	$ 0.17

Notes:

1. *For the three months ended March 31, 2013, the computation of diluted earnings per share excluded weighted-average options outstanding of 825 (March 31, 2012 – 2,105) with a weighted-average exercise price of $21.63 (March 31, 2012 – $18.21) as the option price was greater than the average market price of the Company's shares.*

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

BASIC AND DILUTED EARNINGS PER SHARE	9 MONTHS ENDED MAR 31, 2013	9 MONTHS ENDED MAR 31, 2012
Numerator:		
Net income available to shareholders – basic and diluted	$ 37,419	$ 15,132
Denominator (Number of shares in thousands):		
Weighted average number of shares outstanding – basic	28,949	29,085
Weighted average number of dilutive share-based compensation	242	208
Weighted average number of shares outstanding – diluted	29,191	29,293
Earnings per share		
Basic	$ 1.29	$ 0.52
Diluted[1]	$ 1.28	$ 0.52

Notes:

1. *For the nine months ended March 31, 2013, the computation of diluted earnings per share excluded weighted-average options outstanding of 1,892 (March 31, 2012 – 1,013) with a weighted-average exercise price of $18.11 (March 31, 2012 – $21.70) as the option price was greater than the average market price of the Company's shares.*

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 stock), 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 and nine months ended March 31, 2013, and 2012, 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	
	MAR 31, 2013	MAR 31, 2012
Income tax provision based on statutory income tax rate, 26.50% (2012 – 27.25%)	**$2,498**	**$ 1,813**
Increase (decrease) in income taxes resulting from:		
Expenses not deductible for tax purposes	171	(210)
Realized and unrealized capital (gains) losses on securities owned and short-term investments	—	(67)
RSU dividends vested in the quarter	(5)	—
Deferred tax asset not previously recorded	—	(12)
Prior year's (over)/under provision	—	—
Other non-deductible items and changes in future tax rates	13	154
Income tax provision as reported, 28.40% (2012 – 25.22%)	**$ 2,677**	**$1,678**

	9 MONTHS ENDED	
	MAR 31, 2013	MAR 31, 2012
Income tax provision based on statutory income tax rate, 26.50% (2012 – 27.25%)	**$13,601**	**$ 5,823**
Increase (decrease) in income taxes resulting from:		
Expenses not deductible for tax purposes	377	8
Realized and unrealized capital (gains) losses on securities owned and short-term investments	—	83
RSU dividends vested in the quarter	(61)	—
Deferred tax asset not previously recorded	—	32
Prior year's (over)/under provision	(15)	195
Other non-deductible items and changes in future tax rates	3	99
Income tax provision as reported, 27.09% (2012 – 29.20%)	**$13,905**	**$6,240**

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 March 31, 2013, and June 30, 2012, are as follows:

	AS AT MAR 31, 2013	AS AT JUN 30, 2012
Deferred income tax assets		
Accrued and long term liabilities	$ 503	$ 354
Restricted share units	1,148	1,020
Restricted share units dividends-in-kind	227	—
Post-retirement obligations	2,776	2,700
Eligible capital expenditures	154	—
Total deferred income tax assets	**$4,818**	**$4,074**
Deferred income tax liabilities		
Property and equipment	(831)	(956)
Total deferred income tax liabilities	**$ (831)**	**$ (956)**
Net deferred income tax assets	**$3,978**	**$ 3,118**

As at March 31, 2013, the Company had $1,694 (June 30, 2012 – $1,694) 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 March 31, 2013, are accrued bonuses of $2,788 (March 31, 2012 – $2,231) and for the nine months ended March 31, 2013, $14,323 (March 31, 2012 – $6,697). For the three months ended March 31, 2013, salaries and benefits expense also includes termination payments of $nil (March 31, 2012 – $700) accrued for former employees. For the nine months ended March 31, 2013, salaries and benefits expense includes termination payments of $849 (March 31, 2012 – $700). 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		9 MONTHS ENDED	
	MAR 31, 2013	MAR 31, 2012	MAR 31, 2013	MAR 31, 2012
Donations	$ 191	$ 338	$ 674	$ 900
Marketing	268	154	569	767
Travel	188	171	385	423
	$647	$663	$1,628	$2,090

12. GENERAL AND ADMINISTRATIVE

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

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2013	MAR 31, 2012	MAR 31, 2013	MAR 31, 2012
Insurance	$ 131	$ 130	$ 392	$ 386
Information technology infrastructure and system operating costs	704	1,238	2,575	3,789
Office services and telecommunications	502	641	1,537	1,809
System and other consulting fees	214	649	1,058	3,533
Regulatory fees	197	194	497	533
Professional fees	1,368	340	2,159	1,154
Sub-advisory fees and other fees	79	474	249	1,518
Economic research expenses	304	425	929	1,178
Other	(14)	66	32	(68)
	$3,485	$4,157	$9,428	$13,832

13. OCCUPANCY

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

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2013	MAR 31, 2012	MAR 31, 2013	MAR 31, 2012
Lease for premises	$880	$867	$ 2,616	$2,043
Premises maintenance	36	30	133	143
	$ 916	$897	$2,749	$ 2,186

14. DIVIDENDS

The following dividends were declared and paid by the Company during the three months ended March 31, 2013:

DIVIDENDS PAID	RECORD DATE	PAYMENT DATE	CASH DIVIDEND PER SHARE	TOTAL DIVIDEND AMOUNT ($000's)
December 31, 2012 – special dividend	February 21, 2013	March 15, 2013	$0.6500	$18,896
December 31, 2012 – regular dividend Q2, 2013	February 21, 2013	March 15, 2013	0.1750	5,089
Total Dividends Paid			$ 0.8250	$23,985

The following dividends were declared and paid by the Company during the nine months ended March 31, 2013:

DIVIDENDS PAID	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
September 30, 2012 – regular dividend Q1, 2013	November 21, 2012	December 17, 2012	0.1750	5,109
December 31, 2012 – special dividend	February 21, 2013	March 15, 2013	0.6500	18,896
December 31, 2012 – regular dividend Q2, 2013	February 21, 2013	March 15, 2013	0.1750	5,089
Total Dividends Paid			$ 1.2225	$35,505

As part of the RSU plan, as described in note 6, the following dividends in kind were granted by the Company during the three months ended March 31, 2013:

DIVIDENDS IN KIND -GRANTED	RECORD DATE	GRANT DATE	DIVIDEND IN KIND PER SHARE	TOTAL DIVIDEND IN KIND AMOUNT ($000'S)
December 31, 2012 – special dividend	February 21, 2013	March 15, 2013	$0.6500	$ 213
December 31, 2012 – regular dividend Q2, 2013	February 21, 2013	March 15, 2013	0.1750	55
Total Dividends in Kind Granted			**$ 0.8250**	**$268**

As part of the RSU plan, as described in note 6, the following dividends in kind were granted by the Company during nine months ended March 31, 2013:

DIVIDENDS IN KIND -GRANTED	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
September 30, 2012 – regular dividend Q1, 2013	November 21, 2012	December 17, 2012	0.1750	56
December 31, 2012 – special dividend	February 21, 2013	March 15, 2013	0.6500	213
December 31, 2012 – regular dividend Q2, 2013	February 21, 2013	March 15, 2013	0.1750	55
Total Dividends in Kind Granted			**$ 1.2225**	**$400**

15. FINANCIAL INSTRUMENT RISKS

The Company's financial instruments include cash, restricted cash, accounts receivable, accounts payable and accrued liabilities and accrued bonuses, 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. Short-term investment holdings and other securities owned 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 Company manages market risk by the daily monitoring of its securities owned and securities sold short, if any. The Company separates market risk into three categories: price risk, interest rate risk and foreign exchange risk.

(i) *Price Risk*

Price risk arises from the possibility that changes in the prices of the Company's investments will result in changes in carrying values. As at March 31, 2013, 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. Included in long-term liabilities on the balance sheet as at March 31, 2013, is $1,585 (June 30, 2012 – $919) related to DSUs. If the Company's stock price increased by 5%, this would have decreased net income before provision for income taxes by approximately $59 (June 30, 2012 – $34); conversely, if the Company's stock price decreased by 5%, this would have increased net income by the same amount.

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

(ii) *Interest Rate Risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the carrying value of financial instruments. As at March 31, 2013, the Company was subject to interest risk through some of its short-term investments. The Company's sensitivity to interest rate as determined based on portfolio weighted duration was not significant as at March 31, 2013, 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 March 31, 2013, there were no investments in securities owned and managed by the Company denominated in U.S. dollars (June 30, 2012 – $nil). A total of $1,513 (June 30, 2012 – $952) of cash and $261 (June 30, 2012 – $238) of accounts receivable were denominated in U.S. dollars. As at March 31, 2013, 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 $67 (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 March 31, 2013 and June 30, 2012, there were $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 one issuer.

Also included in short-term investments are debt securities issued by the federal government and Canadian banks with credit ratings of AA or higher as at March 31, 2013 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 was held at a Canadian bank with a credit rating of AA- as at March 31, 2013, 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 fund vehicles 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 March 31, 2013, totaled $20,194 (June 30, 2012 – $18,563), and included accounts payable and accrued liabilities 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 March 31, 2013, and June 30, 2012, the Company held debt securities issued by the federal government and Canadian 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.

Board of Directors

PAUL BEESTON
Chairman of the Compensation, Nominating and Governance Committee
Audit Committee

DONALD CARTY
Compensation, Nominating and Governance Committee

JEREMY FREEDMAN
President & Chief Executive Officer
Gluskin Sheff

IRA GLUSKIN
Co-Founder & Vice-Chairman
Gluskin Sheff

WILFRED GOBERT
Audit Committee

GERALD SHEFF
Co-Founder & Chairman
Gluskin Sheff

HERBERT SOLWAY
Lead Independent Director

PIERRE-ANDRE THEMENS
Audit Committee

PAMELA D. WALLIN
Compensation, Nominating and Governance Committee

ROBERT S. WEISS
Chairman of the Audit Committee
Compensation, Nominating and Governance Committee

Officers

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Co-Founder & Chairman

IRA GLUSKIN
Co-Founder & Vice-Chairman

JEREMY FREEDMAN
President & Chief Executive Officer

JEFF MOODY
Executive Vice-President, Investments & Client Service

WILLIAM WEBB
Executive Vice-President & Chief Investment Officer

JIM BANTIS
Senior Vice-President, Risk Management

DAVID MORRIS
Chief Financial Officer & Secretary

DAVID ROSENBERG
Chief Economist & Strategist

AMY AUBIN
Chief Compliance Officer

MICHAEL CECCARELLI
Vice-President, Risk Management

SILVIA CHEUNG
Vice-President, Investment Accounting

DANIEL EDDE
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TONY SOLOMON
Vice-President & Strategist, Alternative Investments

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Vice-President & Portfolio Manager

Gluskin Sheff + Associates Inc.
Bay Adelaide Centre, 333 Bay Street, Suite 5100
Toronto, Canada M5H 2R2
TELEPHONE 416.681.6000
TOLL FREE 1.866.681.6001
FAX 416.681.6060
www.gluskinsheff.com

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