Guardian Capital Group Limited

is a well-established investment management company with a global range of investment products and a diversified client base. Our primary goal is to increase each client's wealth within a disciplined, prudent investment approach. We have an international network of investment professionals. Our market share and earning power are growing. We have the resources in people, systems and financial strength to secure our future success and increase shareholder value. Please enjoy our

1996 Annual Report

Contents

Investment Management GLOBAL PROFESSIONAL RESOURCES

GUARDIAN CAPITAL INC. Specialized Canadian fixed income, equity and balanced portfolio management. Toronto-based investment team of thirteen professionals. Manages segregated accounts, pooled funds, mutual funds and life insurance company segregated funds. Ownership: 100%

KLEINWORT GUARDIAN OVERSEAS LIMITED Exclusive Canadian supplier of the investment management services of Kleinwort Benson Investment Management Limited since 1989. Jointly owned by Guardian and Kleinwort Benson Investment Management Limited, the London-based member of the worldwide Dresdner Bank group of investment management companies. Non-North American fixed income, equity and balanced portfolio management services. Eighty investment professionals located in offices in major financial centres around the world, and coordinated by London and San Francisco-based management. Ownership: 50%

GUARDIAN DIETCHE FIELD INC. Exclusive Canadian supplier of the investment management services of New York-based Dietche & Field Advisers, Inc. since 1989. Jointly owned by Guardian and Dietche & Field. U.S. equity portfolio management services. Eight investment professionals. Ownership: 51%

Clients Served A DIVERSIFIED BUSINESS BASE

GUARDIAN CAPITAL INC. Pension funds of governments, corporations, universities and unions, foundations and endowment funds. Mutual and pooled funds of Guardian Group of Funds Ltd., Guardian Capital Advisors and Alexandria Bancorp Limited. Mutual funds, segregated funds and wrap accounts of other organizations. Ownership: 100%

GUARDIAN GROUP OF FUNDS LTD. Management and marketing of Guardian mutual funds. Serves Canadian mutual fund investors who are clients of stockbrokers, financial planners and life insurance brokers and agents. Services to mutual fund dealers provided from Guardian sales offices in Toronto, Montreal and Vancouver. Operates under the name of Guardian Mutual Funds. Ownership: 100%

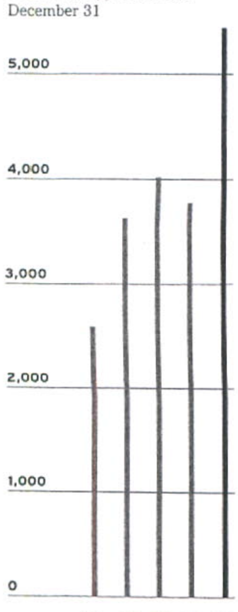
GUARDIAN CAPITAL ADVISORS Serves wealth management needs of Canadian high net worth investors and their trusts, estates and personal corporations. Provides personalized portfolio management. Service to clients from Toronto. A division of Guardian Capital Inc. Ownership: 100%

ALEXANDRIA BANCORP LIMITED Investment management and other related financial services for wealthy international investors and institutional clients. Provides personalized portfolio management and administration services for trusts and corporations. Multi-jurisdictional range of services. Main office located in the Cayman Islands. Ownership: 100%

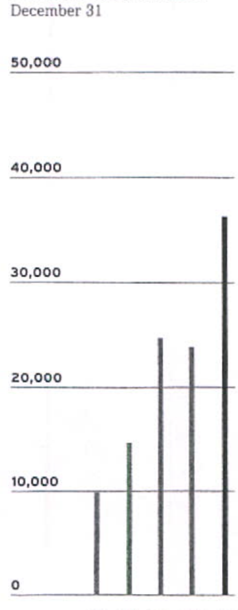
WORLDSOURCE HOLDINGS CORP. Holding company. Subsidiary provides financial planning services to Canadian investors across Canada. Service provided by agents of wholly-owned CMG-Worldsource Financial Services Inc. Retail distributor for both Guardian and non-Guardian mutual funds. Head office is in Markham, Ontario. Ownership: 55%

December 31 ($ in millions)	1995	1996	% Change
Value of client assets managed	3,800	5,456	43.6
($ in thousands)			
Gross revenues	23,727	36,273	52.9
Earnings before interest, taxes, depreciation and amortization			
Investment management services	2,487	5,763	131.7
Financial asset management	2,095	2,131	1.7
	4,582	7,894	72.3
Net earnings for the year	2,288	3,383	47.9
Cash and securities	47,366	53,694	13.4
(in dollars)			
Per Common and Class A share – fully diluted			
Net earnings for the year	0.39	0.55	41.0
Cash and securities	7.38	8.58	16.3
(in thousands)			
Year-end Common and Class A shares outstanding – fully diluted	6,680	6,548	(3.9)

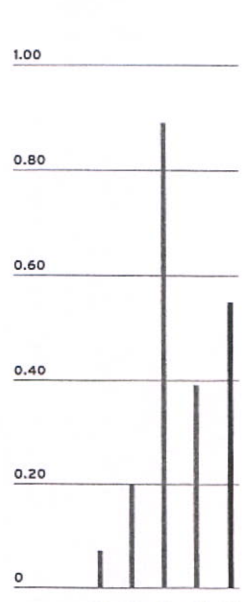
CLIENT ASSETS MANAGED
$ in millions, years ended December 31



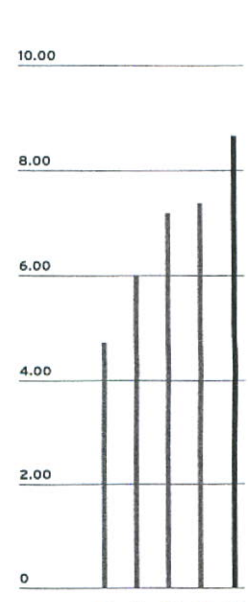
GROSS REVENUES
$ in thousands, years ended December 31



EARNINGS PER SHARE – FULLY DILUTED
in $, years ended December 31



CASH AND NET SECURITIES PER SHARE
in $, years ended December 31



Staying Focused on Serving Our Clients

In anticipation of further growth in our business, our professional and other resources have been strengthened in recent years. This increased organizational capability has resulted in continued high levels of service to clients. Guardian's history of superior long-term performance with below-average risk continued through 1996, with particularly strong results in Canadian equity portfolios. To protect the best interests of clients, we capped one of our most successful mutual funds, Guardian Monthly Dividend Fund Ltd. We also broadened the investment options available to our clients by launching new institutional and mutual fund products. And we improved service to clients with the completion of major systems conversions in our mutual funds organization.

Highest Ever Client Assets Under Management and Record High Management Fee Revenues

Guardian continued its strategy of building underlying earning power by increasing client assets under management and investment management fee revenues, the primary determinants of long-term sustainable profits. In 1996, client assets under management grew by 43.6% to $5.5 billion, partly due to market share growth in the mutual fund and pension asset management industries. Management fee revenues reached a record $28.7 million, up 57.8% over fiscal 1995. At year-end 1996, client assets under management were equal to $833 per share, fully diluted, and management fee revenues were $4.35 per share, fully diluted.

Another Year of Profit Growth

We achieved another year of increased profit. Gross revenues of $36.3 million in 1996 were up 52.9% from $23.7 million in the prior year. Gross revenues and operating expenses increased in 1996, partly due to a change, effective January 1, 1996, in the method of charging financing fees for rear-load mutual funds. Operating earnings rose by 72.3% to $7.9 million in 1996 from $4.6 million in the year before. Cash from operations more than tripled in 1996 to $3.2 million from $942,000 in 1995. On a higher tax rate, net earnings were $3.4 million, up 47.9% from $2.3 million in 1995. On fewer shares outstanding, fully diluted earnings per share were $0.55 in 1996, up from $0.39 in 1995.

Increased Financial Strength

To support our needs for financing future growth, and to conduct our business from a base of financial stability, one of our key strategies is to enhance our financial strength. At December 31, 1996, we held a highly-liquid corporate portfolio of cash and securities amounting to $53.7 million, up from $47.4 million at the previous year-end. These financial resources represent an important component of shareholder value and amounted to $8.58 per share at year-end 1996, up from $7.38 at the previous year-end.

Enhancing Shareholder Value

Guardian is enjoying a long-term uptrend in client assets under management, revenues and profits. In order to accelerate growth in fundamental shareholder value on a per share basis, Guardian has maintained a share buy-back program for the past ten years. In 1996, 192,000 Class A shares were repurchased at a total cost of $1,940,000, an average cost per share of $10.10. Since the buy-back program began in 1987, 1,239,000 Class A shares have been repurchased at an average cost of $6.78 per share.

Mark A.F. Golding
President and
Chief Operating Officer

John M. Christodoulou
Chairman and
Chief Executive Officer

Directors' Report to Shareholders

Investing in Diversified Growth: Guardian's long-term goal is to build a globally diversified investment management company, with a wide range of world-class products, the highest levels of customer service, and a well diversified client base. This strategy of diversified growth has required sustained investment in building and strengthening an organization that operates in a variety of markets and offers a wide range of products through a number of business units. We ensure that each of our strategic business units has the tools and support it requires to develop a strong business franchise.

Our diversified business base allows us to meet the growing demand from institutional and retail investors for investment management services. With three business units in Canada and one offshore, an ownership position in a holding company invested in an independent fund dealership and important strategic alliances with highly-regarded organizations in the U.K. and U.S., Guardian is advancing toward its goal of broad business diversification and globalization. This diversification provides the twin virtues of expanding our opportunities for growth while reducing our dependency on any one segment of the financial services market.

During 1996, we made continued progress in building our business franchises. Guardian Capital Inc. ranked among the fastest-growing active managers of pension assets for the second year running. Institutional assets under management at year-end 1996 amounted to $3.7 billion, a 41.3% gain over 1995. Guardian Group of Funds Ltd. also enjoyed impressive growth in mutual fund assets managed, with a 50.6% gain to $1.6 billion at year-end 1996. Total retail client assets, including mutual funds and assets of high net worth clients, increased by 48.4% to $1.8 billion at December 31, 1996.

Our Worldsource mutual fund dealership was merged with CMG Financial Corporation to form CMG-Worldsource Financial Services Inc., with the goal of improving service to mutual fund investors. Guardian Capital Advisors finalized plans to expand its product offerings to high net worth investors, and enters the new year with improved administration and client reporting systems. Finally, Alexandria Bancorp Limited has broadened its services to international clients with a wider range of investment management and other services from an expanded number of offshore jurisdictions.

Our pursuit of diversification and globalization extends to our product offerings. Guardian offers an exceptionally broad selection of investment options. Combining the investment management resources of Guardian's Toronto-based team with those of our strategic alliance partners in London and New York, we are able to offer our clients expert access to all the financial markets around the world. Our long-established alliances with two long-term partners – Kleinwort Benson Investment Management Limited, and Dietche & Field Advisers, Inc. – allow us to provide a world-class global money management service without incurring the prohibitive costs of building an equivalent worldwide infrastructure.

None of these accomplishments could have been reached without the dedication of our associates, who thrive within an entrepreneurial environment driven by a "client comes first" corporate culture. This ensures that Guardian will remain highly responsive to the need to meet or exceed the expectations of clients, while being quick to respond to the many opportunities that present themselves in today's fast-changing domestic and global markets.

New Developments

Information technology is basic to our business, and maintaining excellence in this area requires a continuing commitment. In 1996, the main focus of our efforts was to upgrade systems serving our mutual fund organization.

The highlight of this effort was the conversion of our mutual fund shareholder management systems to Unitrax – a flexible program to maintain client accounts and provide clients with detailed current information about their investment account activities. Unitrax also helps us keep our network of investment brokers and mutual fund dealers fully informed about our latest product offerings, improving our marketing efforts dramatically.

This past year also saw us adopt the FundServ system, an electronic order-taking program that has become an industry standard over the past few years. With the adoption of this system, we can now conduct over 75% of our business online, in real time. These technological investments have already produced efficiency improvements. Independent surveys have shown that Guardian is fully competitive and cost-effective within the mutual fund industry.

Our efforts to significantly upgrade client service to mutual fund dealers were well rewarded in 1996. A new client services sales team was created to augment the administrative client services team. Facing industry-wide improvements, this combined team was rated, by an independent marketing research organization, as having one of the highest-quality client services functions in the mutual fund industry.

With a much-expanded administrative capability in place, supported by our strongest client service team ever, we have embarked on an aggressive marketing strategy to create increased public awareness about our mutual fund products and services. As part of this strategy, we reorganized our sales organization across the country, and invested in sophisticated software programs that allow us to provide improved service to our entire network of financial services representatives and mutual fund dealers.

Finally, in 1996, Guardian Group of Funds Ltd. piloted its Internet Web site at http://www.guardianfunds.com.

Not only does this Internet presence increase public awareness of our mutual fund products, but it also acts as an important tool for the financial experts who recommend our mutual fund products as investment vehicles for their clients.

Business Outlook

The outlook is positive. Our business franchises in institutional and retail asset management are strengthening and, to date, have steadily gained market share. As a result of the merger with CMG Financial Corporation, our fund dealership activities have gained improved management capability and autonomy. Our two personal wealth management organizations – one based in Toronto serving Canadian high net worth investors, the other serving international clients from our office in the Cayman Islands – are ready for accelerated development. While we face the need for new methods of financing commissions for our deferred-load mutual funds, we have the financial strength and choice of several external financing alternatives to address this challenge.

If there is an area of uncertainty in the business outlook, it is the question which faces all investment management companies – the trend in financial markets. Our management fee revenues are directly linked to the market value of client assets managed, which can be strongly affected by changes in overall market trends. The degree of investor enthusiasm for purchasing mutual funds can also be affected by overall market trends. This affects our gross mutual fund sales, which drive our commission revenues. Market trends also affect our net mutual fund sales, which are linked to mutual fund management fees. In addition, market trends can affect the value of Guardian's corporate capital.

In recent years, some of the growth of client assets, management fees and commission revenues enjoyed by investment management companies has been driven by rising prices in financial markets. Our generally positive assessment of the market outlook for 1997 is set out in this annual report in the section which follows, "Financial Markets Overview".

Dividends

Guardian's continued improvement in its financial condition and outlook for future growth justify another increase in the annual dividend. Your Directors have declared a dividend of $0.17 per Common and Class A share. These dividends will be payable on April 21, 1997 to shareholders of record as of April 14, 1997. A dividend of $0.12 per Common and Class A share was paid in 1996.

Directors

After nine years of diligent service to shareholders, both as Director and through several Board-appointed committees, George N. M. Currie has indicated that he will not stand for re-appointment to the Board. His contributions were greatly valued by us all. James W. McCutcheon, Q.C., is a nominee for election to the Board at the Annual Shareholders' Meeting. We have a total Board membership of seven, of whom four are unrelated Directors.

Our Commitment to Shareholders

In 1997, Guardian celebrates its 35th anniversary, making it one of Canada's longest-established independent investment management companies. We are committed to ensuring excellence in service to all our clients. This means continuing investment in professional resources and technology, in product quality and variety, and in uncompromised standards of personalized service. It also means a commitment to the highest standards of ethical conduct, with compliance supported by an Ethics Committee chaired by an independent Director.

We intend to continue to invest in excellence, building organizational strength and capability as a multi-market, multi-product investment management company serving clients in Canada and, increasingly, around the world.

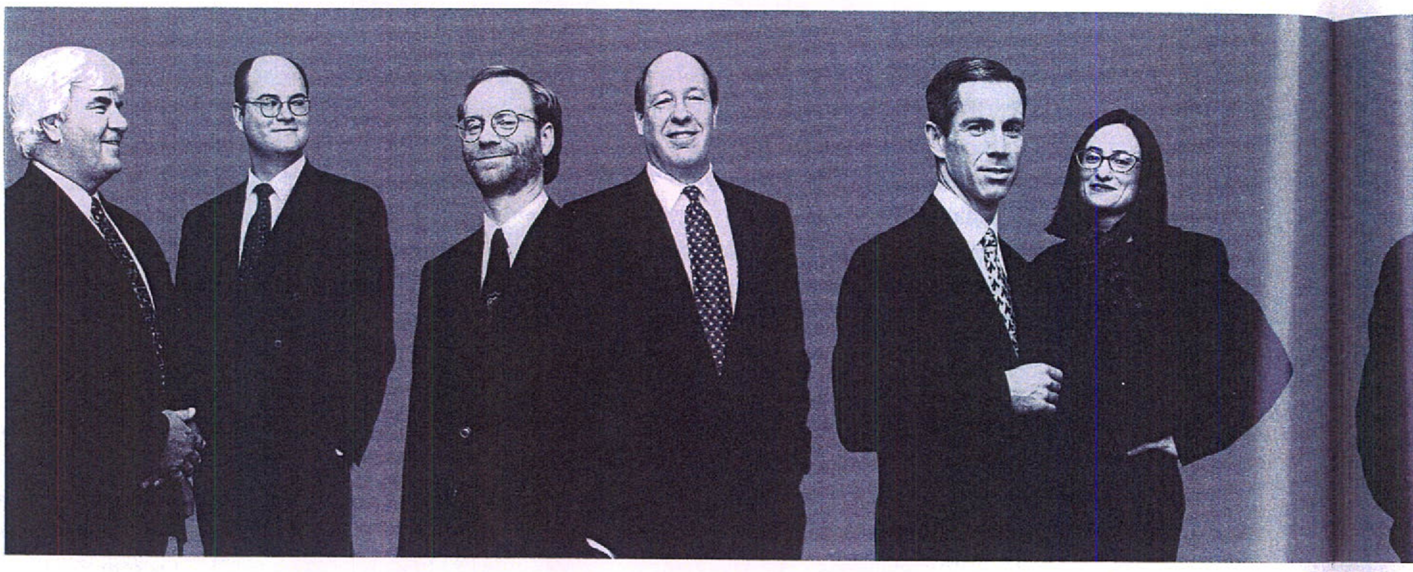
Warmest thanks to all,

John M. Christodoulou
Chairman and Chief Executive Officer

Mark A. F. Golding
President and Chief Operating Officer

April 17, 1997
Toronto, Ontario

Financial Markets Overview



Guardian's management fee revenues are linked to trends in the price level of financial markets. This factor is a major variable in the business of investment managers, and one of the least controllable. As overall market prices move up or down, the value of client assets – and the fees earned from managing those assets – can be directly affected. For Guardian, market value changes can also affect the value of its own corporate capital which, at year-end, stood at \$53.7 million, or \$8.58 per share.

FROM LEFT TO RIGHT:

JOHN G. PRIESTMAN
Managing Director

A. MICHAEL CHRISTODOULOU
Investment Research Analyst

GARY C. CHAPMAN
Managing Director

ROBERT K. HAMMILL
Managing Director

MARC A. NOBLE
Vice-President,
North American Investments

CHRISTINE GIRVAN
Vice-President,
International Investments

PETER A. HARGROVE
Managing Director

STEPHEN D. KEARNS
Vice-President,
Portfolio Manager,
Fixed Income Investments

NAIRN J. CUTTEN
Vice-President, Fixed Income

LARRY T. KENNEDY
Managing Director

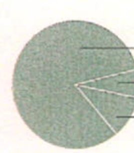
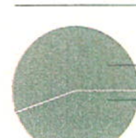
Guardian addresses the challenge of market risk in two ways. We strive for above-market investment performance, particularly in declining markets. We also rely on asset class and global diversification in our client asset base (an analysis of our corporate capital management activities is set out in the Management's Discussion and Analysis). As the accompanying charts will show, Guardian's diversification of client assets, in terms of geographic markets and asset classes, provides a sound business base.

Market Impact on 1996 Results

Nineteen ninety-six was a year of robust results for most world financial markets. This, combined with the above-market performance which we managed to achieve for most client portfolios, provided a healthy contribution to Guardian's growth in assets under management and management fee revenues. Assets under management increased by $1.7 billion during 1996, of which $0.7 billion was attributable to market returns. Management fee revenues increased by $10.5 million.

Client Assets Under Management

As at December 31, 1996 ($ in millions)

Markets	$	% of Total
Canada	4,493	82.3
U.S.	405	7.4
International	558	10.3
	5,456	100.0
Asset Classes		
Equities	2,987	54.7
Fixed Income	2,469	45.3
	5,456	100.0

Major Market Indices 1996

Total Returns in Canadian Dollars	%
Canadian 30-Day T-Bills	4.6
ScotiaMcLeod Universe Bond Index	12.3
TSE 300 Index	28.3
S&P 500 Index	23.6
MSCI EAFE Index *	6.6
MSCI World Index	14.0
IFC Emerging Markets Index	9.2

*Europe, Australasia and Far East stock markets

During 1996, the Canadian economy was given well-deserved recognition for the structural reforms made this decade, including a reduction of government deficits, deregulation, low inflation, tariffs and trade barriers. Canada has sharply reduced its deficits as a percentage of Gross Domestic Product. Its inflation has been consistently lower than in the U.S.; and its current account has improved to the point where Canada has the ability to fund its new borrowing needs internally for the first time in many years. This has prompted domestic and foreign investors alike to realize that it is possible for falling real interest rates to coexist with a stable to rising currency.

As a result, Government of Canada bonds outperformed U.S. Treasuries by a wide margin in 1996. And, with low domestic interest rates and a stable Canadian dollar, the Canadian stock market was spurred to another strong year. The Bank of Canada surprised many market watchers in 1996 by managing to set short-term interest rates markedly lower than those in the U.S without incurring undue pressure on the currency.

Most international equity and bond markets performed well in 1996, as central banks around the world maintained relatively low interest rates.

European stock markets, beneficiaries of low interest rates and a stronger U.S. dollar, were among the best performing developed markets. The performance of the U.K. market, however, was disappointing, largely as a result of the continuing political uncertainty surrounding the Tory Government.

The Japanese stock market was hurt by poor performance from the banking and technology sectors, despite supportive monetary and budgetary policies. Export-oriented manufacturing companies, however, showed some improvement after restructuring. The Hong Kong market, benefiting from stable U.S. interest rates, the recovery in residential property prices and an improved Chinese economy, performed well in 1996.

Emerging markets underperformed their developed counterparts, rising only 9.2% versus 13.5%, largely as a result of poor performance in Asia and South Africa. Both Latin America, led by economic turnarounds in Argentina and Mexico, and Eastern Europe, led by Hungary and Poland, performed well.

Market Outlook

Our forecast for 1997 is, on balance, positive. Continuing sustainable growth, with relatively low inflation, appears likely in the North American and U.K. economies, while in Continental Europe we anticipate more modest, but improving, levels of economic activity. We further believe that the longer term trend of structural disinflation witnessed in recent years will not be jeopardized by the risk of a modest cyclical uptick in U.S. inflation in 1997. As a result, the environment remains favourable for most financial markets.

The strong performance of European bond markets in 1996 is unlikely to extend further into 1997, causing us to focus on the U.S. and the U.K., which we believe to be the most attractively-valued bond markets. The Japanese bond market continues to remain relatively unattractive. Indeed, Japan, with its fragile financial system, remains our main concern.

Low interest rates and low inflation in Continental Europe should provide a favourable environment for growth companies. In Japan, meanwhile, we will focus on companies with clear earnings visibility and strong management teams with clear growth objectives.

Coupled with an encouraging economic climate in the U.S., emerging markets continue to offer good potential in 1997. In particular, higher growth in China should refocus attention on Asia, and accelerated growth and attractive valuations in Latin America should support higher market levels.

Following two strong years, we expect that the U.S. stock market should generate a positive, if less powerful, return in 1997, but prospects for an upturn in interest rates will place a greater premium than ever on care in stock selection and risk control. With most international stock markets riding the wave of the bull market, there are some calling, some might say hoping, for the long-awaited correction.

Our forecast for the Canadian stock market this year is upbeat, because the current North American economic expansion is expected to continue throughout the year. This is very important for the Canadian economy, which is highly leveraged to growth in exports to the U.S. The Canadian economy is expected to improve significantly this year, which should create the necessary environment for corporate profits in Canada to move higher during the year. The Bank of Canada has been particularly accommodative over the past two years. This has created the liquidity to support a good stock market in 1997.

Management's Discussion and Analysis

Corporate Aims and Objectives

Our mission is to serve our clients, associates and shareholders by excelling in the achievement of:

investment performance,
client satisfaction,
organizational capability, and
profit performance.

Business Strategies

- Maintain a strong investment culture based on exceptional investment professionals, a prudent investment management philosophy and process, and a world-class range of product offerings
- Build underlying earning power by growing the primary determinants of long-term sustainable profits: assets under management and investment management fee revenues
- Develop each business unit to a level of profitability that will produce exceptional overall profit
- Rely primarily on internal growth in preference to acquisitions or mergers
- Stay clearly focused on delivering value-added investment management and related services
- Build a diversified revenue base by developing a multi-market client base for the core investment management services
- Operate through market-specific strategic business units, each of which have strong and growing franchises within their respective market segments
- Rely on strategic alliances for outsourcing production of non-Canadian investment management products
- Rely primarily on internally-financed corporate development, through a powerful balance sheet and growing operating cash flow
- Increase the value of results for shareholders by means of a share buy-back program, subject to market share prices, which reduces shares outstanding and increases value per share

Management

To guide and oversee our widely diversified businesses, Guardian relies on a Board of seven Directors, four of whom are unrelated Directors.

Management's priorities are to ensure impeccable ethical standards throughout the organization, to promote a company-wide "client comes first" culture, and to invest in the resources needed to build a winning organization. Guardian's management team is alert to the need to be responsive to shifting market realities, new opportunities, and threats.

We achieve this through a two-tier management structure. First, Guardian management ensures that corporate-wide objectives are implemented consistently, by providing each of our strategic business units with comprehensive services, including strategic leadership, capital asset management, risk management, financial controls, financing resources and administrative services (including technology, accounting, human resources and legal services).

Second, we ensure that each strategic business unit is largely self-managed by its own team that operates under a Guardian management-approved business plan. This contributes to an entrepreneurial focus and produces improved accountability.

Management and other insiders share an important common interest with public shareholders in achieving sustainable growth in profit and shareholder value. This common interest arises from management's significant equity ownership in Guardian. As of year-end, management and other insiders collectively held 57.5% of the Common shares. Upon full conversion of all outstanding options, management and other insiders would have held 37.6% of Common and Class A shares outstanding at December 31, 1996, up from 32.5% at the previous year-end.

Human Resources

Our human resources strategy is intended to focus our attention on our core ideology: to deliver client satisfaction by increasing our clients' wealth and providing personalized service. We pursue this goal by relying on a combination of professional excellence, entrepreneurial spirit, uncompromising integrity and a working environment offering challenge, personal growth and rewards for our associates.

The firm is organized and managed to operate as a mutually supportive network of teams. Guardian employed 179 full-time associates at December 31, 1996, compared with 158 at the previous year-end.

Development

With rapid changes in information technology, market conditions and competition levels, Guardian continually assesses and re-assesses the people who work within our organization. Having the right strategy, action plan, and career development options is critical to Guardian's competitive strategy. Our training and development initiatives help us to foster a resilient team of associates capable of responding quickly and effectively to change.

Compensation

The goal of our compensation strategy is to attract and retain the highest-calibre investment professionals, business managers and associates, and to build a client-oriented, entrepreneurial and fully-competitive organization.

Guardian's compensation policy is developed by the Compensation Committee and approved by the Board. Our compensation strategy is to provide market rates of performance-linked compensation. This typically comprises a base salary plus a year-end bonus which is linked to individual performance. Annual written performance appraisals are reviewed with each associate by the managers of each strategic business unit.

Management compensation comprises a base salary supplemented by a measurable, results-driven performance bonus and, in some cases, by profit sharing, stock options or other equity-linked compensation. For Guardian's senior investment professionals, the performance bonus is tied directly to a four-year moving average of investment returns achieved for an all-inclusive composite of each manager's designated client portfolios.

Strategic Business Units and Alliances

The principal business of Guardian Capital Group Limited, which was founded in 1962, is the provision of a comprehensive range of investment services to institutional and retail investors. This business is carried on through four wholly-owned strategic business units, which are largely self-managed subsidiaries of Guardian Capital Group Limited:

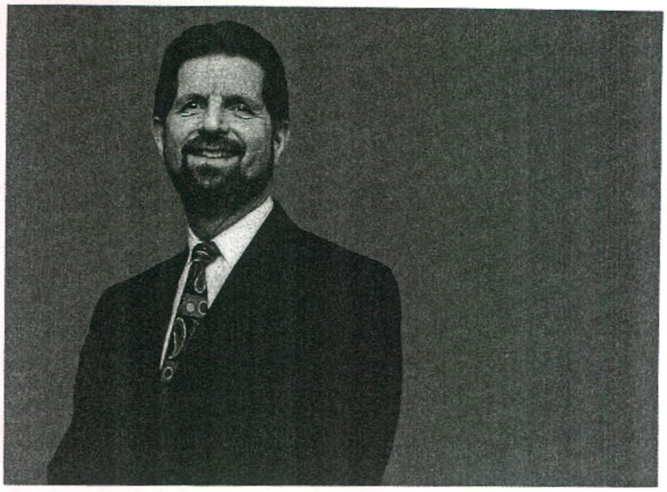
- Guardian Capital Inc.
  Investment management and institutional client service

- Guardian Group of Funds Ltd.
  Mutual fund management and wholesaling

- Guardian Capital Advisors,
  a division of Guardian Capital Inc.
  Wealth management services to high net worth investors

- Alexandria Bancorp Limited
  Investment counselling, administration of offshore trusts and corporations and other financial services for international clients

In addition to our four strategic business units, Guardian has a 55% ownership interest in a newly-formed company, Worldsource Holdings Corp., which owns 100% of CMG-Worldsource Financial Services Inc., a national mutual fund dealership.



J.J. Woolverton
Managing Director and
Chief Operating Officer
Guardian Capital Inc.

Guardian Capital Inc.

Canadian	American	International
Balanced: discretionary or client-mandated asset mix		**Balanced:** discretionary or client-mandated asset mix
Equities: Core premium growth small/mid-cap	**Equities:** Core: relative value	**Equities:** Core growth Regional markets Emerging markets
Fixed Income: Active duration structured index enhanced preferred stocks		**Fixed Income:** International

Guardian Capital Inc. is Guardian's wholly-owned investment counselling subsidiary. It is one of Canada's longest-established investment counselling companies. In 1996, it was ranked as the 28th largest manager of pension assets in Canada. Three years ago, it ranked as the 38th largest. In 1996, it was the fastest growing active investment management firm in Canada among firms with pension assets of over $1 billion.

Its clients include pension funds, corporate investors, endowments, foundations, unions and the Guardian retail asset management subsidiaries. It provides its clients with one of the broadest selections of investment management products in the country.

The attribute which makes Guardian Capital Inc. a manager of choice for the 1990's is its ability to provide comprehensive domestic and international investment management services – giving its clients access to all the developed and emerging bond and stock markets of the world.

Guardian's Toronto-based team of investment professionals provides clients with specialized Canadian balanced, bond and equity portfolio management.

International balanced, bond and equity management is provided by Kleinwort Guardian Overseas Limited, which is jointly owned by Guardian and Kleinwort Benson Investment Management Limited, the London-based member of the worldwide Dresdner Bank group of investment management organizations. This association gives Guardian's clients access to the extensive global investment network of the Dresdner Bank. This world-class investment management organization manages over $65 billion of assets for an international list of clients. Guardian is the exclusive supplier of its services in Canada.

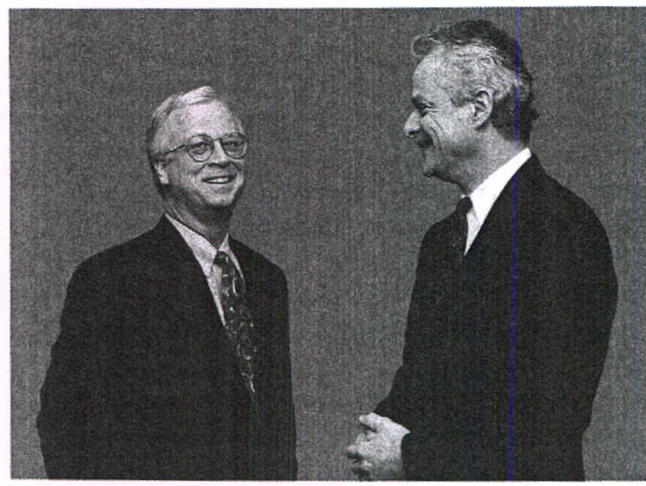
U.S. equity management is provided by Guardian Dietche Field Inc., which is 51% owned by Guardian and 49% owned by our New York-based associates, Dietche & Field Advisers, Inc. Dietche & Field manages over $6 billion of assets for U.S. institutional investors and for Guardian's clients. Guardian is the exclusive supplier of Dietche & Field's services in Canada.

With the resources of this formidable global network of international investment managers, Guardian Capital Inc. is able to meet an exceptionally broad range of client needs.

Two new Canadian equity products introduced over the past two years have met with great success. Following its introduction to the pension market in 1994, the Canadian Premium Growth Equity product has grown to $450 million in assets as of December 31, 1996. The Canadian Small/Mid-Cap Equity product has also experienced dramatic growth since its introduction in 1996. It had grown to over $60 million in institutional assets as of the year-end 1996. This past year also saw the introduction of two other new institutional products: the Emerging Markets Equity product and an Index-Enhanced Bond product.

The shift from defined benefit pension plans to other pension structures, notably money purchase plans and group RRSPs, has turned the traditional trusteed pension fund market into a large, but slow-growth industry. Guardian Capital Inc., however, continues to enjoy market share growth within the defined benefit pension asset management industry.

One of Guardian Capital Inc.'s distinguishing characteristics is its specialist management expertise. It is well-positioned for future growth, as larger pension plans continue to rely more frequently on specialized management assignments. To ensure that its growth is well-managed, Guardian Capital Inc. has steadily expanded its professional infrastructure. Our investment professionals have more than 220 years of combined investment experience. We have also maintained a very low professional turnover rate, which ensures that our client assets are managed consistently.



John Boeckh
Senior Vice-President
Sales and Marketing
Guardian Group
of Funds Ltd.

Harold Hillier
President and
Chief Operating Officer
Guardian Group
of Funds Ltd.

Guardian Mutual Funds

Canadian	American	International
Fixed Income: Canadian Money Market; Canadian Income; Monthly Dividend; Monthly High Income	**Fixed Income:** U.S. Money Market	**Fixed Income:** International Income; Foreign Income
Balanced: Canadian Balanced; Growth & Income		**Balanced:** International Balanced
Equities: Growth Equity; Enterprise	**Equities:** American Equity	**Equities:** Global Equity; Asia Pacific; Emerging Markets

Guardian's mutual fund management and marketing organization, Guardian Group of Funds Ltd., now operates under the name of Guardian Mutual Funds. It serves Canadian mutual fund investors through two main distribution channels: stock brokers and financial planners.

Guardian Mutual Funds has enjoyed several years of exceptional growth. Assets managed at year-end 1996 of $1.6 billion compared favourably with the year-earlier total of $1.1 billion, and with the total five years ago of $244 million.

At year-end 1996, Guardian Mutual Funds offered fifteen public mutual funds by prospectus, and launched its sixteenth fund at the beginning of 1997. Twelve are fully RRSP eligible. The remaining four are eligible within the 20% RRSP foreign content limit. These funds offer investors an extensive variety of investment options. They also provide Guardian with a well-diversified product mix.

Guardian Mutual Funds continued its tradition of product innovation with the introduction of Guardian Monthly High Income Fund. The Fund invests mainly in income trust units. It was launched in October, and its assets reached $130.4 million at year-end.

Guardian Mutual Funds has laid the foundation for solid future growth. A November, 1996 independent survey gave Guardian Mutual Funds high marks for its customer service. The investment approach which drives the management of our mutual funds strives for above-average returns with below-average risk. This increases the attractiveness of our funds to risk-sensitive investors. Guardian Mutual Funds also benefits from having its client assets managed by three teams of highly-regarded investment managers: Guardian Capital Inc., Kleinwort Guardian and Guardian Dietche Field – a world-class money management group.

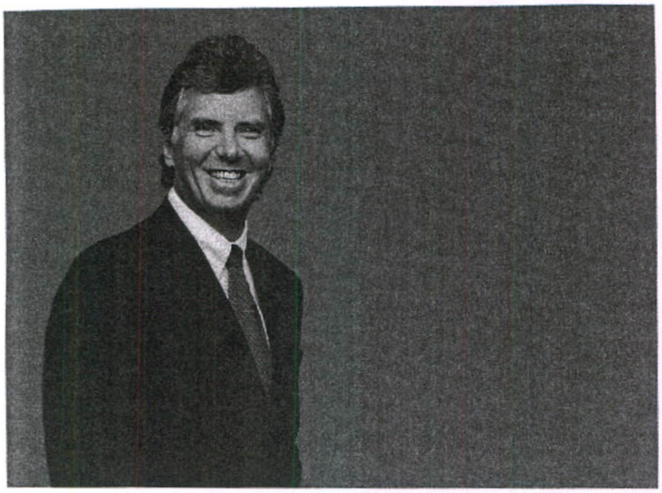
We believe that Guardian Mutual Funds enjoys a number of strengths which augur well for further growth in 1997. Many of our funds have a compelling performance history. To capitalize on this, an aggressive new marketing strategy has been adopted: (i) we offer an expanded line of competitive products; (ii) we have launched our first multi-million dollar consumer advertising program; (iii) we have expanded our national sales team serving mutual fund dealers; and (iv) we have improved administrative service to clients, with new computer systems and an expanded team of client service specialists.

Gareth S. Seltzer
Vice-President
Private Wealth Management
Guardian Capital Advisors

Guardian Capital Advisors

Vega Canadian Bond Fund
Vega Balanced Fund
Vega Growth Equity Fund
Vega Enterprise Equity Fund
Vega American Equity Fund
Vega International Equity Fund

Guardian Capital Advisors, a division of Guardian Capital Inc., serves the wealth management needs of high net worth investors by tailoring investment programs to the specific goals and risk tolerance of each client. Through its direct access to the professional expertise of its global money management affiliates, Guardian Capital Advisors offers its clients essentially the same full range of investment options and customized services offered to Guardian's institutional investors. Depending on each client's asset size and investment objectives, portfolio construction is based on (i) a client-tailored mix of Vega pooled funds (supplemented, as needed, by Guardian mutual funds), or (ii) segregated account management. The six Vega pooled funds offered exclusively to clients of Guardian Capital Advisors are shown above.



Kevin Whitten
Managing Director
Alexandria Bancorp Limited

Alexandria Bancorp Limited

The Alexandria Fund and its twelve sub-funds:

The Alexandria U.S. Dollar Money Market Fund
The Alexandria Canadian Dollar Money Market Fund
The Alexandria German Marks Money Market Fund
The Alexandria ECU Money Market Fund
The Alexandria International Income Fund
The Alexandria Canadian MBS Fund
The Alexandria World Equity Fund
The Alexandria U.S.A. Equity Fund
The Alexandria Europe Equity Fund
The Alexandria Canada Equity Fund
The Alexandria Emerging Markets Equity Fund
The Alexandria Tiger Equity Fund

Alexandria Bancorp Limited, the Cayman Islands-based international arm of Guardian Capital Group Limited, is a wholly-owned subsidiary. It offers investment management and other financial services to wealthy individuals and institutional clients throughout the world. Alexandria offers services to offshore financial institutions, expatriate pension funds, professional organizations, and international investors with substantial assets to invest. Its comprehensive range of global investment management services is complemented by trust and corporate administration. It also offers selected banking services.

In 1996, Alexandria Bancorp underwent further development. With offices in the Cayman Islands and the British Virgin Islands, Alexandria is now also registered to operate in other jurisdictions: the U.S. Virgin Islands, the Netherlands Antilles, and Barbados. The expansion of the number of jurisdictions in which it operates allows Alexandria to offer a broader choice than ever of appropriately located offshore entities.

Worldsource Holdings Corp.

In 1996, Guardian Group of Funds Ltd. merged its Worldsource division with a highly-regarded mutual fund dealership, CMG Financial Corporation, to form CMG-Worldsource Financial Services Inc., an efficiently structured, national, independent mutual fund dealership. Guardian's ownership is in the form of a 55% interest in Worldsource Holdings Corp., which holds 100% of CMG Corporate Services Inc., which, in turn, wholly owns the new operating company CMG-Worldsource Financial Services Inc. Operating management is provided by CMG-Worldsource's own highly capable management team, located at its premises in Markham, Ontario.

Product Performance

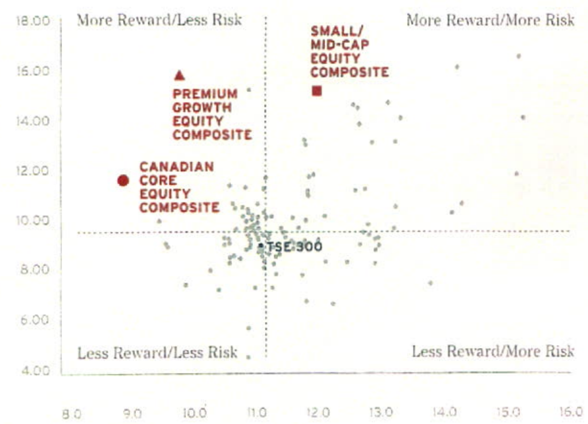
Institutional Client Assets

The Charts on page 17 reflect the returns of a Composite of accounts for the specific mandates shown. These Composites have been created according to the Level II Standards set out by the Association of Investment Management and Research (AIMR). The time horizon reflects the longest period for which returns are available. Results are favourable in all cases and reflect our objective of achieving above-average returns at below-average risk. The Table below highlights the total returns achieved for 1996 for the Guardian Composites for a number of our investment mandates:

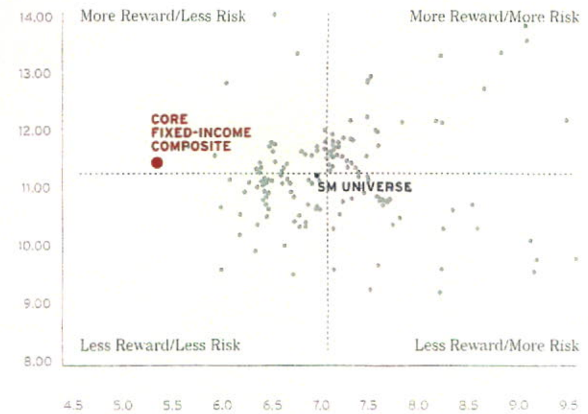
Guardian Composites

1996 Returns	%
Balanced	18.6
Canadian Equity	
Core	33.1
Premium Growth	41.5
Small/Mid-Cap	45.7
U.S. Equity	15.5
International Equity	13.1
Canadian Fixed Income	11.5

RATES OF RETURN VERSUS VARIABILITY, 7 YEARS ENDED 31 DECEMBER, 1996 (SEI)



RATES OF RETURN VERSUS VARIABILITY, 4 YEARS ENDED 31 DECEMBER, 1996 (SEI)

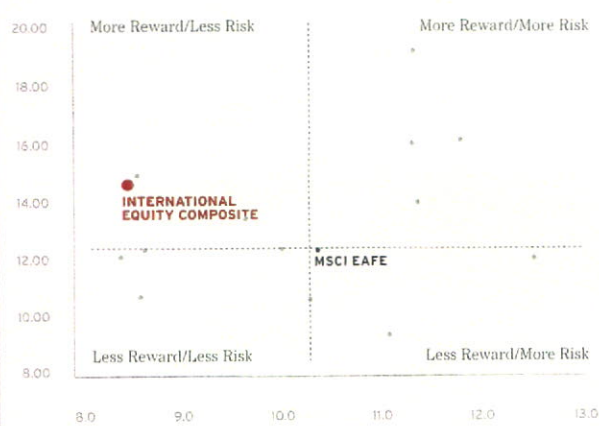


BALANCED FUNDS

RATES OF RETURN VERSUS VARIABILITY, 10 YEARS ENDED 31 DECEMBER, 1996 (SEI)

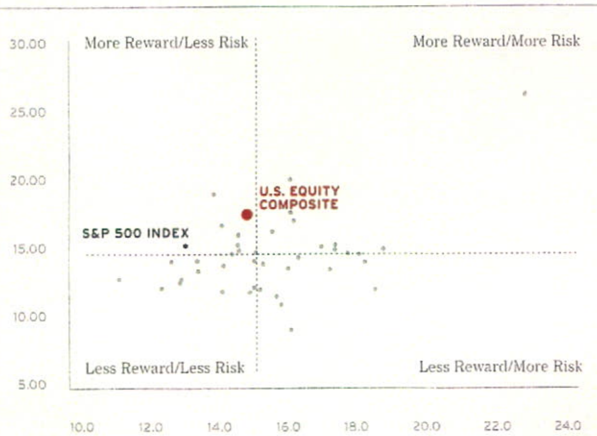
NON-NORTH AMERICAN EQUITIES (C$)

RATES OF RETURN VERSUS VARIABILITY, 6 YEARS ENDED 31 DECEMBER, 1996 (FRANK RUSSELL)



U.S. EQUITIES (C$)

RATES OF RETURN VERSUS VARIABILITY, 10 YEARS ENDED 31 DECEMBER, 1996 (FRANK RUSSELL)



Mutual Fund Client Assets

Many of the funds in the Guardian family performed well relative to both their peers and appropriate benchmarks in 1996. With the TSE 300 returning 28.3% in 1996, Canadian stocks enjoyed their best year since 1993. Guardian's two Canadian equity funds, Guardian Growth Equity and Guardian Enterprise, handily outpaced the market, returning 39.9% and 44.6% respectively. Both funds adhere to a disciplined, bottom-up approach of buying "growth at a reasonable price". The distinction between the two Funds is that Guardian Growth Equity chooses stocks from a universe of primarily mid to large-cap stocks, whereas Guardian Enterprise focuses on the mid to small-cap area of the Canadian stock market.

The bull market in U.S. stocks remained intact in 1996, with the S&P 500 posting a return of 23.5% in Canadian dollars. Despite back-to-back years of strong returns, as measured by the broad market averages, leadership in the U.S. stock market has been very narrow. Small and mid-cap U.S. stocks – which typify the approach of Guardian American Equity – have lagged in a market where the big, liquid blue chips have dominated. Despite a year of underperformance, we are positive about the longer-term prospects for the mid-cap area of the U.S. stock market and for Guardian American Equity Fund Ltd.

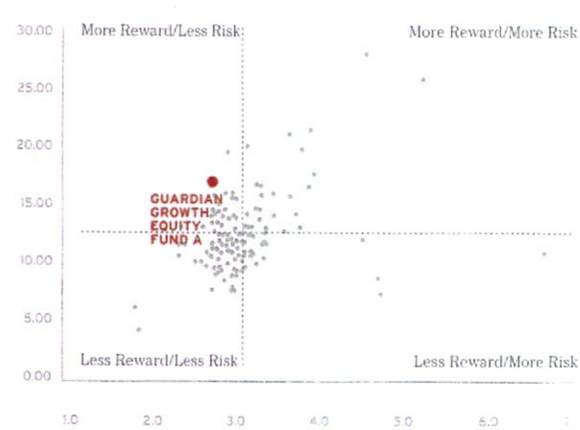
Both Guardian International Income Fund and Guardian Foreign Income Fund outperformed their benchmark and the majority of their peers in 1996. In a year when the Salomon World Bond Index returned 4.5%, Guardian International Income and Guardian Foreign Income Funds returned 6.7% and 7.4% respectively. This was owing to our overweight position in Europe in the first half of the year, and initiating a position in U.S. Treasuries in the summer, when yields peaked prior to their decline over the balance of the year. Guardian Global Equity Fund performed well, as a result of our moderate emerging markets exposure and rewarding stock selection in both continental Europe and Japan. And, in its second full year, Guardian Emerging Markets Fund outperformed both the MSCI Emerging Markets Index and the majority of its peer group.

INTERNATIONAL BOND FUNDS

RATES OF RETURN VERSUS VARIABILITY, 5 YEARS ENDED 31 DECEMBER, 1996 (BELLCHARTS)

CANADIAN EQUITY FUNDS

RATES OF RETURN VERSUS VARIABILITY, 5 YEARS ENDED 31 DECEMBER, 1996 (BELLCHARTS)



Guardian's investment style and philosophy is to place an equal emphasis on preserving a client's capital and striving to achieve above-average returns for the longer term. Over the last three years, Guardian Monthly Dividend, Enterprise, Growth Equity, Canadian Balanced, Global Equity, and International Income Funds all distinguished themselves by posting better than average returns with lower risk than their respective peers.

Risk Factors

As with other investment management companies, Guardian is subject to a variety of business risks.

Product Risk

Investment performance is the single most important success factor. Failure to meet the expectations of clients can lead to loss of client confidence and the withdrawal of their assets. Another product risk is that consumer preferences can change. The risks that clients may either shift their preferences from one type of mutual fund to another or may choose to find alternative investment vehicles must be recognized. To address this risk, Guardian offers its clients an extensive array of investment options. In the pension markets, passive managers have gained some ground from active managers. We are attempting, however, to minimize product risk by providing a diversified, global range of investment management products. Guardian's diversification among products, classes of clients and geographic regions may insulate the business against risks in any one component of our business.

Market Risk

Another risk for Guardian is capital market exposure. Market price changes affect the amount of client assets managed. This directly impacts investment management fee revenues. It can also affect the value of Guardian's corporate capital assets. However, Guardian's risk-averse portfolio management style, coupled with our diversified product base, may dampen the impact of a downturn in financial markets.

Competition

In a world of rapidly evolving technologies and opening borders, most companies are faced with a continually increasing pace of competition. Chartered banks have entered the financial services field in increasing numbers. Large-scale foreign investment companies have entered the Canadian market. Smaller, nimble organizations chip away at niche markets. All this adds up to increased competition over the past several years. One major risk is that lower future market returns, combined with intensified competition in the mutual fund industry, may result in increased price competition, producing downward pressure on management expense ratios and, correspondingly, on industry profit margins. With operations around the world, Guardian is subject to competition on several fronts. Despite these challenges, Guardian believes it has the entrepreneurial spirit and diversified business base to not only survive, but to thrive, in this competitive environment.

Regulation

Changes in securities or tax regulations can represent a threat to companies within the investment industry. For instance, new Federal income tax legislation was introduced in 1996, which severely limits the tax advantages of limited partnerships that finance mutual fund sales commissions. A temporary reprieve was granted to give companies time to arrange new sources of funding. However, this regulatory shift could increase the cost or risk of doing business, by requiring Guardian to either internally finance sales commissions or seek new forms of external financing. Our strong financial position gives us the flexibility to consider a variety of alternatives.

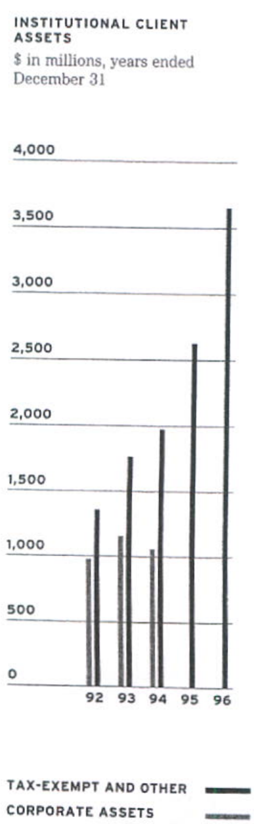
Regulation in the investment industry is essential to ensure the highest standards of ethical behaviour and discipline in order to maintain public confidence. However, additional regulation within the different jurisdictions of Canada, the U.S., the U.K. or the Caribbean has the potential to increase costs. One example is the continuing debate about the cost of service to mutual fund investors. This debate may lead to a new industry policy regarding fees and fee sharing between mutual fund vendors and distributors. This could lead to reduced revenues within Guardian's mutual fund organization, as well as in its 55%-owned fund dealership.

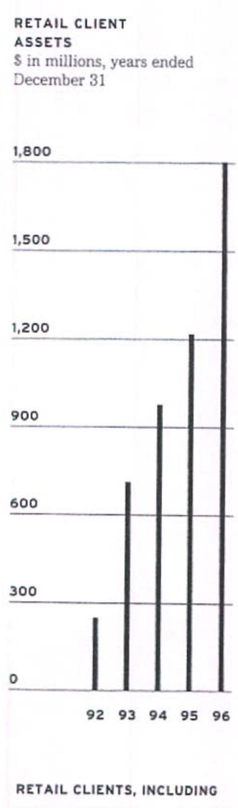
Client Assets Under Management

We enjoyed another year of strong growth in client assets under management, which rose to a 1996 year-end total of $5.5 billion (equal to $833 per share), up 43.6% from the previous year-end total of $3.8 billion. The gain of $1.7 billion comprised (i) $929 million of net new business, with institutional and retail asset management operations making approximately equal contributions; and (ii) $727 million attributable to market value growth.

Client Assets Under Management

As at December 31 ($ millions)			Change	
	1995	1996	$	%
Institutional client assets	2,584	3,652	1,068	41.3
Retail client assets	1,216	1,804	588	48.4
Total client assets	3,800	5,456	1,656	43.6

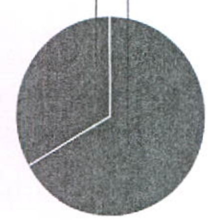




Client Assets Under Management

As at December 31, 1996 ($ in millions)

Type of assets	$	% of total
Institutional	3,652	66.9
Retail	1,804	33.1
	5,456	100.0



Institutional Client Assets

Guardian's institutional client assets under management increased to $3.7 billion at December 31, 1996, up 41.3% from the previous year-end total of $2.6 billion. We continue to be among the fastest growing "active managers" of pension assets in the country. With strong product performance and broad product variety, the prospects for future growth are positive.

Retail Client Assets

Guardian's retail client assets under management are primarily those of investors in our mutual funds. The balance are the client assets of our two private wealth management operations, Alexandria Bancorp Limited and Guardian Capital Advisors. In 1996, retail client assets managed increased to $1.8 billion by year-end, an increase of 48.4% when compared with the previous year-end total of $1.2 billion. Gross mutual fund sales, which determine sales commission revenues, amounted to $852 million in 1996, well ahead of the 1995 total of $481 million. Net fund sales were $588 million in 1996, up from $214 million in the prior year. A combination of strong performance in net sales and market value growth resulted in continued gains in market share relative to overall mutual fund industry assets as measured by The Investment Funds Institute of Canada. Our stepped-up commitment to marketing, plus strong product performance and improved client service, should result in continued growth in 1997 in retail client assets managed.

Corporate Financial Assets

One of Guardian's fundamental business strategies is to maintain and enhance its financial strength. This is the key to having the flexibility to meet a variety of capital investment requirements without becoming excessively dependent on external financing. Financial strength also supports the confidence of clients, associates and suppliers. It also contributes to our ability to operate confidently throughout all stages of the business cycle and to achieve our long-term goals for business success in a variety of markets.

As at December 31 ($ in thousands)			Change	
	1995	1996	$	%
Corporate holdings of securities and cash*				
Total	47,366	53,694	6,328	13.4
Per share (fully diluted)	7.38	8.58	1.20	16.3

*Net of associated obligations

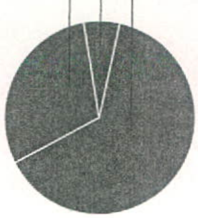
Guardian has a substantial portfolio of financial assets, which includes both marketable and non-marketable securities. At year-end 1996, the value of marketable securities amounted to $32,386,000, and cash and cash equivalents amounted to $19,322,000. Except for corporate assets which, from time to time, may be invested in mutual or pooled funds managed by Guardian, our investments are managed separately from those of Guardian's clients. Operating procedures and controls ensure that our corporate investment activities do not conflict with the responsible management of client assets.

Risk controls include extensive diversification by asset class and by holdings. Close attention is also given to currency diversification. At December 31, 1996, the distribution of capital assets by currency exposure was: non-Canadian 66.8%, Canadian 33.2%.

Asset Allocation

as at December 31, 1996 ($ in thousands)

	$	% of Total
Equities	34,275	63.8
Bonds	3,308	6.2
Cash & Equivalents	16,111	30.0
Total	53,694	100.0



Summary of Securities Holdings

as at December 31, 1996 ($ in thousands)

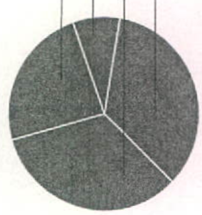
Canadian Dollar Securities	Cost	Realizable Value	% of Totals
Cash equivalent securities	2,310	2,482	13.9
Marketable securities	8,936	14,245	80.0
Unquoted securities*	1,201	1,373	7.7
Less: Applicable debt obligations	(286)	(286)	(1.6)
Net Canadian Dollar Securities	12,161	17,814	100.0
Non-Canadian Dollar Securities			
Cash equivalent securities	14,165	16,840	46.9
Marketable securities	12,983	18,141	50.6
Unquoted securities*	899	899	2.5
Total Non-Canadian Dollar Securities	28,047	35,880	100.0
All Securities			
Cash equivalent securities	16,475	19,322	36.0
Marketable securities	21,919	32,386	60.3
Unquoted securities*	2,100	2,272	4.2
Total cash and securities	40,494	53,980	100.5
Less: Applicable debt obligations	(286)	(286)	(0.5)
Net Cash and Securities	40,208	53,694	100.0

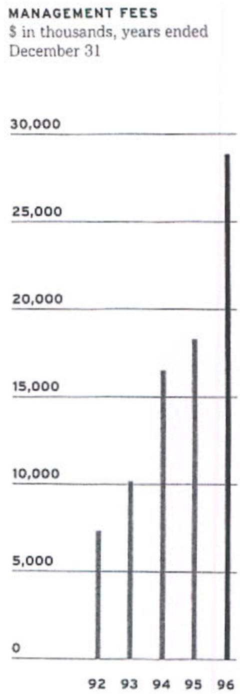
*As valued by the Directors

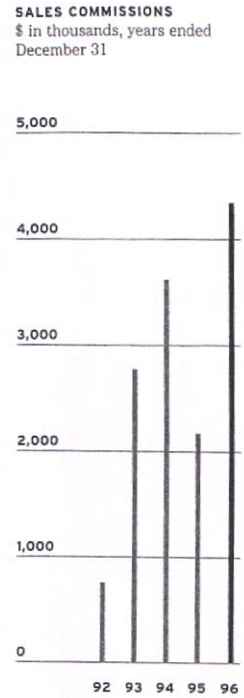
Currency Diversification

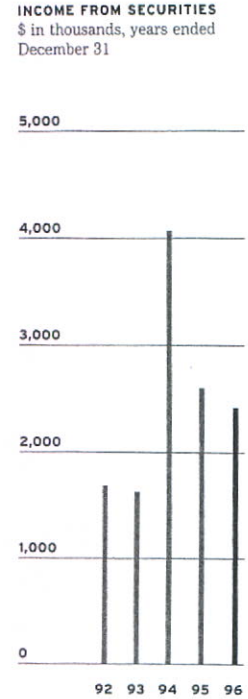
as at December 31, 1996 ($ in thousands)

	$	% of Total
Europe	18,643	34.7
Canada	17,814	33.2
Asia/Pacific	4,453	8.3
U.S.A.	12,784	23.8
Total	53,694	100.0









Results of Operations

Gross Revenues

In the year ended December 31, 1996, gross revenues increased to $36,273,000. This represented a 52.9% increase when compared with 1995 revenues of $23,727,000. The year-over-year trends in the components of revenues can be seen in the following Table:

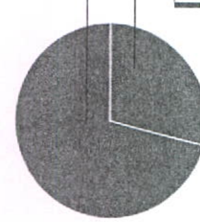
Years ended December 31 ($ in thousands)

			Change	
	1995	1996	$	%
Management fees	18,173	28,669	10,496	57.8
Sales commissions	2,168	4,350	2,182	100.6
Administrative services	783	828	45	5.7
	21,124	33,847	12,723	60.2
Income from securities	2,603	2,426	(177)	(6.8)
Gross revenues	23,727	36,273	12,546	52.9
Management fees as % of average client assets	0.47	0.62		

Management Fees

As at December 31, 1996 ($ in thousands)

	$	% of Total
Institutional	8,343	29.1
Retail	20,326	70.9
	28,669	100.0



In 1996, management fees increased by $10,496,000, or 57.8%, to $28,669,000, compared with $18,173,000 in 1995. Management fee revenues per fully diluted share were $4.35 in 1996, compared with $2.66 per share in the previous year. As a percentage of average assets under management, management fee revenues were 0.62% in 1996 (of which about 0.12% was attributable to a change in the fee structure for our deferred-load mutual funds, as explained below), compared with 0.47% in 1995. As an indication of positive revenues trends developing for 1997, management fees during the fourth quarter of 1996 reached an annualized rate of $33.4 million.

In 1996, institutional asset management contributed $8,343,000 to management fees, and retail asset management contributed $20,326,000. The corresponding figures for 1995 were $6,828,000 and $11,345,000 respectively.

Part of the growth in management fee revenues is explained by the change, introduced on January 1, 1996, in the fee structure of Guardian's Class B deferred-load mutual funds. Under the new structure, holders of Class B units are charged a management fee that is 0.60% higher than Class A units. In 1995, holders of Class A and Class B fund units were charged the same management fee percent, but the holders of the limited partnership-financed Class B units were charged a financing fee outside the mutual fund, that was paid directly to the limited partnership financing the particular unit. The fee is now paid to the limited partnerships by Guardian. This change in processing Class B financing fees increased revenues by approximately $5,495,000, or 0.12% of average assets, and increased costs by $5,587,000.

Reported sales commissions are net of commissions paid. After July 31, 1996, commission revenues reflected the consolidated results of 55%-owned Worldsource Holdings Corp. Sales commission revenues doubled in 1996 to $4,350,000, compared with $2,168,000 in 1995. Revenues from sales commissions from Guardian's dealership activities increased to $2,331,000, compared to $1,205,000 in 1995. Commissions are also generated on the sale of deferred-load Guardian mutual funds. Sales commissions revenues from this source increased in 1996 by $1,056,000 to $2,019,000.

Administrative services revenues were derived primarily from the offshore trust and corporate administrative services of Alexandria Bancorp Limited, and showed an increase to $828,000 in 1996.

Net income from securities in 1996 of $2,426,000 comprised $1,831,000 of realized gains, and $595,000 of interest and dividend income. At December 31, 1996, unrealized gains in Guardian's $53.7 million holdings of securities amounted to $13.4 million, or about $2.06 per share.

Operating Expenses

Years ended December 31 ($ in thousands)	1995	1996	Change $	Change %
Operating expenses (1)	19,145	28,379 (2)	9,234	48.2
As % of:				
Total revenues	80.7	78.2		
Management fees and commissions	94.1	85.9		
Average client assets	0.49	0.61		

(1) Expenses before depreciation, amortization, interest expense and income taxes

(2) Includes financing fee of $5,587 due to change in accounting method

Operating expenses reflect the consolidation, after July 31, 1996, of 55%-owned Worldsource Holdings Corp. In 1996, the consolidation of Worldsource contributed $1,407,000 to operating expenses.

Operating expenses increased by 48.2% in 1996. Expenses included Class B financing fees of $5,587,000 paid to limited partnerships. Other factors which contributed to higher operating expenses were: (i) an increase in expenditure on information technology of $1,470,000; and (ii) an increase of $1,792,000 in employment costs. In 1996, 53% of operating expenses were attributable to employment costs, unchanged from 1995.

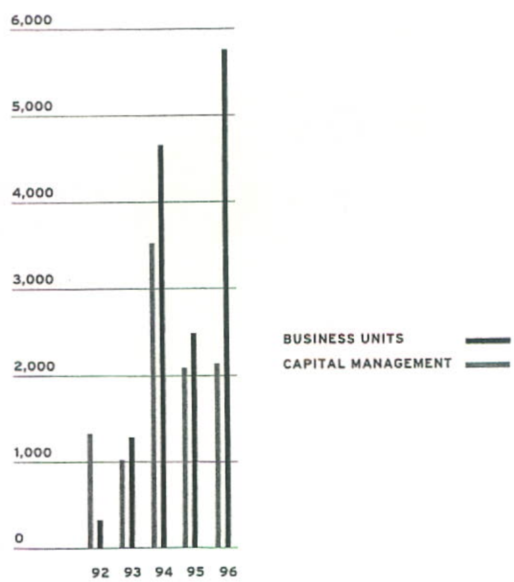
Operating Earnings

Years ended December 31 ($ in thousands)	1995	1996	Change $	Change %
Operating earnings * from:				
Business units	2,487	5,763	3,276	131.7
Capital management	2,095	2,131	36	1.7
Total	4,582	7,894	3,312	72.3
Total as % of revenues	19.3	21.8		

*Earnings before interest, taxes, depreciation and amortization expenses

Earnings before interest, taxes, depreciation and amortization amounted to $7,894,000. This represented a robust 72.3% year-over-year gain, attributable mainly to the more than doubling of profit contribution from our operating businesses to $5,763,000. The profit performance of our operating businesses – particularly our institutional and mutual fund client asset management – has shown dramatic growth over the past five years. The prospect for continued profit growth in 1997 is positive.

OPERATING EARNINGS
$ in thousands, years ended December 31



Net Earnings

Years ended December 31 ($ in thousands)	1995	1996	Change $	Change %
Pre-tax earnings	2,428	5,059	2,631	108.4
Less: Income taxes	140	1,736	1,596	1,140.0
	2,288	3,323	1,035	45.2
Minority interest in subsidiary	–	(60)	(60)	
Net earnings	2,288	3,383	1,095	47.9
Effective tax rate (%)	5.8	34.3		
Net earnings as % of revenues	9.6	9.3		
Return on average equity (%)	7.2	9.8		

Pre-tax earnings more than doubled in 1996 to $5,059,000 when compared with 1995 results of $2,428,000. Net earnings increased by 47.9% to $3,383,000, up from $2,288,000, reflecting an increase in the effective tax rate from 5.8% in 1995 to 34.3% in 1996.

Earnings per share, fully diluted, rose to $0.55 in 1996 (on an average of 6,596,000 Common and Class A shares outstanding), compared with $0.39 in 1995 (on an average of 6,824,000 shares outstanding). For a description of the method of calculating earnings per share, please see Note 12 in the Notes to Consolidated Financial Statements.

Liquidity and Capital Resources

As at December 31 ($ in thousands)	1995	1996	Change $	Change %
Working capital	(4,283)	(7,627)	(3,344)	
Investments, at net realizable value	47,366	53,694	6,328	13.4

Guardian's holdings of securities are highly liquid, and well diversified by asset class and by currency exposure. Of the year-end 1996 total of $53.7 million, about 96.3% was represented by cash and marketable securities.

Cash from operations (i.e. cash flow before the net gain on the sale of securities, but after interest and dividends paid) more than tripled in 1996, amounting to $3,221,000, up from $942,000 in 1995. During 1996, we paid $630,000 in dividends to our Common and Class A shareholders, and paid $1,940,000 to repurchase Class A shares. The corresponding figures in 1995 were $554,000 and $2,082,000 respectively.

During 1996, external financing amounted to (i) short-term bank financing, used as and when needed, and (ii) off balance sheet financing, through limited partnerships, of the sales commissions paid to mutual fund dealers and investment brokers for sales of Guardian's Class B deferred-load mutual funds. Limited partnerships, which financed $20.5 million of such commissions in 1996, will no longer be a viable financing method after mid-1997. This is the result of a new Department of Finance policy which eliminates tax deferral benefits previously available to investors in such limited partnerships. Guardian's total requirement for financing sales commissions in 1997 is expected to be about $35 million.

Total Assets and Shareholders' Equity

As at December 31 ($ in thousands)	1995	1996	Change $	Change %
Total assets	63,864	73,481	9,617	15.1
Shareholders' equity Total	31,192	37,917	6,725	21.6
Per share – fully diluted	4.95	5.79		

Shareholders' equity increased by $6,725,000 during 1996 to a year-end total of $37,917,000, or $5.79 per share. The major contributor to the increase was the conversion on December 16, 1996 of $5,600,000 par value of debentures into 933,333 Class A shares at $6.00. Other contributors to the change were (i) net earnings of $3,383,000, (ii) the exercise of stock options of $181,000, and (iii) an increase in the foreign currency translation adjustment of $131,000, less (iv) the $1,940,000 cost of repurchasing 192,000 Class A shares under the buy-back program and (v) the payment of $630,000 of dividends to Guardian shareholders.

Quarterly Statistics

($ in thousands)	1995 Q1	1995 Q2	1995 Q3	1995 Q4	1996 Q1	1996 Q2	1996 Q3	1996 Q4
Gross revenues	5,045	5,998	5,982	6,702	7,768	8,163	8,622	11,720
Net earnings	216	717	572	783	419	605	876	1,483
Shareholders' equity	32,343	32,080	30,629	31,192	30,321	30,276	31,075	37,917
Per average Common and Class A share (in dollars)								
Net earnings (loss)								
Basic	0.04	0.13	0.10	0.15	0.08	0.11	0.17	0.23
Fully diluted	0.04	0.12	0.10	0.13	0.08	0.10	0.15	0.22
Per Common and Class A share (in dollars)								
Shareholders' equity								
Basic	5.84	5.76	5.63	5.82	5.77	5.77	5.92	6.17
Fully diluted	4.98	4.90	4.77	4.95	4.64	4.64	4.76	5.79

Seven Year Review

Years ended December 31

	1990	1991	1992	1993	1994	1995	1996
($ in millions)							
Value of client assets managed	1,707	2,328	2,585	3,634	4,001	3,800	5,456
($ in thousands)							
Gross revenues	6,663	8,893	9,877	14,715	24,681	23,727	36,273
Expenses before interest, taxes, depreciation and amortization	7,911	7,080	8,400	12,379	16,495	19,145	28,379
Earnings (loss) before interest, taxes, depreciation and amortization	(1,248)	1,813	1,477	2,314	8,186	4,582	7,894
Earnings (loss) before taxes and goodwill written off	(2,846)	407	383	1,119	6,868	2,428	5,059
Goodwill written off	–	(6,322)	–	–	–	–	–
Net earnings (loss)	(2,118)	(5,847)	425	1,129	5,859	2,288	3,383
Shareholders' equity	28,916	22,586	24,512	25,456	32,204	31,192	37,917
Corporate cash and securities	27,679	31,749	32,026	44,035	47,673	47,366	53,694
(in dollars)							
Per average Common and Class A share							
Net earnings (loss) for the year							
Basic	(0.36)	(1.01)	0.07	0.20	1.05	0.42	0.59
Fully diluted	(0.36)	(1.01)	0.07	0.20	0.89	0.39	0.55
Per Common and Class A share							
Dividends paid	0.00	0.00	0.05	0.05	0.08	0.10	0.12
Shareholders' equity							
Basic	4.93	3.93	4.30	4.59	5.81	5.82	6.17
Fully diluted	3.91	3.24	3.47	3.63	4.70	4.67	5.79
Share price							
Common high	6.00	6.00	5.75	7.63	12.00	11.88	12.50
low	4.90	4.30	4.50	6.38	7.00	10.50	10.25
Class A high	5.25	4.25	4.75	7.63	10.25	10.00	12.50
low	4.00	3.60	3.60	6.00	7.13	8.25	8.85
(in thousands)							
Year-end Common and Class A shares outstanding							
Basic	5,858	5,750	5,704	5,542	5,539	5,361	6,142
Fully diluted	7,387	6,970	7,062	7,010	6,857	6,680	6,548

Financial Section

Contents

The following financial statements, which consolidate the financial results of Guardian Capital Group Limited and its subsidiaries, and all other information in this annual report, are the responsibility of management. The financial statements and Management's Discussion and Analysis have been approved by the Board of Directors.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized on page 32. Management maintains a system of internal controls to meet its responsibilities for the integrity of the financial statements. Management also administers a program of ethical business conduct compliance.

Coopers & Lybrand, the company's independent auditors, have audited the accompanying financial statements. Their report follows.

The Audit Committee of the Board of Directors, composed of independent directors, meets regularly with management and Coopers & Lybrand to review their activities and to discuss the external audit program, internal controls, accounting policies and financial reporting matters. The Board of Directors reviews interim financial statements prior to their release. Coopers & Lybrand has unrestricted access to the Company, the Audit Committee and the Board of Directors. The Audit Committee has reviewed the financial statements and Management's Discussion and Analysis and recommended their approval to the Board of Directors.

John Christodoulou

John M. Christodoulou
Chairman and Chief Executive Officer
April 17, 1997

AUDITORS' REPORT

To the Shareholders of Guardian Capital Group Limited:

We have audited the consolidated balance sheets of Guardian Capital Group Limited as at December 31, 1996 and 1995, and the consolidated statements of operations, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1996 and 1995, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand

Chartered Accountants
Toronto, Canada
February 28, 1997

Consolidated Balance Sheets As at December 31 ($ in thousands)

	Note	1996	1995
Assets			
Current assets			
Cash and short-term securities		$ 6,723	$ 6,212
Accounts receivable	2	11,263	5,748
Securities income receivable		110	345
Prepaid expenses		487	144
Outstanding deposits		11,658	12,428
		30,241	24,877
Financial assets	3	33,771	30,827
Loans receivable	4	176	321
Capital assets	5	4,546	3,152
Unamortized debenture issue costs		–	24
Goodwill		4,747	4,663
		$ 73,481	$ 63,864
Liabilities			
Current liabilities			
Bank overdrafts		$ 8,394	$ 4,849
Accounts payable and accrued liabilities		7,605	4,598
Income taxes payable		2,081	885
Current portion of long-term debt	6	–	5,600
Capital lease obligations	7	434	–
Lease inducements		192	192
Outstanding deposits		12,439	12,424
		31,145	28,548
Capital lease obligation	7	623	–
Minority shareholders' interests in subsidiary company	8	69	–
Lease inducements	9	1,461	1,653
Long-term debt	6	286	295
Deferred income taxes		1,980	2,176
		35,564	32,672
Shareholders' Equity			
Capital stock	10	15,735	10,342
Foreign currency translation adjustment		1,873	1,742
Retained earnings		20,309	19,108
		37,917	31,192
		$ 73,481	$ 63,864

Signed on behalf of the board:

M. A. F. Golding

Mark A. F. Golding, Director

John Christodoulou

John M. Christodoulou, Director

Consolidated Statements of Retained Earnings

Years ended December 31 ($ in thousands)

	Note	1996	1995
Balance, beginning of year		$ 19,108	$ 19,001
Net earnings		3,383	2,288
		22,491	21,289
Less			
Dividends paid		630	554
Excess of purchase price over issue price on Company's capital stock acquired	10	1,552	1,627
		2,182	2,181
Balance, end of year		$ 20,309	$ 19,108

Consolidated Statements of Operations

Years ended December 31 ($ in thousands, except per share amounts)

	Note	1996	1995
Revenues			
Management fees		$ 28,669	$18,173
Net income from securities		2,426	2,603
Administrative services		828	783
Sales commissions		4,350	2,168
		36,273	23,727
Expenses			
Expenses exclusive of undernoted items		22,792	19,145
Financing fees		5,587	–
Depreciation		1,936	944
Amortization		180	179
Interest on long-term debt		323	475
Other interest		396	556
		31,214	21,299
Earnings before income taxes		5,059	2,428
Provision for income taxes	11	(1,736)	(140)
Minority shareholders' interests in losses of subsidiary company		60	–
Net earnings for the year		$ 3,383	$ 2,288
Earnings per Common and Class A share	12		
Basic		$ .59	$ .42
Fully diluted		.55	.39
Weighted average number of Common and Class A shares outstanding (in thousands)			
Basic		5,747	5,505
Fully diluted		6,596	6,824

Consolidated Statements of Changes in Financial Position

Years ended December 31 ($ in thousands)

	1996	1995
Cash from Operations		
Net earnings for the year	$ 3,383	$ 2,288
Add (deduct) items not involving cash		
Minority shareholders' interests in losses of subsidiary company	(60)	–
Leasehold inducements written off	(191)	(191)
Depreciation	1,936	944
Amortization	180	179
Deferred income taxes	(196)	(284)
Net gain on sale of securities	(1,831)	(1,994)
	3,221	942
Net change in working capital excluding cash	(201)	(2,147)
	3,020	(1,205)
Financing Activities		
Increase in capital lease obligation	623	–
Stock options exercised	181	220
Issue of capital stock	5,600	–
Debenture converted to capital stock	(5,600)	–
Acquisition of Company's capital stock	(1,940)	(2,082)
Dividends paid	(630)	(554)
Increase (decrease) in long-term debt	(9)	4
Loan repayment	145	223
	(1,630)	(2,189)
Financial Asset Activities		
Acquisition of subsidiary companies	(240)	–
Acquisition of securities	(5,892)	(3,699)
Minority shareholders' interests in subsidiary company	129	–
Proceeds on sale of securities	4,876	4,831
Purchase of capital assets	(3,330)	(916)
	(4,457)	216
Net change in cash and short-term securities net of bank loan and overdrafts, during the year	(3,067)	(3,178)
Foreign currency translation adjustment on cash	33	(258)
Cash and short-term securities net of bank overdrafts, beginning of year	1,363	4,799
Cash and short-term securities net of bank overdrafts, end of year	$ (1,671)	$ 1,363
Represented by:		
Bank overdraft	$ (8,394)	$ (4,849)
Short-term securities	6,723	6,212
	$ (1,671)	$ 1,363

1. Summary of Significant Accounting Policies

a. Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

b. Financial assets

Securities are carried at cost and are written down below cost if there is a loss of value which is considered to be other than temporary.

c. Capital assets

Capital assets are recorded at cost less accumulated depreciation and amortization. Computer hardware and software are depreciated on the straight-line basis over three years. The majority of the furniture and equipment is depreciated on the diminishing balance method at the rate of 20% per annum. Leasehold improvements are amortized on the straight-line basis over the terms of the leases.

d. Goodwill

Goodwill represents the excess of the purchase price over the fair value of tangible net assets acquired and is being amortized on a straight-line basis over forty years. Goodwill is written down when it is considered that a permanent impairment in ongoing value has occurred. The company assesses the recoverability of unamortized goodwill based on an estimate of undiscounted cash flow over the remaining period of amortization for each business to which the goodwill relates.

e. Translation of foreign currency

Amounts in foreign currencies included in the consolidated financial statements are translated into Canadian dollars as follows:

i) For foreign currency balances and financial assets – at the year-end exchange rate; purchases and sales of securities and income and expenses at the rate of exchange prevailing on the respective dates of such transactions; equity earnings at average monthly rates. Foreign exchange gains and losses resulting from the foregoing are included in the consolidated statements of operations.

ii) The accounts of certain subsidiaries of the Company are maintained in foreign currencies and represent self-sustaining foreign operations. Assets and liabilities have been translated into Canadian dollars at exchange rates prevailing at the end of the year and income and expenses at average monthly rates. Adjustments resulting from the exchange gains and losses on the translation of the balance sheets of the Company's self-sustaining foreign operations are deferred and recorded as a foreign currency translation adjustment in the shareholders' equity section of the consolidated balance sheets.

f. Marketable securities

The trade date is used for purposes of calculating gains and losses on sale of marketable securities.

g. Management fees and deferred income

The Company provides management, investment advisory and transfer agency services to mutual funds, corporations, endowments, individuals and pension funds on a contract basis in consideration for management fees which are recorded when earned.

h. Capital leases

Where the company has substantially all the benefits and risks incident to the ownership of property, the lease is classified as a capital lease. All other leases are classified as operating leases. Assets recorded under capital leases are depreciated using rates that are consistent with similar company-owned assets.

2. Accounts Receivable

A general assignment of accounts receivable has been provided as security for bank overdrafts.

3. Financial Assets

Securities As at December 31 ($ in thousands)

	Market Value		Carrying Value	
	1996	1995	1996	1995
a. Securities having a quoted market value				
Short-term securities	$ 12,599	$ 12,400	$ 9,752	$ 9,777
Capital in equity mutual funds	17,209	11,992	11,574	8,453
Diversified Common share holdings	15,177	14,254	10,345	10,008
	$ 44,985	$ 38,646	31,671	28,238
b. Securities not having quoted market value				
Private corporations and limited partnerships			2,100	2,589
			$ 33,771	$ 30,827

The estimated fair value of securities having a quoted market value is the market value as shown above.

The estimated fair value of securities not having a quoted market value is not practicable to determine with sufficient reliability for disclosure. These securities are investments in investment funds, real estate and untraded company stock.

Certain of the above securities have been pledged as collateral security for the outstanding bank loan and mortgages payable (note 6).

4. Loan Receivable

The loan receivable is due from Guardian Limited Partnership 1991. The loan bears interest at the prime bank rate and is repayable out of excess funds of the partnership.

5. Capital Assets As at December 31 ($ in thousands)

	1996	1995
Computer hardware and software	$ 5,821	$ 3,138
Furniture and equipment	1,040	734
Leasehold improvements	1,413	1,260
	8,274	5,132
Less accumulated depreciation and amortization	3,728	1,980
	$ 4,546	$ 3,152
Included in capital assets are the following under capital leases		
Cost	$ 1,288	$ –
Depreciation	107	–
	$ 1,181	$ –

6. Long-Term Debt ($ in thousands)

	1996	1995
Mortgages payable (b. below)	$ 286	$ 295
Current portion of long-term debt (a. below)	$ –	$ 5,600

a. During the year, the balance of the 8.5% convertible subordinated debentures was converted into 933,000 Class A non-voting shares at a price of $6 per share.

b. The mortgages payable bear interest at 7.25% and are due March 1, 2000. These mortgages are in connection with an investment in a limited partnership, the assets of which are pledged as security.

7. Capital Lease Obligations

During 1996, the company entered into a three-year lease for computer hardware and a software application. The assets were capitalized, and the obligation is being written off over the period of the lease.

Future minimum lease payments: ($ in thousands)	
1997	$ 509
1998	509
1999	170
Total lease payments	1,188
Less interest included in capital leases at an average rate of 9.9% per annum	131
Obligation under capital leases	1,057
Less current portion	434
Long-term portion	$ 623

8. Worldsource Holdings Corp.

On July 31, 1996 the company acquired 55% of the Class A common shares of Worldsource Holdings Corp., the holding company of CMG-Worldsource Financial Services Inc., a mutual fund dealership.

The acquisition was accounted for as a purchase transaction. On the date of acquisition, Worldsource Holdings Corp. had total assets of $1,514,000, and total liabilities of $1,227,000. The goodwill arising of $155,000 is being amortized on a straight-line basis over forty years. The consideration was the transfer of the assets and liabilities of a division of the company valued at $313,000.

The results of operations of Worldsource Holdings Corp. have been included in these financial statements from July 31, 1996, the date of acquisition, to December 31, 1996.

9. Lease Inducements

During 1994, the Company moved substantially all of its operations to new premises. Leasehold inducements received are being amortized over the period of the lease.

10. Capital Stock

a. Authorized–unlimited number

Preferred shares, without par value, in an unlimited number of series, the designation, rights, privileges, restrictions, conditions and other provisions of each series to be determined by the Board of Directors.

Non-voting Class A shares, without par value, convertible into Common shares at the option of holders of Class A shares on a one-for-one basis, under terms and conditions described in the Special Resolution of the Company dated May 25, 1994. Highlights of terms and conditions:

- If in excess of 50% of the Common shares are acquired by any person other than an insider of the Corporation, the Class A shares may be converted to Common shares;
- If holders of over 50% of the outstanding Common shares agree to accept an offer to purchase Common shares which is made to all Common shareholders, the Class A shares may be converted into Common shares for the purposes of the offer.

Common shares, without par value, convertible on a one-for-one basis into Class A non-voting shares.

(in thousands)	1996		1995	
	Shares	Amount	Shares	Amount
b. Issued and outstanding				
Class A (c. below)	5,156	$ 14,278	4,375	$ 8,885
Common	986	1,457	986	1,457
		$ 15,735		$ 10,342
c. Class A shares				
Outstanding, beginning of year	4,375	$ 8,885	4,553	$ 9,120
Debentures converted during the year	933	5,600	–	–
Options exercised during the year	40	181	49	220
Acquired during the year (e. below)	(192)	(388)	(227)	(455)
Outstanding, end of year	5,156	$14,278	4,375	$ 8,885

d. As at December 31, 1996, 406,000 (386,000 at December 31, 1995) Class A shares were reserved for issuance to key associates of the Company and its subsidiaries under the terms of the Company's stock option plan. These options are exercisable at the rate of 20% each year on a cumulative basis to August 15, 2000, at amounts ranging from $4.50 to $11.75 per share.

e. During 1996, the Company acquired 192,000 (227,000 in 1995) of its own Class A shares for $1,940,000 ($2,082,000 in 1995), of which $1,552,000 ($1,627,000 in 1995) was charged directly to retained earnings.

11. Income Taxes ($ in thousands)

	1996	1995
a. The provision for income taxes comprises:		
Current tax	$ 1,932	$ 424
Deferred tax recovery	(196)	(284)
	$ 1,736	$ 140

b. The Company's effective income tax rate on the earnings before income taxes has been affected by the following increases (decreases) in taxable income:

	1996	1995
Earnings before income taxes	$ 5,059	$ 2,428
Losses not tax effected	107	–
Tax-exempt portion of capital gains	(306)	(126)
Non-deductible amortization	156	156
Foreign income	(837)	(1,764)
Dividend income	(130)	(46)
Increase in non-deductible reserve	(200)	(334)
Non-deductible expenses	103	77
Use of losses carried forward	–	(99)
Other	(7)	26
	(1,114)	(2,110)
	$ 3,945	$ 318
Effective income taxes at statutory rate of 44% (1995 – 44%)	$ 1,736	$ 140

12. Net Earnings Per Share

The calculation of basic net earnings per share is based on Common and Class A shares outstanding during each year and on earnings available to the holders of the Common and Class A shares.

Fully diluted net earnings per share are calculated by dividing the adjusted earnings for each year by the weighted average of outstanding Common and Class A shares, and the shares which would have been issued upon exercise of options and conversion of all outstanding debentures, effective at the beginning of each year. The adjusted earnings for the year include $251,000 ($360,000 in 1995) of after-tax imputed earnings, calculated using an imputed rate of return of 8.5%.

13. Commitments and Contingencies

The Company has leases which expire on various dates after 1996. The Company has also signed equipment maintenance and information services contracts. Minimum future payments required under these operating leases and contracts that have initial terms in excess of one year as at December 31, 1996 are as follows:

1997	496,000
1998	479,000
1999	392,000
2000	292,000
2001	292,000
2002 and thereafter	1,578,000
	$ 3,529,000

The Company continues to guarantee a secured loan on behalf of a related company to a maximum of $1,268,000. It also guarantees loans of $997,000 made to certain associates.

The Company guaranteed loans made to Guardian Limited Partnership 1995, to a maximum of $13,000,000. At year-end, the outstanding amount of this loan was $2,931,000.

During the year, the company set up an employees' profit sharing trust. The company guarantees a loan to this trust of $4,206,060 to a third party lender.

14. Subsequent Event

Subsequent to December 31, 1996, the Company has provided a guarantee for $20,000,000 for the obligations of an affiliate, Guardian Limited Partnership 1997.

15. Business Segments

The Company operates in the investment management and financial services industry. Identifiable assets and operations by geographic location are as follows:

($ in thousands)	Canada		Rest of World		Consolidated	
	1996	1995	1996	1995	1996	1995
Identifiable assets	$ 25,358	$ 16,701	$ 48,123	$ 47,163	$ 73,481	$ 63,864
Revenues	$ 32,657	$ 20,019	$ 3,616	$ 3,708	$ 36,273	$ 23,727
Expenses						
General	26,944	18,583	2,154	1,617	29,098	20,200
Depreciation and amortization	2,116	1,099	–	–	2,116	1,099
	29,060	19,682	2,154	1,617	31,214	21,299
Earnings before income taxes	3,597	337	1,462	2,091	5,059	2,428
Income tax provision	(1,736)	(140)	–	–	(1,736)	(140)
Minority shareholders' interests in losses of subsidiary company	60	–	–	–	60	–
Net earnings for the year	$ 1,921	$ 197	$ 1,462	$ 2,091	$ 3,383	$ 2,288

	Related Directors	Unrelated Directors
Board of Directors	John M. Christodoulou* Mark A.F. Golding Lesley M.S. Knox	F. Dermot Barrett George N.M. Currie Anthony G.S. Griffin Michel Sales
Committees		
Governance	John M. Christodoulou	F. Dermot Barrett* Anthony G.S. Griffin
Audit		George N.M. Currie* Anthony G.S. Griffin Michel Sales
Compensation	John M. Christodoulou	George N.M. Currie Anthony G.S. Griffin Michel Sales*
Ethics	John M. Christodoulou	Anthony G.S. Griffin* F. Dermot Barrett

* Chairman

Guardian Capital Group Limited

John M. Christodoulou
Chairman and Chief Executive Officer

Mark A.F. Golding
President and Chief Operating Officer

C. Verner Christensen
Vice-President and Secretary

Judy A. Foremski
Vice-President and Chief Information Officer

Norman R. Fust
Vice-President, Human Resources

Roy J. Jacobson
Vice-President, Operations and Controller

Guardian Capital Inc.

Mark A.F. Golding
Chairman and Chief Executive Officer

J.J. Woolverton
Managing Director and Chief Operating Officer

Gary C. Chapman
Managing Director

Robert K. Hammill
Managing Director

Peter A. Hargrove
Managing Director

Larry T. Kennedy
Managing Director

John G. Priestman
Managing Director

C. Verner Christensen
Senior Vice-President and Secretary-Treasurer

Nairn J. Cutten
Vice-President, Fixed Income

Christine Girvan
Vice-President, International Investments

Stephen D. Kearns
Vice-President, Portfolio Manager, Fixed Income Investments

Nadi Naderi
Vice-President, Servicing

Marc A. Noble
Vice-President, North American Investments

Roy J. Jacobson
Controller

Guardian Group of Funds Ltd.

Mark A.F. Golding
Chairman and Chief Executive Officer

Harold W. Hillier
President and Chief Operating Officer

John L. Boeckh
Senior Vice-President, Sales and Marketing

C. Verner Christensen
Senior Vice-President and Secretary-Treasurer

Stuart J. Freeman
Vice-President, Operations

R. Cameron Grout
Vice-President, Sales, Western Ontario and Atlantic Canada

Ross F. Kappele
Vice-President, Sales, Toronto

William G. Healy
Vice-President, Sales, Quebec

Dianna L. Price
Vice-President, Sales, Western Canada

Roy J. Jacobson
Controller

Guardian Capital Advisors

Mark A. F. Golding
Chairman

Gareth S. Seltzer
Vice-President, Private Wealth Management

Alexandria Bancorp Limited

Kevin F. Whitten
Managing Director

Gary Lyons
Chief Investment Strategist

J. David M. Dobson
Secretary

Lesley J. Scott
Treasurer

Alexandria Trust Company (B.V.I.) Limited

Kevin F. Whitten
Managing Director

Bankers and Principal Custodian

Canadian Imperial Bank of Commerce

Corporate Offices

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(416) 364-8341

Facsimile

(416) 947-0601

Auditors

Coopers & Lybrand

Registrar and Transfer Agent

Montreal Trust Company of Canada

Toronto Stock Exchange Listing

Shares	Symbol
Common	GCG
Class A	GCG.A

Annual Meeting

11:00 a.m., May 22, 1997
The Canadian Room
The Ontario Club
Commerce Court South, Fifth Floor
30 Wellington Street West
Toronto, Ontario

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GUARDIAN
CAPITAL GROUP LIMITED

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CAPITAL GROUP LIMITED