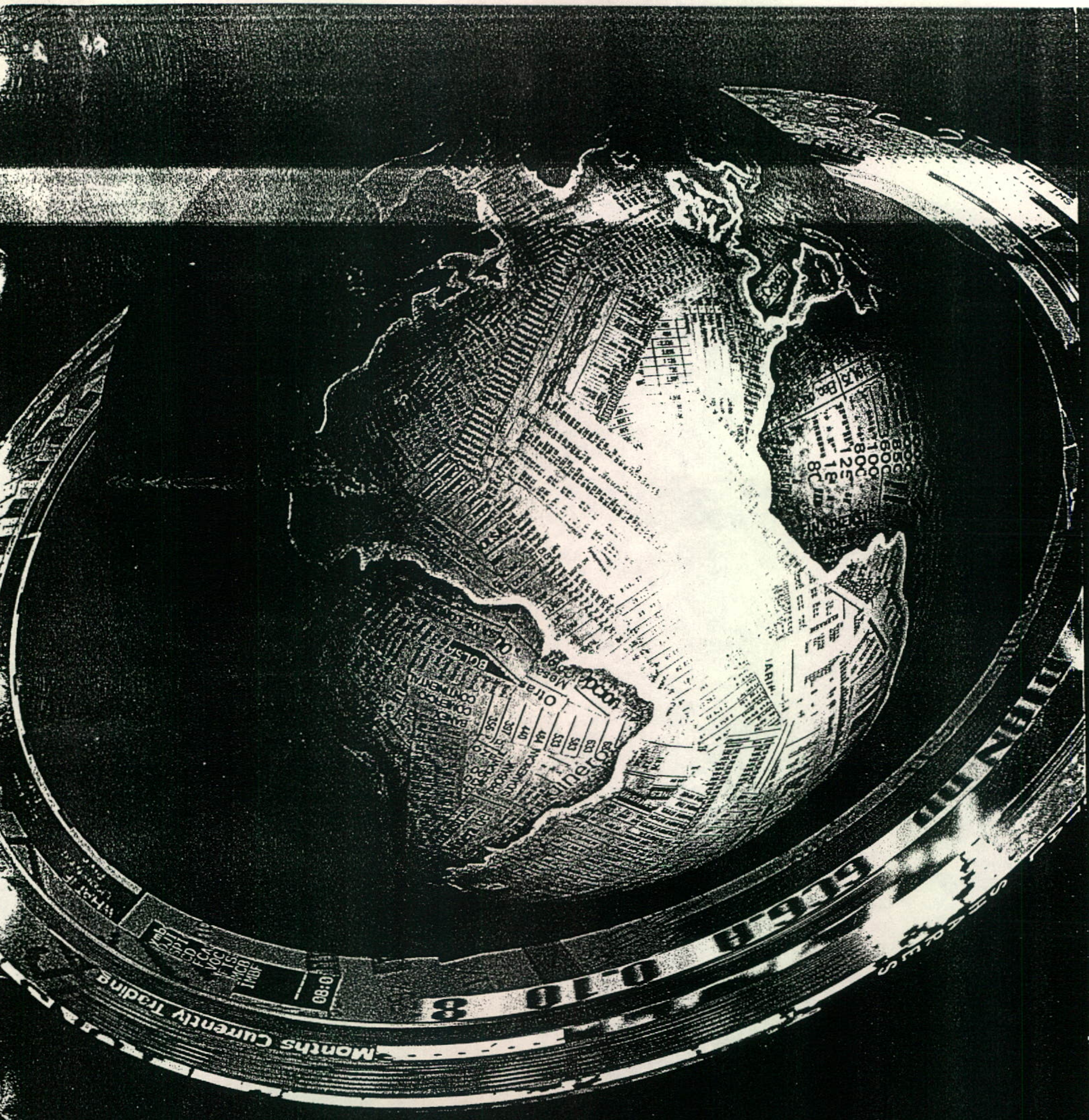

Guardian Capital Group Limited

1994 Annual Report

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CORPORATE PROFILE

Mission

Our mission is to achieve sustainable long-term growth in profits and shareholder value by excelling in meeting the needs of our clients. Our business activities are concentrated exclusively in the financial services industry. Our primary focus is on providing premium-quality investment management and related services. To achieve success for our shareholders, we have three clear goals: (i) to be client focused throughout the organization; (ii) to have a well-diversified client base with a strong and growing franchise in each of several chosen segments of the financial services market; and (iii) to maintain and enhance our capital resources to ensure that anticipated future business activities will be internally financed.

Organization

Founded in 1962, Guardian Capital Group Limited is a publicly-owned company with its Common and Class A shares listed on the Toronto Stock Exchange. The Company operates as a multi-specialist investment management company serving the needs of institutional and retail investors. Our investment management services include: specialized Canadian balanced, bond and equity portfolio management provided by our Toronto based team of investment professionals at wholly-owned Guardian Capital Inc.; U.S. equity management by 51% owned, New York based Guardian Dietche Field Inc.; and non-North American balanced, bond and equity management by 50% owned, London based Kleinwort Guardian Overseas Limited. Other services include trust and corporate administrative services, and selected banking services, provided by Alexandria Bancorp Limited.

Client service is delivered through four business units. Institutional client services are provided by Guardian Capital Inc. Mutual fund services are provided by Guardian Group of Funds Ltd. and by its newly-formed division, Worldsource Financial Services. High net worth investors are served by Guardian Capital Advisors. Cayman Islands based Alexandria Bancorp Limited delivers its services to international investors.

Clients Served

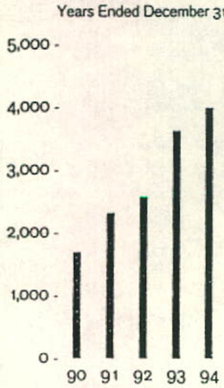
At year-end 1994, Guardian provided investment management for over $4 billion of assets for two main groups of clients: (i) institutional clients: pension funds of governments, corporations, universities and unions; foundations and endowment funds; a major life insurance company's segregated funds and other assets; and mutual fund assets of another mutual fund organization; and (ii) retail clients: mutual fund assets of investors who are clients of stockbrokers, financial planners and life insurance brokers and agents; and the assets of trusts, estates, personal corporations and investment portfolios of high net worth individuals.

FINANCIAL HIGHLIGHTS

December 31	1993	1994	% Change
($ in millions)			
Value of client assets managed	[illegible]	$ 4,001	10.1
($ in thousands)			
Gross revenue	14,715	24,681	67.7
Earnings before interest, depreciation, amortization and income taxes			
Investment management services	1,283	4,657	263.0
Financial asset management	1,031	3,529	242.3
	2,314	8,186	253.8
Net earnings for the year	1,129	5,859	419.0
Cash and securities	40,435	47,673	17.9
(in dollars)			
Per Common and Class A share – fully diluted			
Net earnings for the year	0.20	0.89	345.0
Cash and securities	6.01	7.20	19.8
(in thousands)			
Year-end Common and Class A shares outstanding – fully diluted	7,010	6,857	(2.2)

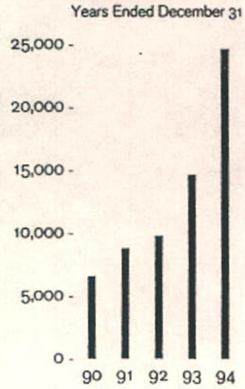
Client Assets Managed

$ in millions
Years Ended December 31



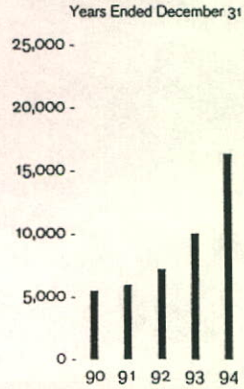
Gross Revenues

$ in thousands
Years Ended December 31



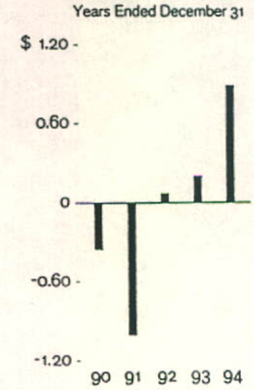
Investment Management Fees

$ in thousands
Years Ended December 31



Earnings (Loss) Per Share - Fully Diluted

in dollars
Years Ended December 31

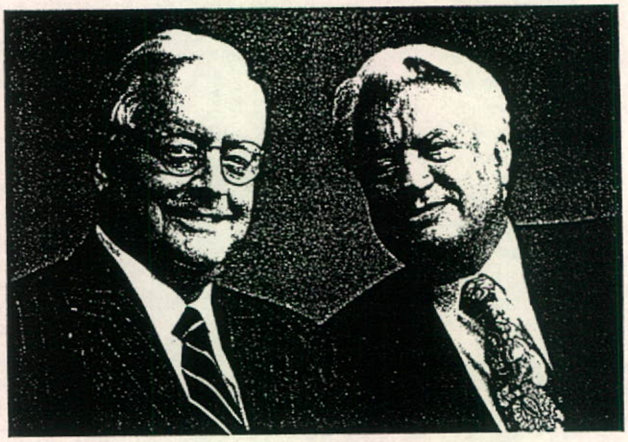


In 1994, Guardian achieved another year of growth in client assets managed, revenues, corporate capital resources, operating earnings, cash flow and net earnings.

Summary

Client Assets

At year-end 1994, client assets under management amounted to $4.0 billion, compared with $3.6 billion a year earlier.



Left to right: Mark Golding, Vice-Chairman, Corporate Development, and John Christodoulou, President and Chief Executive Officer, Guardian Capital Group Limited.

Liquidity and Capital Resources

At December 31, 1994, the realizable value of your Company's cash and securities, net of associated obligations, was $47.7 million, or $7.20 per share fully diluted. The comparable figures for 1993 were $40.4 million, or $6.01 per share.

Revenues

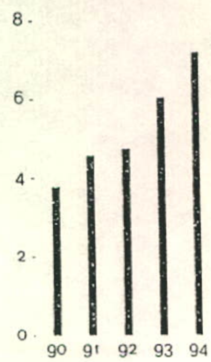
Consolidated gross revenue rose to $24.7 million, up 67.7% from $14.7 million in 1993.

Operating Earnings

Operating earnings (earnings before interest, depreciation, amortization and income taxes) more than tripled to $8.2 million in 1994, compared with $2.3 million in the previous year. In 1994, your Company's investment management and financial services subsidiaries contributed $4.7 million to operating earnings, compared with the 1993 results of $1.3 million. Net income from securities contributed $3.5 million in 1994, compared with $1.0 million in the previous year.

Net Securities
Per Share

in dollars
Years Ended December 31



Net Earnings

Net earnings of $5.9 million were achieved in 1994, showing a healthy increase over 1993 results of $1.1 million. Fully-diluted earnings per share in 1994 were $0.89, compared with $0.20 per share in the previous year. In 1994, there were two contributions to earnings which were unusually high relative to the results of recent years: (i) capital gains of $0.32 per share arising from the sale of a security; and (ii) a large gain in commission revenues due to exceptionally strong gross sales of mutual funds.

Dividends

A dividend of $0.08 per share was paid to Common and Class A shares in 1994, up from $0.05 per share in 1993.

Other Developments

One of management's major objectives is to continuously strengthen the investment management team through the selective recruitment of exceptional individuals. Several key appointments were made during the year, which brought our team of senior investment professionals up to full strength.

We also added significant strength through recruitment at all levels within our mutual fund organization to meet your Company's growing challenges and opportunities in marketing, administration and systems. In the process, staffing in the mutual fund organization rose through 1994 from 59 to 112. This growth in staffing was accompanied by increased investment in information technology and training, all with the objective of substantially improving service to our mutual fund clients.

Other developments concerning our mutual fund business included the launch of three new mutual funds: Guardian Foreign Income Fund, Guardian Asia Pacific Fund and Guardian Emerging Markets Fund.

Guardian provides a variety of mutual fund services to life insurance brokers and agents. These services include a transaction facility for dealing in a broad range of Guardian and non-Guardian mutual funds, as well as training, administration, marketing support services and mutual fund registration sponsorship by Guardian in all provincial jurisdictions. To improve these services, we formed a special division of Guardian Group of Funds Ltd. in 1994. Named Worldsource Financial Services, this new division is dedicated exclusively to meeting the special needs of life insurance professionals.

From time to time, corporate funds are employed to buy Guardian Class A shares in the market for cancellation. Under the prevailing normal course issuer bid rules, the Company may purchase, in aggregate, up to 5% of the issued and outstanding Class A shares in any given year. In 1994, a total of 139,000 Class A shares were purchased at an average price of $8.67 per share. This brings the seven-year program to a total of 816,700 shares purchased for cancellation at an average price of $5.36 per share.

Financial Results

Your Company's consolidated gross revenues in 1994 grew by 67.7% to $24.7 million, when compared with 1993 revenues of $14.7 million. Substantial improvements in income from securities, investment management fees and mutual fund sales commissions were recorded.

Expenses before depreciation, amortization, interest and income taxes were $16.5 million in 1994, up 33.2% from 1993 expenses of $12.4 million. Growth-related personnel expansion and systems development accounted for most of the increase in expenses.

Operating earnings (i.e., earnings before interest, depreciation, amortization and income taxes) rose to $8.2 million. This was an improvement of more than two and a half times the 1993 results of $2.3 million. Operating earnings from the investment management and financial services subsidiaries improved to $4.7 million, compared with $1.3 million in 1993. Income from securities, net of applicable expenses, contributed $3.5 million in 1994, compared with $1.0 million in the previous year.

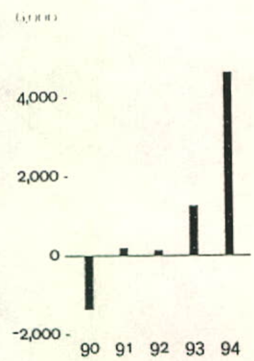
Net earnings in 1994 rose to $5.9 million, five times higher than 1993 results of $1.1 million. Tax losses accumulated in earlier years were fully exhausted during 1994, resulting in the effective tax rate of 14.7%. Fully diluted earnings per share in 1994 improved to $0.89, compared with $0.20 per share in the previous year, and included a capital gain of $0.32 per share from the sale of a security.

The realizable value of your Company's cash and securities, net of associated obligations, was $47.7 million, or $7.20 per share, at December 31, 1994, compared with $40.4 million, or $6.01 per share, a year earlier. The 1994 year-end total of net cash and securities was after the provision during the year of $2.4 million for dividends, interest and share repurchase programs.

At December 31, 1994, your Company's net cash and securities were held as follows: 43.5% in cash or cash equivalents, 51.9% in marketable securities and 4.6% in unquoted securities and limited partnerships. The holdings were broadly diversified by currency exposure, with U.S. dollar exposure at 28.5%, European currencies at 34.2%, Asia/Pacific currencies at 8.7% and the balance of 28.6% in Canadian dollar denominated assets.

Operating Earnings From Investment Management Businesses

$ in thousands
Years Ended December 31



Client Assets Managed

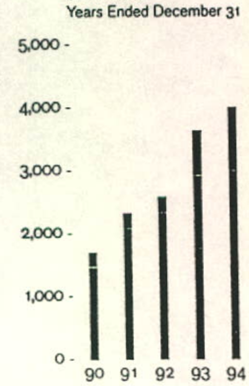
Guardian is engaged in serving two groups of clients: institutional and retail. Total assets managed for both groups amounted to $4.0 billion at December 31, 1994, compared with $3.6 billion the previous year.

Institutional Client Assets

Total institutional assets at year-end 1994 were $3.0 billion, compared with $2.9 billion at the end of 1993. Of this 1994 total, $1.8 billion were assets of tax exempt institutions (mainly pension funds), which represented a 5.9% increase over the previous year-end total of $1.7 billion. This important category of client assets represented 46.0% of Guardian's total client assets at year-end 1994. Other institutional assets are those of taxable corporations (represented primarily by a major life insurer, the Transamerica Life Companies), and amounted to $1.2 billion at year-end.

Total Client Assets Managed

$ in millions
Years Ended December 31



■ Mutual and Closed-End Fund Assets
■ Institutional Client Assets

Retail Client Assets

The major source of Guardian's retail assets under management is your Company's mutual fund business. The balance consists of assets of high net worth investors. Mutual fund assets at year-end 1994 amounted to $977 million, resulting in a healthy increase over the previous year's total of $711 million. (These totals exclude investments in Guardian mutual funds by institutional clients.) Total retail assets managed, including those of high net worth investors, exceeded $1.0 billion at year-end, compared with $734 million at year-end 1993.

Outlook

Revenues from management fees and net sales commissions can be affected by a number of external factors over which management has limited control. These factors can include overall trends in stock and bond markets, and cyclical trends within specific industries. Revenues can also be affected by factors which management can directly influence, for example: (i) your Company's competitiveness in its chosen markets and the resulting opportunities for growth from gains in market share; and (ii) management's ability to control costs.

In planning for 1995, your Company's management has adopted the cautious view that, in Canada, financial markets may be weak, and that the mutual fund industry may experience lower sales and higher redemption rates. While these factors, if they materialize, may affect your Company's profit performance in 1995, there are a number of offsetting positive factors.

Guardian's defensive investment strategies of recent years have improved our client portfolio performance relative to that of many major competitors. This, in turn, has improved our ability to attract new business from both institutional and retail investors. Guardian has also increased its marketing effectiveness in the quest for new pension accounts. Last year, we exceeded our previous records for the number of requests for proposals from pension plan sponsors, the number of pension consultants who referred Guardian to their clients and the number of final presentations for pension management assignments. This resulted in Guardian being awarded over $200 million of new assignments in an extensive variety of mandates spanning Guardian's entire product line.

Furthermore, our mutual fund business has strengthened its marketing and sales activities through the recruitment of proven marketing and sales professionals. It has also expanded its mutual fund product line and enhanced its service to the professional investment advisors who serve the Canadian investing public.

In planning for profit growth, management believes that your Company is in the midst of an important longer-term growth

phase in its corporate life cycle. Accordingly, we have continued to make significant investments in the expansion of Guardian's pool of talent and systems. These long-term investments may subdue short-term profit performance, particularly in a difficult business environment, such as that expected in 1995 for all companies in the mutual fund business. However, should 1995 prove to be a difficult year, Guardian will meet the challenge through a combination of marketing initiatives and a flexible cost structure which will facilitate necessary expenditure reductions. We also believe that there is no better way to secure longer-term success for our shareholders than to invest, as we have been doing, in the resources needed to operate a first rate organization providing premium quality services to our clients.

Dividends

In recognition of the profit growth achieved in 1994, your Directors have declared a dividend of $0.10 per Common and Class A share payable on April 21, 1995, to shareholders of record on April 14, 1995. The dividend paid in 1994 amounted to $0.08 per share.

In Memoriam

It is with great sadness that we report that, after a long and courageous battle, Anne Armstrong Gibson succumbed to cancer. Anne was elected to the Board of Directors in 1993. Among her many contributions to the community, she was the founder of "Wellspring", a charitable organization providing support and counsel to cancer victims and their families. She was "The B'Nai Brith Woman of the Year 1994". Her wise and lively contributions as a member of your Board of Directors were highly valued, and she will be greatly missed.

Our Thanks

The rapid growth of our business over the past year, the move to new premises, and the enhancements to our organization to improve product quality and client service, combined to create a challenging workload. The challenge was well met through the strenuous and dedicated efforts of Guardian's associates, for which we offer our warmest thanks.

We also wish to thank our clients for their continued support, and the many suppliers of services who contributed to our success in 1994.

Anthony G.S. Griffin
Chairman of the Board

John M. Christodoulou
President & Chief Executive Officer

Mark A.F. Golding
Vice Chairman, Corporate Development

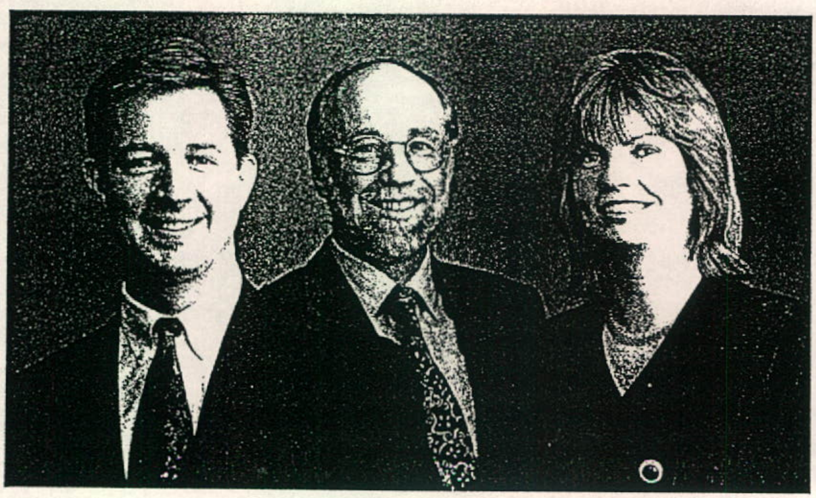
April 15, 1995
Toronto, Canada

1994 was a year in which rising interest rates produced declines in virtually all international capital markets. Mounting inflationary pressures caused the Federal Reserve Board to begin tightening U.S. monetary policy in February, producing the worst bond correction seen in the U.S. since 1927. While the Fed tightening didn't come as a surprise in light of the robust U.S. economy, the speed and magnitude of the tightening did. So too did the extent to which investor nervousness spilled over into all international fixed-income markets, including countries, like Germany, with supportive economic fundamentals. Although many equity markets saw improving corporate earnings, higher interest rates and investor nervousness caused equity valuations to contract, offsetting the benefits of improved earnings. Most international equity markets posted lackluster returns, although many Canadian investors saw some appreciation in their foreign stocks as the Canadian dollar declined against many foreign currencies.

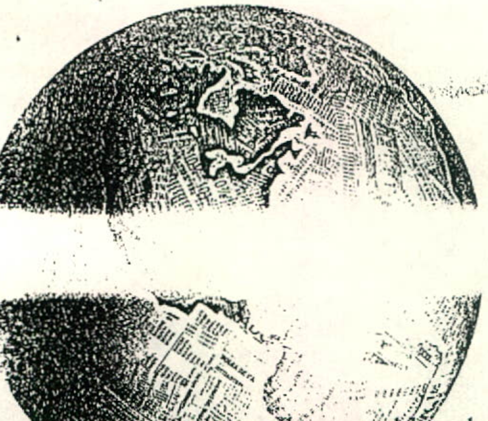
Part of the way through the first quarter of 1995, it appears that the current year may prove to be another difficult one for investors. The Federal Reserve Board has already raised rates seven times since the beginning of 1994 and, although isolated signs of slower growth can be seen, it is likely that we will see at least one more rate increase before the effects of the Fed's tightening are more widely apparent. Once a slower path of growth can be verified, rates should stabilize. With good value apparent in many bond markets as a result of last year's bear market, the stage would be set for a bond rally in the latter part of the year.

The challenge facing Canadian fixed-income investors, unfortunately, will be the extent to which the Canadian bond market participates in any rally. We spoke at length in last year's annual report about the many political and fiscal problems facing Canada as a result of reckless government overspending. Our thoughts have not materially changed in the last twelve months, and the recent decline in the Canadian dollar in the wake of the Mexican crisis indicates we are not alone in our thinking. In many ways, confidence in the Canadian dollar may well have the single largest impact on the direction of the Canadian bond market this year. Canada's economic and inflation outlook remains the envy of many industrialized nations, and we are forecast to lead the other G-7 nations in growth this year. Unfortunately, the dollar has been battered by the triple whammy of the Mexican crisis, an inadequate Canadian budget, and the latest in an ongoing series of Quebec referenda, all of which have served to emphasize the irresponsible debt levels that have been allowed to accumulate. We, therefore, anticipate a better year for Canadian bond investors, as Canada participates in a global bond rally, although not nearly to the extent we could have with a stronger national balance sheet.

Canadian Fixed Income Team
Left to right:
Steve Kearns,
Portfolio Manager,
Larry Kennedy,
Managing Director,
and Karen Cutten,
Vice-President.
(absent: Peter Hargrove,
Managing Director)

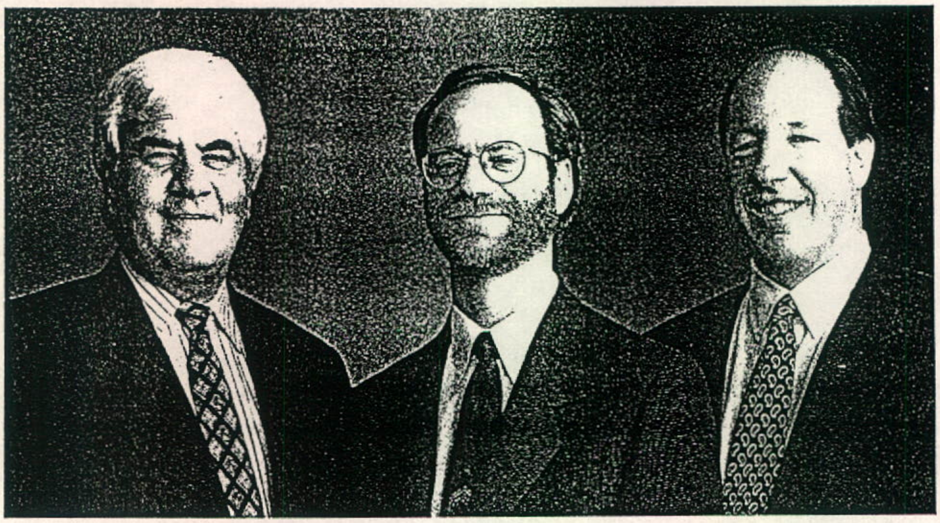


After an extremely lackluster 1994, we are also looking for better returns in the Canadian equity market later in the year. We suspect many investors will remain on the sidelines for the first half of the year, awaiting definitive signs of a peak in U.S. rates. Once this has been established, the biggest challenge facing the Canadian equity market will be the competitiveness of other financial instruments, particularly bonds. Fixed income investments currently offer very attractive real rates of return, and we will



likely need a sound bond rally before equity investments begin to offer comparable value. We are encouraged by the continuing upturn in corporate profitability, but suspect market levels will be equally dictated by earnings multiples, which are normally governed by the stability and level of interest rates, as well as investor sentiment.

As always, we should emphasize that, at Guardian, we buy stocks, not markets. We are currently uncomfortable with today's historically high equity valuations, which we view as being vulnerable to any further significant interest rate increases. Accordingly, we have raised cash reserves to near maximum levels. Despite this, there are still stocks that we continue to prefer, primarily those deriving significant portions of their income from non-Canadian sources. The Canadian market is likely to experience considerable volatility over the next few months as the budget, Quebec referendum and U.S. interest rate outlook dominate the news. During this period, we will continue to look for bargains, and will use our cash reserves to acquire quality growth stocks at attractive prices.



Canadian Equity Team
Left to right:
John Priestman,
Managing Director,
Gary Chapman,
Portfolio Manager,
and Bob Hammill,
Managing Director.

Fixed income and equity markets worldwide will likely also take their lead from developments in the U.S. Europe continues to lag the U.S. in this cycle, and downward-trending U.S. rates will bode well for both European debt and equity markets. Statistics continue to provide contradictory indications concerning the state of the Japanese economy and, although above-average volatility is expected over the next few quarters because of this, it is likely that Japan's economy has bottomed. With a stable interest rate forecast, an improving supply/demand equation for equities, and a growing world economy demanding Japanese goods, the outlook for the Japanese market is constructive.

The outlook for emerging markets in 1995, unfortunately, is less clear than usual. On the positive side, many emerging markets in Latin America and Asia continue to report growth rates well in excess of those found in the more developed markets. On the negative side, the recent liquidity and currency problems faced by Mexico have led to net capital outflows for emerging markets in general, as U.S. institutional and mutual fund investors seek more secure, less volatile markets. This, in turn, has exacerbated the challenge of rebuilding investor confidence, the largest single impediment to the continuing outperformance by the emerging stock markets. In true Guardian fashion, however, we will use this short-term crisis in confidence to acquire good quality longer term financial assets at distress prices.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF BUSINESS ACTIVITIES, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Guardian's Business Activities

Focus

Guardian's business activities are concentrated exclusively in the financial services industry. Its primary focus is on providing premium-quality investment management services to institutional and retail investors.

Mission

Guardian's mission is to achieve sustainable long-term growth in profits and shareholder value. To support this mission, we have three goals: (i) to be client focused throughout the organization; (ii) to have a well-diversified client base, with a strong and growing franchise in each of several chosen segments of the financial services market; and (iii) to maintain and enhance sufficient capital resources to ensure that all of our anticipated future business activities can be self-financed.

Clients Served

In Canada, Guardian serves a broad variety of institutional investors, and retail investors in two main categories: mutual fund investors and high net worth individual investors.

Institutional Clients

Institutional investors typically include pension funds of governments, corporations, unions and universities, and foundations and endowment funds, all of which are normally tax-exempt. An important part of successfully serving this market is to earn the full confidence of the pension consulting organizations which assist institutional investors in selecting investment managers.

Our institutional clients include taxable corporations, and the retail segregated fund products and other investment assets of a major life insurance company. They also include the mutual fund of a non-related mutual fund organization, MD Management Limited.

Retail Clients

The mutual fund investors served by Guardian are typically individuals who are saving and investing to maximize their financial resources to support a comfortable retirement. Guardian's service is provided through mutual fund dealers across Canada – stockbrokers, financial planners and, increasingly, life insurance agents and brokers – who value the prudent investment management and wide choice of investment options provided by Guardian mutual funds.

The high net worth investors served by Guardian seek investment counsel on overall asset allocation investment strategy, as well as institutional calibre investment management and personalized service.

Services to international clients, provided from the offices of Alexandria Bancorp Limited in the Cayman Islands, include trust and corporate administration, and investment management through a broad choice of pooled funds.

Business Strategies

To meet the needs and expectations of all clients, Guardian relies on five key business strategies:

· Provide a style of management directed toward achieving the highest long-term returns that are consistent with the prudent control of risk;

· Offer a global choice of investment options, giving our clients access to all of the major stock and bond markets around the world;

· Enhance returns for clients through the value-adding expertise of local-market, asset-class specialist manager teams which (i) are located in all the major world financial centres, and (ii) have substantial professional depth and experience;

· Support these investment management strengths with knowledgeable, personalized service; and

· Ensure delivery of these client benefits by operating businesses that are financially well-supported, entrepreneurially managed, and staffed by exceptional individuals who meet the highest professional and ethical standards.

Organization

Guardian is structured as a globally capable, multi-specialist investment management organization serving a multi-market client base. Its head office is located in Toronto.

Guardian Capital Group Limited *
Investment Management Services Subsidiaries

Institutional Asset Management

- Guardian Capital Inc. 100%
- Kleinwort Guardian Overseas Limited 50%
- Guardian Dietche Field Inc. 51%

Retail Asset Management

- Guardian Group of Funds Ltd. 100%
- Guardian Capital Advisors 100%
- Alexandria Bancorp Limited 100%

Clients Served

Institutional Asset Management:
- Pension Funds
- Corporate Investors
- Guardian Retail Asset Management Subsidiaries
- Endowments
- Pooled Funds
- Foundations

Guardian Group of Funds Ltd.:
- Mutual Fund Investors
- Financial Intermediaries
- Worldsource Financial Services

Guardian Capital Advisors:
- High Net Worth Canadian Investors

Alexandria Bancorp Limited:
- International Investors

* Listed on the Toronto Stock Exchange

Ownership

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 the Company. At December 31, 1994, management and other insiders of the Company collectively owned 57.5% of the Common shares. Upon full conversion of all outstanding options and convertible debentures, management and other insiders would have held 32.1% of Common and Class A shares outstanding at December 31, 1994.

Personnel

Guardian employed 148 full time associates at December 31, 1994, compared with 94 at the previous year-end. The increase was due almost entirely to the recruitment of additional personnel to strengthen your Company's mutual fund organization, particularly in the areas of funds administration and client services, both in the fund wholesaling company and Worldsource.

The firm is organized and managed to operate as a mutually supportive network of teams. The Company's employment policies are designed to encourage a high level of employee commitment and morale, and to meet all regulatory requirements.

Compensation

Staff compensation comprises a base salary plus a year-end bonus based on a careful appraisal of each individual's performance. Management compensation comprises a base salary supplemented by a results-driven performance bonus and, in some cases, by profit sharing and stock options.

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.

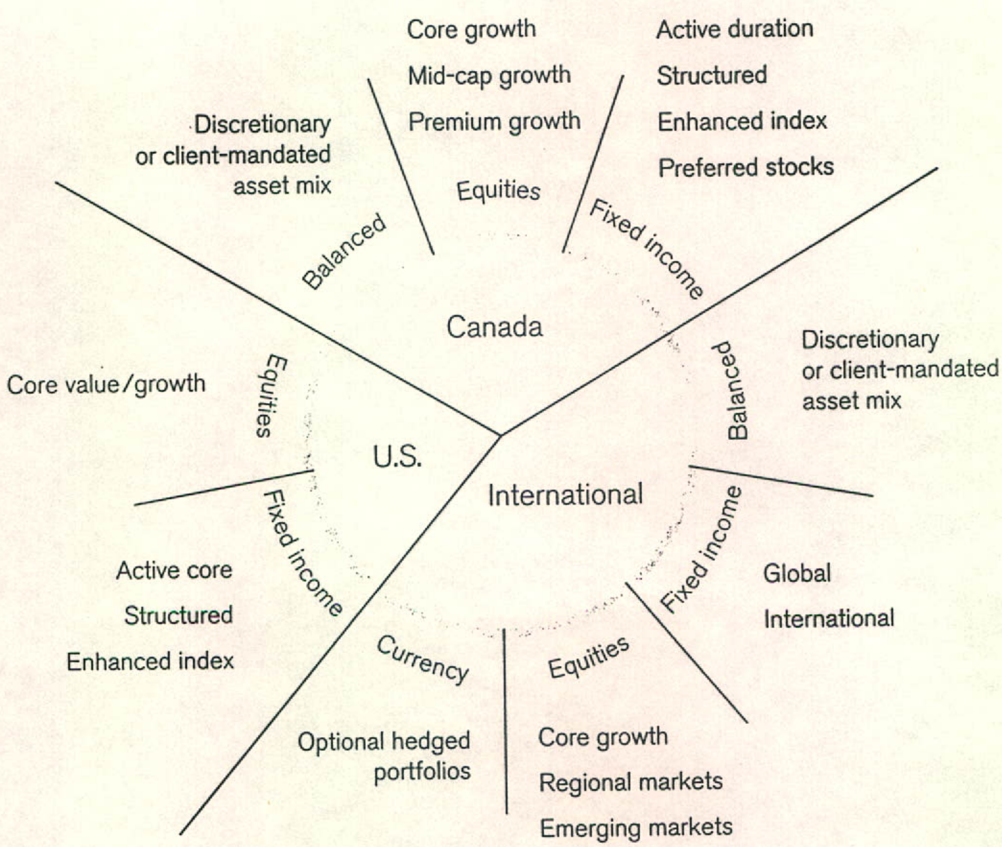
Ethics

The Code of Ethics of the Chartered Financial Analysts represents the minimum standards of ethical behaviour of members of the firm. The essence of this Code of Ethics is to ensure that, in all dealings in securities, the interests of clients take absolute priority and precedence over those of management and staff.

Compliance with the firm's ethical standards is supervised by the firm's non-Executive Chairman, A.G.S. Griffin, who serves as Chairman of the Ethics Committee.

The investment management services offered by Guardian are international in scope. These services are provided by fully dedicated client service teams to the two main groups of institutional and retail investors.

Through its own Toronto based investment professionals, and through those of its London and New York based associates, Guardian offers its clients access to investment expertise in all of the major financial markets of the world. This global team of investment managers offers an exceptionally broad choice of investment options, as shown in the diagram below.



GUARDIAN CAPITAL INC.

Management of Canadian balanced, equity and fixed income portfolios of institutional clients, and the Canadian assets of Guardian's mutual funds and private clients, is provided by the specialist managers of Guardian Capital Inc. This Toronto based team is notable for its depth of experience, prudent and disciplined investment approach, client-tailored investment service, well-established history of above average investment return, and exceptional standards of client service.

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

The largest single category of client assets under management is pension accounts. Pension asset management provides Guardian with market-share growth opportunities in a maturing industry. While overall industry asset growth is moderating, the pension management industry is evolving in directions which favour firms such as Guardian. Chief among these trends are: (i) the restructuring of larger pension plans toward specialized management assignments, at the expense of balanced management assignments, which represent the bulk of the client assets of many of Guardian's larger competitors; (ii) the increased weighting of pension portfolios in non-Canadian investments, a trend which favours Guardian's global investment manager network; and (iii) the growth of assignments to external managers by major public sector funds, a market which Guardian is well-positioned to serve with its specialist manager structure.

KLEINWORT GUARDIAN OVERSEAS LIMITED

Management of international balanced and fixed income portfolios and non-North American stocks is provided by London based Kleinwort Guardian Overseas Limited, a firm which is jointly owned with Kleinwort Benson plc. This association gives Guardian's clients access to powerful global investment resources. Kleinwort Benson is one of the leading merchant banks in the U.K. Founded over 200 years ago, its investment management organization has over 50 years of experience in global investment management and manages over C$30.5 billion of assets for an international list of clients. Its services to Canadian investors are provided exclusively through Guardian.

Guardian Dietche Field Inc.

U.S. equity management is provided by Guardian Dietche Field Inc., a firm which is jointly owned with New York based Dietche & Field Advisers, Inc. Guardian's association with this high-performance, U.S. equity specialist manager team pre-dates, by many years, the 1989 inception date of the joint venture company. Dietche & Field manages over C$3.5 billion of assets for a blue-chip list of U.S. institutional investors, as well as the U.S. equity assets of Guardian's clients. Its services to Canadian investors are provided exclusively by Guardian.

Guardian Group of Funds Ltd.

The Company's mutual fund management and marketing organization is Guardian Group of Funds Ltd. Its business is to serve Canadian mutual fund investors through three main distribution channels: (i) stockbrokers; (ii) financial planners; and (iii) through its Worldsource Financial Services division, selected insurance professionals. Services to mutual fund dealers are provided from Guardian offices in Toronto, Montreal and Vancouver.

Guardian offers fourteen public mutual funds by prospectus, ten of which are fully RRSP eligible, with the remaining four funds being eligible within the 20% RRSP limit on foreign investments. These funds offer a sufficient variety of domestic and foreign funds – including money market, bond, balanced and stock funds – to serve the asset allocation and currency exposure strategies of most investors.

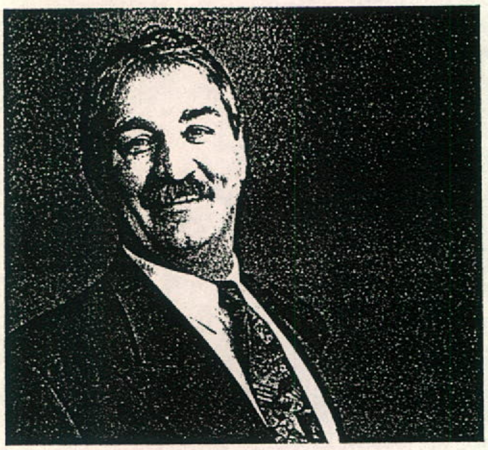
Left to right: Harold Hillier, President and Chief Operating Officer, and John Boecke, Senior Vice-President, Sales and Marketing, Guardian Group of Funds Ltd.

The investment management, sales and service functions of Guardian's mutual fund business call for sophisticated administrative systems to meet the demanding requirements of investors and their professional financial consultants. Guardian has continued to invest considerable resources over the past year to expand and improve its capabilities, with the goal of delivering the highest levels of customer service.

Guardian is well-positioned to participate in the growth of this industry, which is vitally important to meeting the retirement and savings needs of Canadians. Its professional investment resources, attractive family of mutual funds and growing acceptance among stockbrokers, financial planners and life insurance brokers and agents bode well for Guardian's future growth in the mutual funds industry.

WORLDSOURCE FINANCIAL SERVICES

Worldsource, a division of Guardian Group of Funds Ltd., has been created to serve the special needs of life insurance professionals who are sponsored by Guardian to sell mutual funds. Worldsource acts as a mutual fund retailer dealing in a broad range of Guardian and non-Guardian products. Its services are provided from its Toronto office to life insurance professionals across Canada, and include order processing, client account administration and reporting.



Bob Roy, Senior Vice-President, Worldsource Financial Services.

ALEXANDRIA BANCORP LIMITED

The managers of Alexandria in the Cayman Islands currently offer a comprehensive variety of global investment management and trust and corporate administrative services, as well as selected banking services. These services are offered to offshore financial institutions, expatriate pension funds, professional organizations and international investors who have substantial assets to invest. Personalized service is supported by fully capable administrative systems and experienced client service specialists.

GUARDIAN CAPITAL ADVISORS

Investors with substantial personal net worth have many of the same needs for prudent, cost-effective investment services as institutional investors. The business of Guardian Capital Advisors, a division of Guardian Capital Inc., is to serve such investors with client-specific investment counsel. Its services bring to the high net worth individual virtually the same full range of global investment expertise provided to Guardian's institutional clients.

Risks

Investment Management Businesses

Investment management companies are subject to a number of common business risks. Guardian addresses its business risks with a combination of rigourous management and appropriate liability insurance coverage. Among the business risks common to investment management companies is the failure to consistently deliver satisfactory investment returns and service, or to conform to client-specific mandates. A failure to perform may lead to the loss of client accounts, or to claims for compensation by clients. It may also lead

to a loss of professional reputation, which may affect future business prospects. Institutional clients may terminate their association with an investment manager on short notice, and mutual fund investors may redeem units on a five day settlement basis.

Another risk consists of failing to adapt to the product needs of a marketplace which is constantly evolving. Change is generated by a number of factors, including consumer preferences and regulatory intervention. Failure to supply contemporary products can lead to "manager obsolescence", resulting in lost business opportunities.

One risk facing investment managers, which may become more significant in the future, is the downward pressure on management fees. In the past, during an era of high nominal investment returns, investors tended to be content with the industry's pricing structure. However, the risk of a demand for lower fees may rise if future levels of returns are significantly lower than the high returns enjoyed over the past decade.

Additional sources of price pressure may arise. One source is the continued proliferation in the number of competitor organizations, including foreign competitors. Another is the growing market acceptance of low-fee products.

In institutional asset management, for example, the steady growth in market share of low-fee, indexed fund management may represent a threat to the higher fee structures of active managers. Mitigating this risk is the well-established history of value-adding performance of many active managers, including Guardian.

In the mutual fund industry, Guardian is especially alert to two particular areas of risk:

- Distribution channels. Maintaining excellence in service to the retailers of mutual funds is considered a primary determinant of success. Considerable effort has been made to upgrade Guardian's client service capacity; and
- Market risk. The phenomenal growth of the mutual fund industry in recent years has been largely due to a portfolio shift by individual investors who, while interest rates were low, switched from low-risk, interest-bearing investments to higher risk investments in mutual funds which, over the long term, were expected to produce higher returns. The weak performance of stock and bond markets in 1994 may lead to reduced net sales of mutual funds until the next downturn in interest rates.

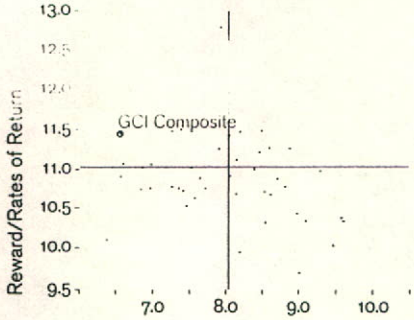
Finally, risks for money management companies can arise from having a narrow client base or product line. As a percentage of total revenues in 1994, Guardian's largest institutional client accounted for approximately 4.8%, and its largest mutual fund accounted for 17.1%.

Financial Assets

The risks facing Guardian in managing its financial assets range from risks in the capital and currency markets generally, to individual security risks. Mindful of these risks, Guardian continuously assesses its investment position, pays close attention to applying investment risk control disciplines and, from time to time, makes appropriate portfolio adjustments.

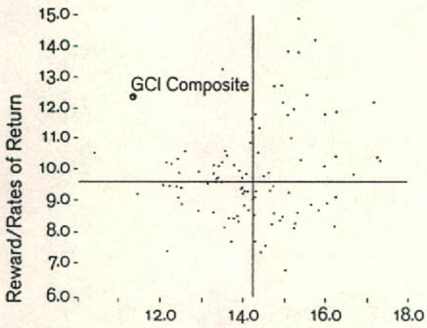
Composite of Guardian
Balanced Portfolios - Total Fund

For the period 1/1/85 to 12/31/94



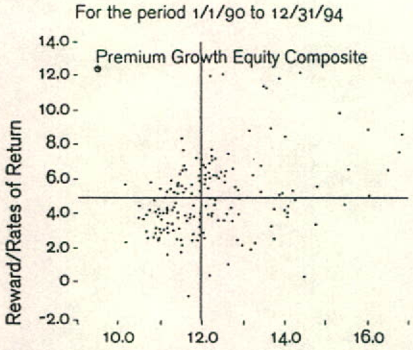
Composite of Guardian
Canadian Equities

For the period 1/1/85 to 12/31/94



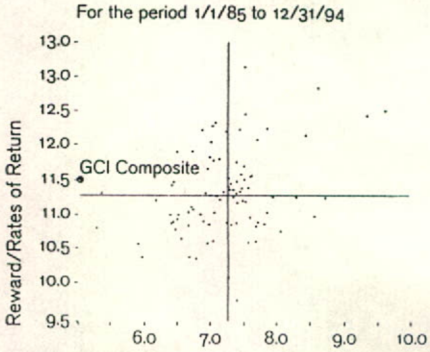
Composite of Guardian
Premium Growth Equity
Canadian Equities

For the period 1/1/90 to 12/31/94



Composite of Guardian
Bonds

For the period 1/1/85 to 12/31/94



Investment Performance

World capital markets produced low, or negative, returns in 1994. For Canadian investors, foreign market returns were enhanced, in Canadian dollar terms, by the weakness in Canada's currency. The Table below highlights the Canadian dollar returns of a number of broadly followed indices, as well as the U.S. dollar returns of the non-Canadian indices:

	Total Returns: 1994	
	Cdn $	U.S. $
ScotiaMcLeod Universe Bond Index	-4.3%	
TSE 300 Total Return Index	-0.2	
S&P 500 Index	7.4	1.3%
MSCI EAFE Index*	14.3	7.8
IFC Emerging Markets Index	-6.7	-12.0

* *Europe, Australasia and Far East stock markets*

In 1994, there was a general flight to quality. In the equity markets, large capitalization stocks generally outperformed smaller cap stocks, cyclical stocks generally outperformed well-established growth stocks, and cash proved to be an attractive substitute for equity investments.

Within the fixed income area, shorter term issues outperformed longer term issues and, due to the decline of the Canadian dollar during the year, U.S.-pay issues outperformed Canadian-pay issues.

The 1994 performance results for composites of Guardian-managed client portfolios are calculated according to the standards approved by the Association For Investment Management & Research, and are compared in the Table below with an appropriate market index:

	Guardian	Index
Balanced	1.4%	0.1%
Canadian Equity	-0.1	-0.2
U.S. Equity	8.2	7.4
International Equity	6.2	14.3
Canadian Bonds	2.2	-4.3

Note: • *Results are before management fees.*

• *All performance numbers are in Canadian dollars.*

• *The benchmark for the Balanced Fund Composite under the Index column consists of:*

TSE 300 Total Return Index	40%
S&P 500 Index	5
MSCI EAFE Index	10
ScotiaMcLeod Universe Bond Index	45

Our mission of achieving above-average returns at below-average risk continues to be Guardian's primary emphasis. Our success in achieving this goal can be seen in the Charts in the adjacent margin which show results for four key products plotted against the SEI peer group sample for the past 10 years (five years for Canadian Premium Growth Equity).

Client Assets Under Management

($ in millions)	1993	1994	Change $	Change %
Institutional client assets	[illegible]	2,998	98	3.4
Retail client assets	734	1,003	269	36.6
Total client assets	3,634	4,001	367	10.1

Institutional Asset Management

Guardian's institutional assets under management rose to $3.0 billion at December 31, 1994, up 3.4% from the previous year-end total of $2.9 billion.

Assets of tax exempt clients – pension funds, and foundations and endowment funds – showed a year-over-year increase of 5.9% to $1.8 billion from $1.7 billion. Assets of taxable and other corporate clients were unchanged at approximately $1.2 billion.

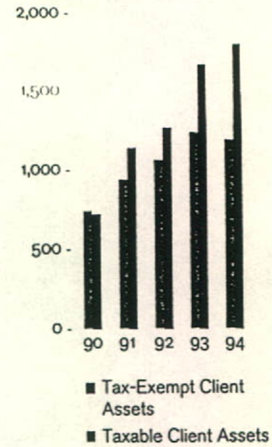
Retail Asset Management

1994 was another year of strong growth for Guardian's retail asset management business. Growth was concentrated in your Company's mutual fund organization, which increased its client assets by 37.4%, starting the year with $711 million and ending with $977 million.

Gross mutual fund sales, which are the main factor driving your Company's commission revenue, amounted to $613 million in 1994, up from $436 million in 1993. The rate of growth of mutual fund net sales experienced by your Company over the past two fiscal years has substantially exceeded industry growth rates, and has been exceptional by any standard. It should not be considered normal and is not likely to be repeated in 1995.

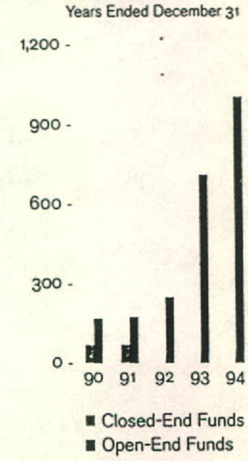
Institutional Client Assets

$ in millions
As at December 31



Mutual Fund and Closed-End Fund Assets

$ in millions
Years Ended December 31



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 vulnerable to the vagaries of external financing. Financial strength also supports the confidence of clients, employees and suppliers in Guardian's ability to operate confidently throughout all stages of the business cycle, and to achieve its long-term goals for business success in a variety of markets.

($ in thousands)	1993	1994	Change $	Change %
Cash and securities*				
Total	40,435	47,673	7,238	17.9
Per share (fully diluted)	6.01	7.20	1.19	19.8

** Net of applicable obligations.*

Summary of Securities Holdings

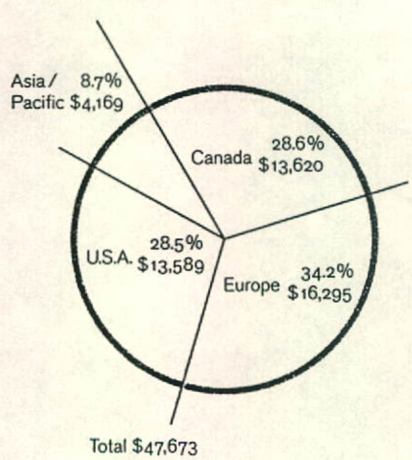
As at December 31, 1994

($ in thousands)	Cost	Realizable Value	% of Total
Canadian Dollar Securities			
Cash equivalent securities	$ 2,101	$ 2,119	15.6
Marketable securities	6,956	10,111	74.2
Unquoted securities*	1,515	1,681	12.3
Less: Applicable debt obligations	(291)	(291)	(2.1)
Canadian Dollar securities	10,281	13,620	100.0
Non-Canadian Dollar Securities			
Cash equivalent securities	17,281	18,628	54.7
Marketable securities	9,869	14,638	43.0
Unquoted securities*	802	787	2.3
Total non-Canadian Dollar securities	27,952	34,053	100.0
All Securities			
Cash equivalent securities	19,382	20,747	43.5
Marketable securities	16,825	24,749	51.9
Unquoted securities*	2,317	2,468	5.2
Total cash and securities	38,524	47,964	100.6
Less: Applicable debt obligations	(291)	(291)	(0.6)
Cash and Securities	$ 38,233	$ 47,673	100.0

** As valued by the Directors*

Currency Diversification

$ in thousands
As at December 31, 1994



The management of your Company's financial assets is conducted mainly through wholly-owned subsidiaries. Investment activities include investment both in marketable and non-marketable securities. Except for corporate assets which may, from time to time, be invested in mutual or pooled funds managed by Guardian, your Company's investments are managed separately from those of Guardian's clients. Operating procedures and controls ensure that its investment activities do not conflict with the responsible management of client assets.

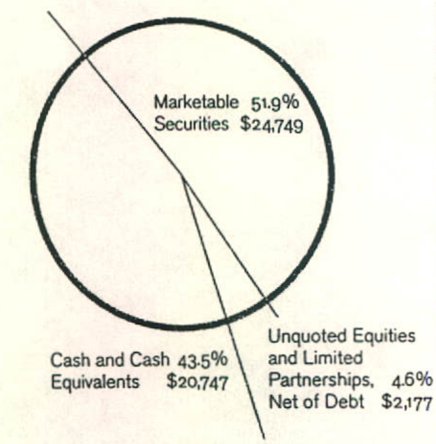
Your Company's capital management activities encompass a wide variety of opportunities. Currently, Guardian's financial resources are primarily invested in mutual or pooled funds, including money market funds. Investments are also held in marketable equity securities and in a small number of promising private company investments.

Risk controls include extensive diversification by asset class and by holdings. Close attention is also given to currency diversification. For the past several years, your Company has limited its exposure to market risk by maintaining high cash reserves. This approach has been consistent with management's continuing concern about the high risk nature of financial markets and the need to focus on the goal of capital preservation. This cautious approach is expected to continue until a more favourable investment environment materializes.

Asset Allocation

$ in thousands

Total $47,673



Results Of Operations

Gross Revenues

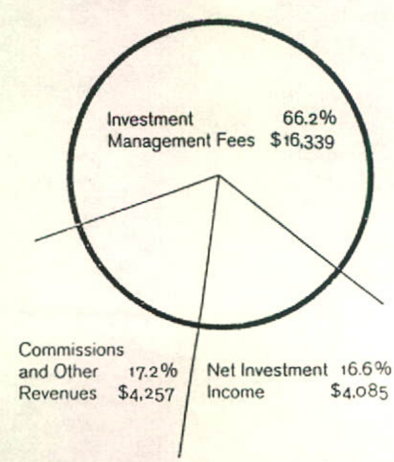
In the year ended December 31, 1994, gross revenues rose to $24,681,000. This represented a 67.7% gain when compared with 1993 revenues of $14,715,000. The components of revenue which contributed to growth in 1994 can be seen in the following Table:

			Change	
($ in thousands)	1993	1994	$	%
Management fees	10,039	16,339	6,300	62.8
Sales commissions	2,781	3,618	837	30.1
Other income	266	639	373	140.2
	13,086	20,596	7,510	57.4
Income from securities	1,629	4,085	2,456	150.8
Gross revenue	14,715	24,681	9,966	67.7
Management fees as % of average client assets	0.32	0.43		

Gross Revenues

$ in thousands
Year Ended December 31, 1994

Total $24,681



As the table shows, your Company's 67.7% increase in revenues in 1994 was mainly attributable to growth in (i) fees received for management of client assets; (ii) increased net income from securities; and (iii) increased commissions from the sale of mutual funds.

In 1994, management fees increased by $6,300,000 to $16,339,000, and accounted for 66.2% of total revenues, compared with 68.2% in 1993. Management fees have been in a positive uptrend for several years; the 62.8% increase achieved in 1994 was due mainly to increased mutual fund client assets under management. During the fourth quarter of 1994, management fees reached an annualized rate of $17.2 million.

Income from securities in 1994 of $4,085,000 comprised $3,525,000 of realized gains, and $560,000 of interest and dividend income. The 1994 results represented a year-over-year increase of $2,456,000. At December 31, 1994, unrealized gains in your Company's holdings of securities amounted to $9.4 million, or about $1.62 per share.

Revenues from sales commissions arose from Guardian's dealership activities, now conducted through Worldsource. The dealership generates commissions from the sale of both Guardian and non-Guardian mutual funds. Commissions are also generated by limited partnerships which finance deferred-load sales of Guardian mutual funds. The rapid growth in revenues from sales commissions in 1994 resulted from gross sales of deferred-load mutual funds of $305 million. In 1995, revenue growth from sales commissions is not expected to repeat the exceptional growth achieved in 1994.

Other revenues were primarily administration fees earned from the offshore trust and corporate administrative services of Alexandria Bancorp Limited.

Operating Expenses

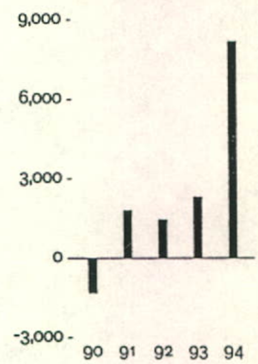
($ in thousands)	1993	1994	Change $	Change %
Operating earnings	12,379	16,495	4,116	33.2
As % of:				
Total revenues	84.1	66.8		
Management fees and commissions	88.8	82.6		
Average client assets	0.40	0.43		

Approximately 52% of operating expenses in 1994 were attributable to personnel costs, compared with 49% in 1993. The increase in overall operating expenses in 1994 was due to growth-related expansion of the mutual fund organization's personnel and administrative infrastructure.

Operating Earnings

($ in thousands)	1993	1994	Change $	Change %
Operating earnings	2,314	8,186	5,872	253.8
As % of revenues	15.7	33.2		

Operating Earnings
$ in thousands
Years Ended December 31



Operating earnings in 1994 (i.e., earnings before depreciation, amortization, interest expense and income taxes) rose by two and a half times the results achieved in 1993. Operating earnings from the investment management and financial services subsidiaries improved to $4.7 million, compared with $1.3 million in 1993. Net income from securities contributed $3.5 million in 1994, compared with $1.0 million in the previous year.

Net Earnings

($ in thousands)	1993	1994	Change $	Change %
Pre-tax earnings	1,119	6,868	5,749	513.8
Less: Income taxes	(10)	1,009	1,019	–
Net earnings	1,129	5,859	4,730	419.0
Effective tax rate (%)	–	14.7		
Net earnings as % of revenue	7.7	23.7		
Return on average equity (%)	4.5	20.3		

Earnings per share, fully diluted, were $0.89 in 1994 (on average 6,949,000 shares outstanding on full dilution), compared with $0.20 in 1993 (on average 7,144,000 shares outstanding). 1994 results included a larger contribution from capital gains than in recent years, realized gains from the sale of a single security amounting to $2,218,000, or $0.32 per share. Earnings in 1993 before lease termination costs amounted to $0.31 per share.

In 1994, your Company's earnings benefited from two events which cannot be assumed to be repeated in 1995. The first was the above-noted capital gain, which resulted in higher net income from securities than the levels achieved in recent years. The second was the considerable boost to earnings arising from commissions from sales of deferred-load funds, which also may not be repeated in 1995.

Liquidity and Capital Resources

($ in thousands)	1993	1994	Change $	Change %
Working capital	(1,479)	(4,523)	(3,044)	205.8
Securities at net realizable value	40,435	47,673	7,238	17.9

During 1994, your Company paid $448,000 in dividends to its Common and Class A shareholders, and paid $1,353,000 to repurchase Common and Class A shares. The corresponding figures in 1993 were $285,000 and $877,000 respectively.

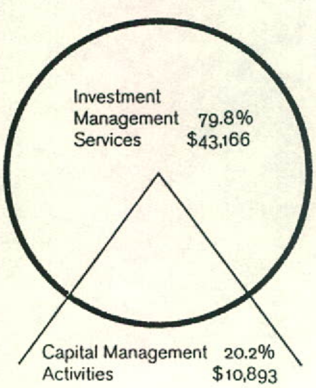
The Company guaranteed loans made to Guardian Limited Partnership 1993 and 1994. At year-end, the amounts outstanding were $3.7 million and $8.4 million respectively, which were fully secured by the partnerships' right to receive redemption fees and financing fees.

Except for short-term bank financing, used as and when needed, no external financing was needed in 1994, and none is presently contemplated for the foreseeable future.

Identifiable Assets

$ in thousands
As at December 31, 1994

Total $54,059



Total Assets and Shareholders' Equity

($ in thousands)	1993	1994	Change $	Change %
Total assets	40,388	54,059	13,671	33.8
Shareholders' equity	25,456	32,204	6,748	26.5

A foreign currency translation adjustment of $2,626,000, included in Shareholders' Equity, is related to the conversion of the value of net assets of foreign subsidiaries into Canadian funds. This balance increased by $1,790,000 in 1994.

QUARTERLY STATISTICS

								1994
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
($ in thousands)								
Gross revenue	$ 3,087	$ 3,036	$ 3,821	$ 4,771	$ 6,008	$ 5,427	$ 5,292	$ 7,954
Net earnings (loss)	236	(63)	461	495	930	881	840	3,208
Shareholders' equity	24,479	24,613	25,728	25,456	27,602	28,228	28,090	32,204
(in dollars)								
Per average Common and Class A share								
Net earnings (loss)								
Basic	0.04	(0.01)	0.08	0.09	0.17	0.15	0.15	0.58
Fully diluted	0.04	(0.01)	0.08	0.09	0.15	0.14	0.13	0.47
Per Common and Class A share								
Shareholders' equity								
Basic	4.29	4.32	4.51	4.59	4.95	5.02	5.00	5.81
Excluding goodwill	3.40	3.43	3.63	3.70	4.07	4.15	4.14	4.94

SEVEN-YEAR REVIEW

Years ended December 31	1988	1989	1990	1991	1992	1993	1994
($ in millions)							
Value of client assets managed	$ 1,501	$ 1,558	$ 1,707	$ [illegible]	$ [illegible]	$ [illegible]	$ 4,001
($ in thousands)							
Gross revenues	10,647	9,793	6,663	8,893	9,877	14,715	24,681
Operating expenses (excl. depreciation, amortization and interest)	7,523	7,477	7,911	7,080	8,400	12,379	16,495
Earnings (loss) from operations	3,124	2,316	(1,248)	1,813	1,477	2,314	8,186
Earnings (loss) before taxes and goodwill written off	2,140	141	(2,846)	407	383	1,119	6,868
Goodwill written off	–	–	–	(6,322)	–	–	–
Net earnings (loss)							
Before extraordinary items	1,581	568	(2,118)	(5,847)	425	1,129	5,859
For the year	2,334	568	(2,118)	(5,847)	425	1,129	5,859
Shareholders' equity	33,725	32,512	28,916	22,586	24,512	25,456	32,204
(in dollars)							
Per average Common and Class A share							
Earnings (loss) from operations							
Basic	0.53	0.41	(0.21)	0.31	0.24	0.41	1.46
Fully diluted	0.49	0.37	(0.21)	0.31	0.24	0.41	1.27
Net earnings (loss) before extraordinary items							
Basic	0.27	0.10	(0.36)	(1.01)	0.07	0.20	1.05
Fully diluted	0.25	0.09	(0.36)	(1.01)	0.07	0.20	0.89
Net earnings (loss) for the year							
Basic	0.40	0.10	(0.36)	(1.01)	0.07	0.20	1.05
Fully diluted	0.36	0.09	(0.36)	(1.01)	0.07	0.20	0.89
Per Common and Class A share							
Dividends paid	0.16	0.16	0.00	0.00	0.05	0.05	0.08
Shareholders' equity							
Basic	5.87	5.73	4.93	3.93	4.30	4.59	5.81
Fully diluted	4.35	4.21	3.91	3.24	3.47	3.63	4.70
Share price							
Common - High	7.25	6.75	6.00	6.00	5.75	7.63	12.00
- Low	5.88	5.63	4.90	4.30	4.50	6.38	7.00
Class A - High	6.25	5.75	5.25	4.25	4.75	7.63	10.25
- Low	4.85	4.20	4.00	3.60	3.60	6.00	7.13
(in thousands)							
Year-end Common and Class A shares outstanding							
Basic	5,742	5,665	5,858	5,750	5,704	5,542	5,539
Fully diluted	7,740	7,716	7,387	6,970	7,062	7,010	6,857

MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

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 pages 31 and 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 control, 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
President & Chief Executive Officer
April 15, 1995

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, 1994 and 1993 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, 1994 and 1993 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 24, 1995

Consolidated Balance Sheets

($ in thousands)

As at December 31	1994	
Assets		
Current Assets		
Cash and short-term securities	$ 7,933	$ 5,148
Accounts receivable	4,508	3,493
Securities income receivable	167	139
Prepaid expenses	59	202
Outstanding deposits	2,211	–
	14,878	8,982
Financial Assets (note 2)	30,591	24,414
Loan Receivable (note 3)	544	1,230
Capital Assets (note 4)	3,180	718
Unamortized Debenture Issue Costs	47	69
Goodwill	4,819	4,975
	$ 54,059	$ 40,388
Liabilities		
Current Liabilities		
Bank overdrafts	$ 3,134	$ 1,842
Accounts payable and accrued liabilities	4,096	2,384
Income taxes payable	1,693	448
Lease termination	334	639
Outstanding deposits	2,211	–
	11,468	5,313
Lease Inducements (note 6)	2,036	–
Long-Term Debt (note 5)	5,891	6,976
Deferred Income Taxes	2,460	2,643
	21,855	14,932
Shareholders' Equity		
Capital Stock (note 7)	10,577	9,965
Foreign Currency Translation Adjustment	2,626	836
Retained Earnings	19,001	14,655
	32,204	25,456
	$ 54,059	$ 40,388

Signed on behalf of the board

Anthony G.S. Griffin,
Director

John M. Christodoulou,
Director

Consolidated Statements of Retained Earnings

Years ended December 31	1994	($ in thousands) 1993
Balance, beginning of year	$ 14,655	
Net earnings	5,859	
	20,514	15,513
Less		
Dividend paid	448	285
Excess of purchase price over issue price on Company's capital stock acquired (note 7)	1,065	573
	1,513	858
Balance, end of year	$ 19,001	$ 14,655

Consolidated Statements of Operations

Years ended December 31	($ in thousands, except per share amounts) 1994	1993
Revenue		
Management fees	$ 16,339	$ 10,039
Net income from securities	4,085	1,629
Other income	639	266
Sales commissions	3,618	2,781
	24,681	14,715
Expenses		
Expenses exclusive of undernoted items	16,495	11,740
Depreciation	434	262
Amortization	178	178
Interest on long-term debt	475	553
Other interest	231	224
Lease termination	–	639
	17,813	13,596
Earnings before income taxes	6,868	1,119
Provision for (recovery of) income taxes (note 8)	1,009	(10)
Net earnings for the year	$ 5,859	$ 1,129
Net earnings per Common and Class A share (note 8)		
Basic	$ 1.05	$ 0.20
Fully diluted	0.89	0.20
Weighted average number of Common and Class A shares outstanding (in thousands)		
Basic	5,596	5,676
Fully diluted	6,949	7,144

Consolidated Statements of Changes in Financial Position

Years ended December 31	1994	($ in thousands) 1993
CASH FROM OPERATIONS		
Net earnings for the year	$ 5,859	[illegible]
Add (deduct) items not involving cash		
Leasehold inducements written off	(62)	–
Depreciation	434	262
Amortization	178	178
Deferred income taxes	(183)	(10)
Net gain on sale of securities	(3,525)	(1,022)
	2,701	537
Net change in working capital excluding cash	1,752	486
	4,453	1,023
FINANCING ACTIVITIES		
Lease inducements received	2,098	–
Issue of capital stock	900	–
Acquisition of Company's capital stock	(1,353)	(877)
Dividend paid	(448)	(285)
Increase (decrease) in long-term debt	(1,085)	15
Loan (advance) repayment	686	(207)
	798	(1,354)
FINANCIAL ASSET ACTIVITIES		
Acquisition of securities	(8,222)	(3,666)
Proceeds on sale of securities	6,787	3,481
Purchase of capital assets	(2,896)	(390)
	(4,331)	(575)
Net change in cash and short-term securities net of bank loan and overdrafts, during the year	920	(906)
Foreign currency translation adjustment	573	317
Cash and short-term securities net of bank overdrafts, beginning of year	3,306	3,895
Cash and short-term securities net of bank overdrafts, end of year	$ 4,799	$ 3,306

For the years ended December 31, 1994 and 1993

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.

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.

2 Financial Assets

Securities

($ in thousands)

	Market Value		Carrying Value	
As at December 31	1994	1993	1994	1993
(see note 1b)				
a Securities having a quoted market value				
Short-term securities	$ 12,713	$ 8,593	$ 11,448	$ 7,914
Capital in equity mutual funds	11,587	10,934	8,908	7,839
Diversified common share holdings	13,162	14,386	7,918	7,058
	$ 37,462	$ 33,913	28,274	22,811
b Securities not having a quoted market value				
Private corporations and limited partnerships			2,317	1,603
Total			$ 30,591	$ 22,414

Certain of the above securities have been pledged as collateral security for the outstanding bank loan and the mortgages and notes payable (note 5b).

3 Loans 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.

4 Capital Assets

		($ in thousands)
As at December 31	1994	1993
Computer hardware and software	$ 2,249	$ 774
Furniture and equipment	763	559
Leasehold improvements	1,260	224
	4,272	1,557
Less accumulated depreciation and amortization	1,092	839
	$ 3,180	$ 718

5 Long-Term Debt

		($ in thousands)
As at December 31	1994	1993
Convertible debentures (a below)	$ 5,600	$ 6,500
Mortgages payable (b below)	291	316
Notes payable (b below)	–	160
	$ 5,891	$ 6,976

a The 8½% convertible subordinated debentures mature on December 15, 1996 and are convertible into 933,000 Class A non-voting shares at a price of $6 per share.

During 1994, part of the debenture was converted into 150,000 Class A non-voting shares.

b The mortgages payable bear interest at 9% and are due February 1, 1996. These mortgages are in connection with an investment in a limited partnership, the assets of which are pledged as security. The notes payable were repaid during 1994.

6 Lease Inducements

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

7 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)

	1994		1993	
	Shares	Amount	Shares	Amount
b Issued and outstanding				
Class A (d below)	4,553	$ 9,120	4,542	$ 8,488
Common (c below)	986	1,457	999	1,477
		$ 10,577		$ 9,965
c Common shares				
Outstanding, beginning of year	999	$ 1,477	999	$ 1,477
Acquired during year (g below)	(13)	(20)	–	–
Outstanding, end of year	986	1,457	999	1,477
d Class A shares				
Outstanding, beginning of year	4,542	$ 8,488	4,705	$ 8,792
Debentures converted during the year	150	900	–	–
Acquired during the year (f below)	(139)	(268)	(163)	(304)
Outstanding, end of year	4,553	$ 9,120	4,542	$ 8,488

e As at December 31, 1994, 385,000 (385,000 at December 31, 1993) Class A shares were reserved for issuance to key employees 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 September 17, 1998, at an amount of $4.50 per share.

f During 1994, the Company acquired 139,000 (162,500 in 1993) of its own Class A shares for $1,205,000 ($877,000 in 1993), of which $937,000 ($573,000 in 1993) was charged directly to retained earnings.

g During 1994, the Company acquired 13,000 of its own Common shares for $148,000, of which $128,000 was charged directly to retained earnings.

8 Income Taxes

	($ in thousands)	
	1994	1993
a The provision for (recovery of) income tax comprises:		
Current tax	$ 1,192	$ –
Deferred tax	(183)	(10)
	$ 1,009	$ (10)
b The Company's effective income tax rate on the earnings before income taxes has been affected by the following increase (decrease) in taxable income:		
Earnings before income taxes	$ 6,868	$ 1,119
Tax exempt portion of capital gains	(54)	(266)
Non-deductible amortization	156	157
Foreign income	(3,615)	(310)
Dividend income	(26)	(33)
Losses not tax affected	–	328
Use of losses carried forward	(1,026)	(1,023)
Other	(10)	5
	(4,575)	(1,142)
	$ 2,293	$ (23)
Effective income tax at statutory rate of 44% (1993 – 44%)	$ 1,009	$ (10)

9 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 is 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.

10 Commitments and Contingencies

The Company has leases which expire on various dates after 1995. The Company has also signed equipment maintenance and information service contracts. Minimum future payments required under these operating leases and contracts that have initial terms in excess of one year as at December 31, 1994 are as follows:

1995	$ 411,000
1996	484,000
1997	484,000
1998	467,000
1999 and thereafter	2,453,000
	$ 4,299,000

The Company continues to guarantee a secured loan on behalf of a related company to a maximum of $1,350,000.

The Company guaranteed loans made to Guardian Limited Partnership 1993 and Guardian Limited Partnership 1994 to a maximum of $9,500,000 and $17,000,000 respectively. At the year end, such loans amounted to $3,728,000 and $8,391,000.

11 Subsequent Event

Subsequent to the year-end, the Company has provided a guarantee for $13,000,000 for the obligations of an affiliate, Guardian Limited Partnership 1995, to a third party lender.

12 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	
	1994	1993	1994	1993	1994	1993
Identifiable assets	$ 19,580	$ 13,636	$ 34,479	$ 26,752	$ 54,059	$ 40,388
Income	$ 19,782	$ 13,076	$ 4,899	$ 1,639	$ 24,681	$ 14,715
Expenses						
General	16,017	12,336	1,184	842	17,201	13,178
Depreciation and amortization	612	418	–	–	612	418
	16,629	12,754	1,184	842	17,813	13,596
Earnings before income taxes	3,153	322	3,715	797	6,868	1,119
Income tax payable (recovery)	1,009	(10)	–	–	1,009	(10)
Earnings	$ 2,144	$ 332	$ 3,715	$ 797	$ 5,859	$ 1,129

DIRECTORS AND OFFICERS

Board of Directors

Board of Directors

Management Directors
John M. Christodoulou
Mark A.F. Golding

Non-Management Directors
George N.M. Currie
Paul C. Dietche
Anthony G.S. Griffin*
Lesley M.S. Knox
Michel Sales

Committees

Executive

Management Directors
John M. Christodoulou*
Mark A.F. Golding

Non-Management Directors
George N.M. Currie
Michel Sales
Anthony G.S. Griffin

Audit

Management Directors

Non-Management Directors
George N.M. Currie*
Anthony G.S. Griffin
Michel Sales

Compensation

Management Directors
John M. Christodoulou

Non-Management Directors
George N.M. Currie
Anthony G.S. Griffin*
Michel Sales

Ethics

Management Directors
John M. Christodoulou

Non-Management Directors
Anthony G.S. Griffin*

**Chairman*

Principal Officers

Guardian Capital Group Limited

Anthony G.S. Griffin
Chairman

John M. Christodoulou
President & Chief Executive Officer

Mark A.F. Golding
Vice-Chairman, Corporate Development

C. Verner Christensen
Vice-President & Secretary

Barry C. Goldsmith
Vice-President, Administration & Chief Information Officer

Ronald C. Rodgers
Vice-President, General Legal Counsel

Roy J. Jacobson
Controller

Guardian Capital Inc.

Mark A.F. Golding
Chairman & Chief Executive Officer

J.J. Woolverton
Managing Director & Chief Operating Officer

Robert K. Hammill
Managing Director

Peter A. Hargrove
Managing Director

Larry T. Kennedy
Managing Director

John G. Priestman
Managing Director

Gary C. Chapman
Portfolio Manager, Canadian Equity Investments

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

Nairn J. Cutten
Vice-President, Fixed Income

Nadi Naderi
Vice-President, Servicing

Marc A. Noble
Vice-President, North American Investments

Ronald C. Rodgers
Vice-President & General Legal Counsel

Roy J. Jacobson
Controller

Guardian Group of Funds Ltd.

Mark A.F. Golding
Chairman & Chief Executive Officer

Harold W. Hillier
President & Chief Operating Officer

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

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

Robert E.J. Roy
Senior Vice-President, Worldsource Financial Services

Robert B. Bullock
Vice-President, Sales, Western Canada

Stuart J. Freeman
Vice-President, Operations

L. Michael Kovacs
Vice-President, Sales, Central Canada

Phillippe J. Terninck
Vice-President, Sales, Quebec & Eastern Canada

Roy J. Jacobson
Controller

Guardian Capital Advisors

Mark A.F. Golding
Chairman

Gareth S. Seltzer
Vice-President, Private Banking

Alexandria Bancorp Limited

Francis O. Flanagan
Chairman

Adrian R. Cleaver
Manager, Finance

J. David M. Dobson
Secretary

Lesley J. Scott
Treasurer

CORPORATE INFORMATION

Corporate Offices

Commerce Court West, Suite 3100, P.O. Box 201
Toronto, Ontario, M5L 1E8
Tel: (416) 364-8341
Fax: (416) 947-0601

Auditors

Coopers & Lybrand

Bankers and Principal Custodian

Canadian Imperial Bank of Commerce

Registrar and Transfer Agent

Montreal Trust Company of Canada

Toronto Stock Exchange Listing

Shares	Symbol
Common	GCG
Class A	GCG.A

Annual Meeting

11 a.m., May 25, 1995,
The Ridout Room,
The Board of Trade of Metropolitan Toronto,
1 First Canadian Place, Third Floor
Toronto, Ontario