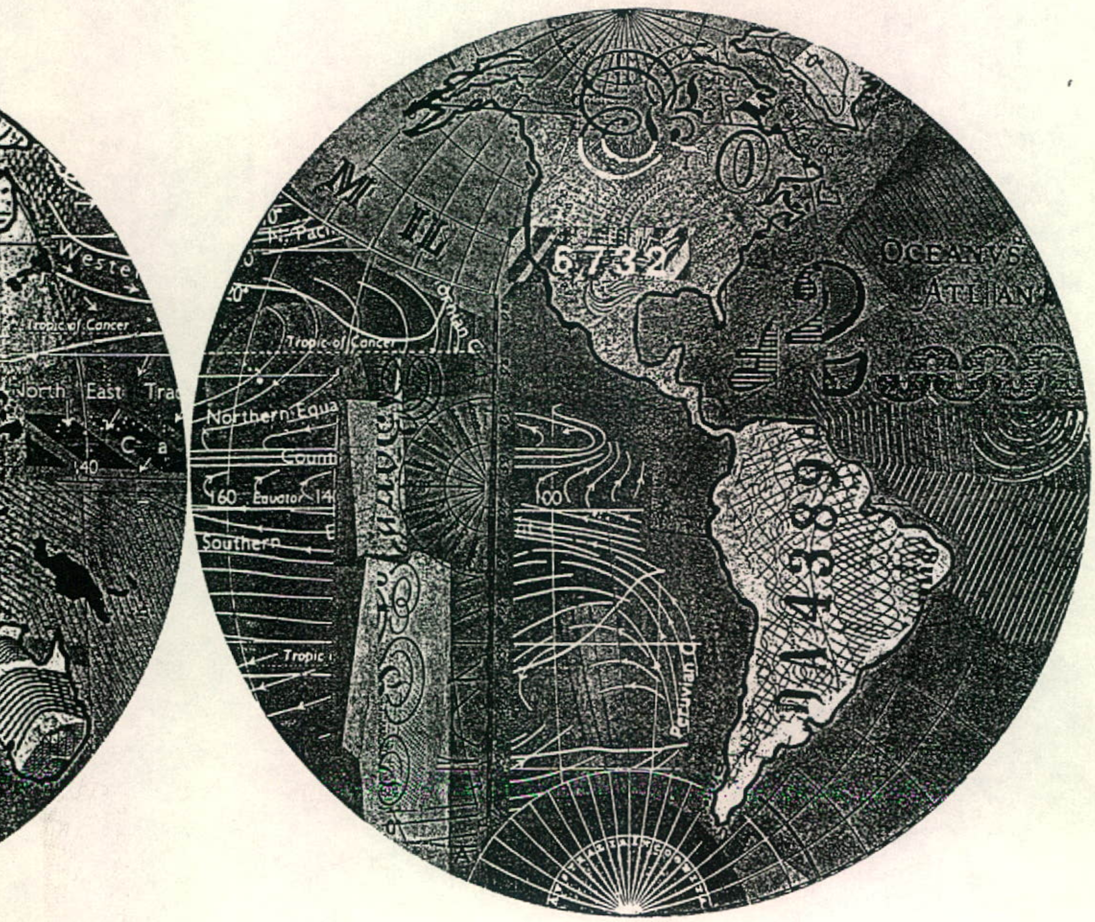
Guardian Capital Group Limited

1993 Annual Report



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Organization

Guardian Capital Group Limited is a financial services holding company founded in 1962. It is a clearly focused company; all of its chosen areas of business are related to its core competence of investment management. It offers an extensive, global range of investment management services, which are provided by its own investment professionals and by those of its strategic alliance partners in London and New York. In addition to managing investments for its clients, the Company manages its own significant financial assets. The Company's shares are listed on the Toronto Stock Exchange.

Mission

Guardian's principal objective is to meet the investment management needs of the many thousands of investors who are its valued clients. Its mission is to have a strong and growing franchise in each of Guardian's chosen market segments. Success in achieving this goal is the cornerstone of Guardian's longer term strategic mission: sustainable growth in profit and shareholder value.

International Investment Services

Investment management services, which are international in scope, are offered to 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 the major financial markets of the world. Its global investment expertise represents an exceptionally broad choice of investment options. These include Canadian and international balanced portfolios; Canadian, U.S., EAFE, regional and emerging-market stock portfolios; and Canadian, global and U.S. fixed-income portfolios.

Clients Served

At year-end 1993, Guardian managed over $3.6 billion of client assets. Institutional asset management is provided to pension funds of governments, corporations, unions and universities; foundations and endowment funds; and segregated funds and other assets of a major life insurance company. Retail asset management is provided to the mutual fund clients of Guardian and to selected other mutual fund organizations, and to high net worth individuals and their trusts, estates or personal corporations.

Subsidiaries and Associated Companies

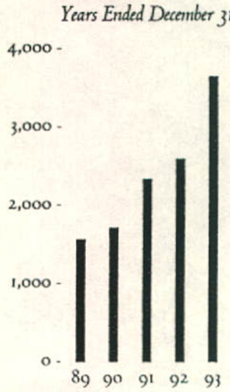
Guardian Capital Inc.: specialized manager of Canadian balanced, equity and fixed-income portfolios.
Kleinwort Guardian Overseas Limited: manages international balanced and non-North American stock and bond portfolios.
Guardian Dietche Field Inc.: specialized manager of U.S. stock portfolios.
The Guardian Group of Funds Limited: mutual fund management and marketing.
Guardian Capital Advisors: a division of Guardian Capital Inc., provides personalized wealth management services to high net worth investors.
Alexandria Bancorp Limited: Offers international investors (i) trust and corporate administrative services; and, (ii) a global choice of investment options.

Financial Highlights

December 31	1993	1992	% Change
($ in millions)			
Value of client assets managed	$ 3,634	$ 2,585	40.6
($ in thousands)			
Gross revenue	14,715	9,877	49.0
Earnings before interest, depreciation, amortization and income taxes			
Investment management services	1,283	148	766.9
Capital management	1,031	1,329	(22.4)
	2,314	1,477	56.7
Net earnings for the year	1,129	425	165.6
Net cash and securities	40,435	32,026	26.3
(in dollars)			
Per Common and Class A share – fully diluted			
Net earnings for the year	0.20	0.07	185.7
Net cash and securities	6.01	4.72	27.3
(in thousands)			
Year-end Common and Class A shares outstanding – fully diluted	7,010	7,062	(0.7)

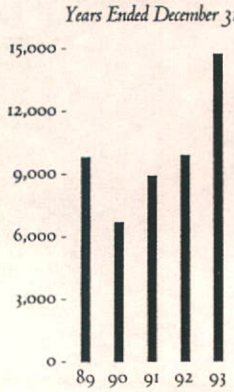
Client Assets Managed

$ in millions
Years Ended December 31



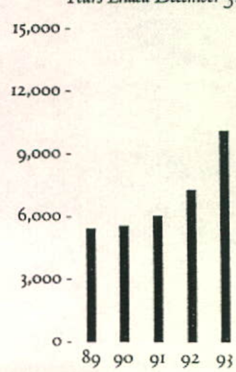
Gross Revenues

$ in thousands
Years Ended December 31



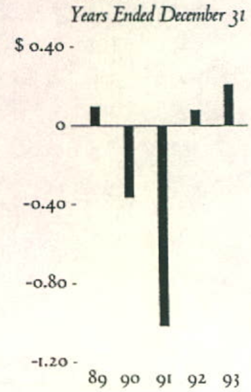
Investment Management Fees

$ in thousands
Years Ended December 31



Earnings (Loss) Per Share – Fully Diluted

in dollars
Years Ended December 31



Directors' Report to Shareholders

In 1993, your Company achieved substantial success in several key measures of corporate performance.

Summary

Client Assets

Client assets under management increased by $1.0 billion to $3.6 billion at year-end 1993, up 40.6% from $2.6 billion a year earlier. The largest single contributor to this growth was the three-fold increase in assets of the Company's Canadian mutual fund subsidiary which rose by $420 million to $637 million.

Revenues

Consolidated gross revenue increased by 49.0% to $14.7 million, compared with $9.9 million in 1992.

Operating Earnings

Operating earnings (earnings before interest, depreciation, amortization and income taxes) rose by 56.7% to $2.3 million, compared with $1.5 million in 1992.

In 1993, the contribution from your Company's investment management services group of businesses (i.e., operating earnings before net investment income) was $1.3 million. The comparable result for 1992 was $148,000.

Net Earnings

Net earnings in 1993 increased to $1.1 million compared with $425,000 in 1992. Fully-diluted earnings per share improved to $0.20, compared with $0.07 per share in the previous year. Earnings in 1993 before lease termination costs were $0.31 per share.

Liquidity and Capital Resources

The realizable value of your Company's cash and securities, net of applicable obligations, was $40.4 million or $6.01 per share at year-end 1993, compared with $32.0 million or $4.72 per share a year earlier.

New Developments

A number of steps were taken during 1993 to ensure a continuation of these favourable trends. Guardian's single most important resource – its talented and motivated team – was expanded in anticipation of further growth, in order to ensure continued high levels of service to clients. For the same reason, a thorough analysis was undertaken of the Company's future needs for systems capabilities and, as a result, the process of expanding the client service system was commenced. It also became apparent during the year that your Company's present premises were rapidly becoming inadequate to meet the needs of a growing company. The decision was therefore taken to lease new premises, effective May 1, 1994, in downtown Toronto. Prevailing conditions in the commercial real estate market made it possible for your Company to negotiate a long-term lease on favourable terms.

Financial Results

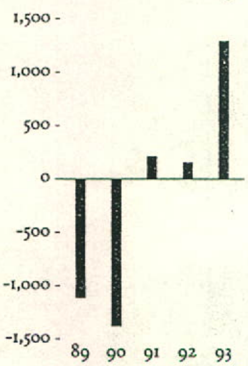
Your Company's consolidated gross revenues in 1993 grew by 49.0% to $14.7 million when compared with 1992 revenues of $9.9 million. The revenue improvement was due almost entirely to growth in management fees and mutual fund sales commissions.

Expenses before depreciation, amortization, interest and income taxes were $12.4 million in 1993, up 47.4% from 1992 expenses of $8.4 million. Higher commissions paid on mutual funds, and growth-related personnel expansion, accounted for most of the increase in expenses.

Strong growth was achieved in operating earnings, most notably from your Company's investment management services business. Overall, operating earnings (i.e., earnings before interest, depreciation, amortization and income taxes) increased to $2.3 million. This was a 56.7% improvement over 1992 results of $1.5 million.

Operating Earnings From Investment Management Business

$ in thousands
Years Ended December 31



Operating earnings from the investment management services subsidiaries improved to $1.3 million, compared with $148,000 in the previous year. While all of these subsidiaries recorded good progress, the strongest performing unit was your Company's Canadian mutual fund business, which became profitable in 1993 for the first time in many years. In the fourth quarter of 1993, operating earnings from the investment management services businesses reached an annualized rate of $2.5 million.

Net earnings in 1993 increased to $1.1 million, compared with $425,000 in 1992. Fully-diluted earnings per share improved to $0.20, compared with $0.07 per share in the previous year.

It should be noted that, of the $0.20 per share of net earnings reported for the year, $0.09 per share was earned in the fourth quarter, reflecting the acceleration of business growth through the year. The prospects for further improvements in profit performance in 1994 appear favourable at the time of writing.

The realizable value of your Company's cash and securities, net of applicable obligations, was $40.4 million, or, $6.01 per share at December 31, 1993, compared with $32.0 million or $4.72 per share a year earlier. The 1993 year-end total of net cash and securities was after the provision during the year of $1.9 million for dividends, interest and share repurchase programs.

At December 31, 1993, your Company's net cash and securities held were as follows: 34.3% in cash or cash equivalents, 62.6% in marketable securities, and 3.1% in unquoted securities and limited partnerships. The holdings were broadly diversified by currency exposure, with U.S. dollar exposure at 25.8%, European currencies at 32.7%, Asia/Pacific currencies at 9.9% and the balance of 31.6% in the Canadian dollar.

Client Assets Managed

In the investment management business, in which fees charged to clients remain relatively fixed, the key factor affecting revenues and profits is the amount of client assets under management. While overall trends in financial markets can have an important effect on client assets managed, the chief success factor is the investment manager's ability to meet or exceed the expectations of clients in performance and service. Your Company's continued progress in this respect is indicated below.

Total Client Assets

Your Company achieved significant success in 1993 in growth of client assets under management. Overall, client assets increased by 40.6% to $3.6 billion at December 31, 1993, versus $2.6 billion a year earlier.

Institutional Assets

Assets managed for institutional clients – tax-exempt investors, taxable corporations and a major life insurance company – increased by 25.2% to $2.9 billion at year-end 1993, compared with $2.3 billion the year before. Net new client assets added during the year, excluding market value changes, amounted to $130 million. In large part, new clients assigned these assets to Guardian in the latter part of the year, so that their main added-revenue impact will be in 1994.

Included among the additions to our highly valued client list were MD Management Limited, which appointed Guardian to manage its new Canadian and foreign equity MD Select Fund, to be offered to physicians and their families across Canada; and Bell Canada, which selected Guardian Balanced Fund for the Group RRSP offered to Bell Canada employees. Both appointments were made late in 1993, and assets will be assigned to Guardian's management during 1994.

Retail Assets

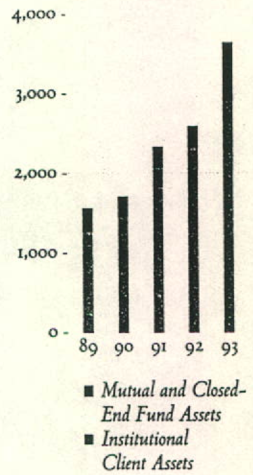
In 1993, the most rapidly growing component of client assets managed was your Company's mutual fund businesses. These businesses include The Guardian Group of Funds Limited, Alexandria Bancorp Limited and Guardian Capital Advisors.

Boosted by net fund sales of $436 million during the year, mutual fund assets rose by 184.4% to $711 million, up from $250 million at year-end 1992. These totals exclude investments in Guardian mutual funds by institutional clients. Of the $711 million of year-end mutual fund assets, $637 million was attributable to clients of The Guardian Group of Funds Limited.

It should be noted that almost half of the Company's 1993 net fund sales occurred in the fourth quarter, indicating an accelerating sales trend throughout the year, boding well for fund sales in 1994.

Total Client Assets Managed

$ in millions
Years Ended December 31



Investment Performance

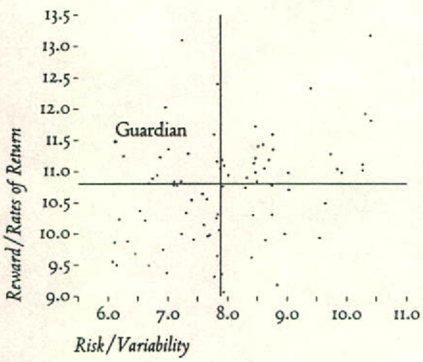
Your Directors are pleased to report another good year of investment performance for virtually all of Guardian's investment products. Performance data for each of Guardian's products, for the one year and five year periods to December 31, 1993, are presented in the Management Discussion and Analysis.

Institutional Asset Management

Guardian's successes during 1993 in attracting additional pension client assets were, to a large extent, due to its established history of generating consistently attractive, risk adjusted, longer-term returns.

Composite of Guardian Balanced Portfolios

For the period 1/1/87 to 12/31/93



Guardian's high-return, low-risk performance profile is well demonstrated by the adjacent chart. The chart provides a convenient "simple picture" of Guardian's performance across a variety of asset classes, as it represents the results of a composite of balanced pension accounts managed by Guardian, and compares its results with those of a broad sample of pension balanced funds managed by other leading investment counsellors.

The chart covers the seven-year period to December 31, 1993 and, therefore, includes performance during 1987, a year of notable market upheaval. The data for the competitor manager sample were prepared by a leading independent performance measurement organization.

Retail Asset Management

Guardian's mutual fund sales success in 1993 was well-supported by strong product performance. In Canada, the Company's top-performing mutual fund in 1993 was Guardian Growth Equity Fund, which produced a one-year total return of 35.6%, followed closely by Guardian Global Equity Fund, with a 31.8% return.

Guardian International Income Fund was Canada's top-performing foreign bond fund in 1993, with a total return of 16.4%. It was also by far the largest single contributor to Guardian's substantial net fund sales in 1993.

Other high-performing funds in 1993 included Guardian American Equity Fund Ltd., which outpaced the Standard & Poor's 500 Index with an 18.2% return; Guardian Balanced Fund, which returned 15.5%; and Guardian Preferred Dividend Fund Ltd. which, despite having a dividend-income focused mandate, produced a total return of 15.0%.

Among Guardian's Cayman-based Alexandria Funds, the top performer in 1993 was Alexandria Tiger Equity Fund, which produced a one year total return of 104.0%, followed by Alexandria Canadian Equity Fund, which returned 31.8%.

Outlook

Guardian is positioned to compete more successfully than ever in each of the markets for its investment management services where it seeks to expand its franchise. In serving the special needs of investors – whether institutional investors, mutual fund investors, or private clients – Guardian is able to offer an international choice of investment products. In each case, these products are managed by a globally-based network of top-rated investment manager teams.

Along with Guardian's prudent investment management style and emphasis on excellence in client service, these resources represent a powerful combination of ingredients for long-term success.

The immediate outlook is encouraging, based on the strengths cited above, on the evidence of a continuation of the strong growth momentum in mutual fund sales through the fourth quarter of the year, and on the new assignments received from institutional clients in late 1993 for assets to be managed by Guardian in 1994.

Barring the always present risk of a decline in financial markets, your Company should experience record revenues and profits in 1994.

Dividend

Your Directors declared a dividend of $0.05 per share in 1993. In recognition of the Company's continued growth in profits, a dividend of $0.08 per Common and Class A share has been declared payable on April 22, 1994 to shareholders of record on April 15, 1994.

In Memoriam

It is with a great deal of sadness that we report the deaths of two of Guardian's Directors in December of the year, Douglas Gibson and John Seltzer. Both individuals provided invaluable strengths to the Board and to management, not least of which were their friendship and their enthusiasm.

We also note with sadness the passing of Lindsay Hobson-Garcia, one of Guardian's longest serving and loyal associates.

Directors

We are pleased to announce that Anne Armstrong Gibson, a partner in a leading law firm, was appointed a Director on January 13, 1994, and is a nominee for re-election to the Board at the Annual Shareholders' Meeting. Also nominated for election is Lesley M.S. Knox, a Director of Kleinwort Benson Investment Management Holdings Limited. The number of Directors has been reduced from nine to eight, of whom six will be non-management Directors.

Our Thanks

We wish to thank our clients for their continued support, and all the many suppliers of services to the Company who contributed to our success in 1993.

We also wish to thank all at Guardian – our business and investment professionals and our associates throughout the firm – for their entrepreneurial spirit, and dedicated effort to serving our clients well.

Anthony G.S. Griffin
Chairman of the Board

John M. Christodoulou
President &
Chief Executive Officer

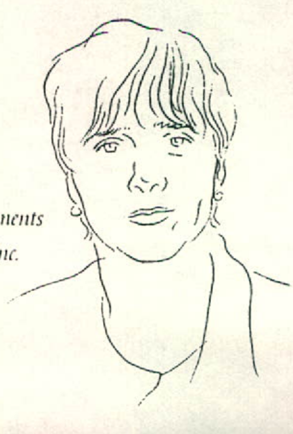
Mark A.F. Golding
Vice Chairman,
Corporate Development

March 23, 1994,
Toronto, Canada

Larry Kennedy
Managing Director
Guardian Capital Inc.

John Priestman
Managing Director
Guardian Capital Inc.

Robert Hammill
Managing Director
Guardian Capital Inc.



Natasha Cuddy
Vice-President
International Investments
Guardian Capital Inc.

With its world-wide network of investment professionals, Guardian benefits from a broad range of inputs for developing investment strategies for its clients. Shareholders of the Company might be interested in our observations and the implications for financial markets in the years ahead:

- We are in the late stages of what has already become one of the longest and strongest global bull markets in the history of financial markets. In many cases, financial asset prices are now running well ahead of their historical fundamental benchmarks of value.
- Strong bond markets around the world have been driven up by declining inflation expectations and massive liquidity injections by central banks (especially the U.S. Federal Reserve Board) fighting recessionary conditions, while the real economy has been slow to use up the additional liquidity.
- The brisk recovery now unfolding in the U.S. economy, combined with the inflationary implications of the proposed U.S. health care plan, threaten to boost the inflation rate above the 2-3% rate considered "tolerable" by U.S. investors and by the Federal Reserve Board.
- A synchronized recovery in the U.S., Japanese, German and other major world economies is considered likely in the next year or so – and will put upward pressure on inflationary expectations, reduce "excess liquidity", increase interest rates and threaten financial asset prices.
- Booming stock markets everywhere have been driven up by a flood of money escaping low interest rates, rather than by growth in corporate profits. Stock markets will continue to rise as long as this flood of money continues. However, the flood may turn into a trickle when interest rates turn up.
- While stock markets in Canada and the U.S. are somewhat overheated, selective investing will continue to provide money-making opportunities, despite the high level of overall market risk. However, total nominal returns over the next few years will likely be lower than the above-normal returns of recent years, particularly those enjoyed by so many investors in 1993.
- Emerging markets provided exceptional gains in 1993, doubling in countries such as Brazil, Turkey, Hong Kong, Malaysia, the Philippines and Indonesia. A rush to diversify into international equity markets by U.S. pension funds and mutual fund buyers provided much of the liquidity.

Turning specifically to Canada, the opportunities for investors are currently tempered by the high-risk character of its financial markets and its currency. Proportionately the largest debtor nation among the world's industrialized countries, Canada is in the grip of huge and growing government spending deficits at a time of widespread public resistance both to government spending cuts and to tax increases. Its current account deficit is at record levels, which has negative implications for the Canadian dollar. And Canada's financial markets have become hostage to a growing dependency on huge capital inflows from currency-sensitive foreign investors, even as the country's financial ratios deteriorate and the prospect of further political drama looms with the approach of the Quebec provincial election.

As Canada's domestic woes grow more challenging, an expected uptrend in U.S. interest rates will put even more upward pressure on Canadian interest rates and downward pressure on the domestic bond

market. In addition, Canada's stock market boom is showing signs of becoming long in the tooth: the highest stock market valuations ever; a record volume of first-time buyers of stocks and bonds fleeing low yielding, low risk traditional savings vehicles, such as G.I.C.'s, in hope of improved returns from higher-risk investments; record margin debt; record high household debt combined with record low savings, as households "spend everything they've got"; record insider selling in the form of Initial Public Offerings by corporations; and record low cash reserves in the portfolios of institutional investors.

Canada is an over-governed, over-taxed and over-regulated country which is entering a period of massive re-adjustment. Either through voluntary action or through change imposed by unsentimental foreign lenders, several important new trends in a "restructured Canada" can be expected to unfold over the coming years if sustainable prosperity is to be achieved.

Firstly, Canada needs a downsized government focusing scarce money on the truly needy and necessary. Next, the business sector needs less regulation and lower taxes. In addition, greater export incentives are needed to correct the current account deficit. The oft-repeated call for the encouragement of small business is even more essential now, given the huge decline of secondary manufacturing in Canada during the last recession.

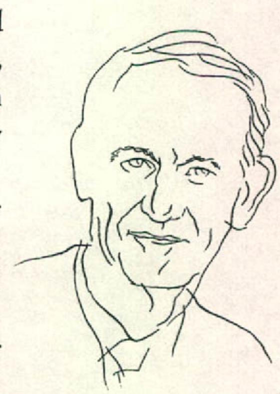
Finally, with what remains of secondary manufacturing combined with natural resources and the service sector as our slow-growth base, our high-cost economy's most promising growth areas are likely to be in such fields as telecommunications equipment, software, bio-technology and a number of other "niche" industries and services.

Canada's strengths, post-restructuring, will be many. Our labour force is relatively hard-working and well-educated with expectations considerably more moderate than in the late 1980's. Our political landscape, while slightly confused at the moment, is traditionally respectful of individual rights and prefers the peaceful solution of problems. The infrastructure of the country is quite adequate, while there exist sizable surpluses of labor and plant capacity. Importantly, our competitiveness, both against our international trading partners and within the new NAFTA, is improving and will promote recovery over the balance of this decade. However, it will be a bumpy ride from now until later in the 1990's, both economically and in terms of financial markets.

After the exceptional gains of 1993, it is unlikely that 1994 will provide a repeat performance. However, equities normally outperform bonds during the late stages of bull markets. In this environment, careful stock selection, focusing on earnings visibility, and defensive strategies in bond portfolios, are the keys to avoiding mistakes in markets that will remain highly volatile and vulnerable.

Alastair Begg
Chief Investment Officer
Kleinwort Benson Investment
Management Limited

Kenneth King
Head of International Equities
Kleinwort Benson Investment
Management Limited



Paul Dietche
President
Dietche & Field
Advisers, Inc.

Lincoln Field
Vice-President
Dietche & Field
Advisers, Inc.

Management's Discussion and Analysis of Business Activities, Financial Condition and Results of Operations

Guardian's Business Activities

Focus

Guardian's core competence is investment management. All of its business activities are built upon this core competence.

Mission

Our goal is to have a healthy and growing franchise in each market in which we offer our investment management services. Meeting client-specific investment management needs and expectations is the basic business strategy.

Guardian's goal is also to use its far-ranging investment expertise to enhance its own capital resources.

For shareholders, the long-term strategic mission can be simply stated: sustainable growth in profit and shareholder value.

Clients Served

In Canada, Guardian serves institutional investors, and retail investors in two main categories: mutual fund investors and high net worth individual investors. These markets are serviced both directly and through the financial and other professional consultants to investors. Guardian also offers services to international clients through its offices in George Town, Cayman Islands.

Institutional investors typically include pension funds of governments, corporations, unions, universities, and foundations and endowment funds, all of which are normally tax-exempt. They also include taxable corporations and, in Guardian's case, the retail segregated fund products and other investment assets of a major life insurance company. An important part of successfully serving this market is to become well-accepted by the pension consulting organizations which assist institutional investors in selecting investment managers.

The mutual fund investors served by Guardian are typically individuals who are saving and investing to build sufficient financial resources to support a comfortable retirement. Guardian's service is provided through a national network of mutual fund dealers – 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 investment strategy as well as institutional-calibre investment management and personalized service. While other important aspects of wealth management, such as legal and accounting services are beyond the scope of Guardian's expertise, we provide assistance whenever necessary in obtaining these services from appropriate professional counsel. We also work closely with the client's legal and accounting specialists to complete the wealth management "loop".

Services to international clients include trust and corporation administration, and investment management.

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 which gives our clients access to all the major stock and bond markets around the world.
- Enhance returns for clients through the value-added 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.
- 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.

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 returns, and exceptional standards of client service.

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 billion of assets for an international list of clients. Its services to Canadian investors are provided exclusively by Guardian.

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.

The Company's mutual fund management and marketing organization is The Guardian Group of Funds Limited. Its business is to serve multiple distribution channels: stockbrokers, financial planners, and selected insurance professionals registered with Guardian to operate as mutual fund representatives able to offer clients a wide range of Guardian and non-Guardian mutual funds. Services to clients are provided from offices in Toronto, Montreal and Vancouver.

Wealth management services to high net worth investors are provided by Guardian Capital Advisors, a division of Guardian Capital Inc. based in Toronto. Trust and corporate administration and investment management services to international investors are provided by Alexandria Bancorp Limited from its offices in the Cayman Islands.

Guardian Capital Group Limited *
Investment Management Services Subsidiaries

Institutional Asset Management			Retail Asset Management		
Guardian Capital Inc. 100%	Kleinwort Guardian Overseas Limited 50%	Guardian Dietche Field Inc. 51%	The Guardian Group of Funds Limited 100%	Guardian Capital Advisors 100%	Alexandria Bancorp Limited 100%

Clients Served

Pension Funds Corporate Investors Guardian Retail Asset Management Subsidiaries	Endowments Pooled Funds Foundations	Mutual Fund Investors	High Net Worth Canadian Investors	International Investors

* *Listed on 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, 1993, insiders of the Company collectively owned 55.8% of the Common shares. Upon full conversion of all outstanding options and convertible debentures, insiders would have held 28.6% of Common and Class A shares outstanding at December 31, 1993.

Personnel

Guardian employed 94 full-time employees at December 31, 1993, compared with 65 at the previous year-end. We were fortunate enough during the year to attract many talented individuals to the Company, while enjoying a high rate of staff retention.

The Company's employment policies are designed to encourage a high level of employee commitment and morale, and to meet all regulatory requirements.

The firm is organized and managed to operate as a mutually supportive network of teams. 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 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 priority and precedence over those of management and staff.

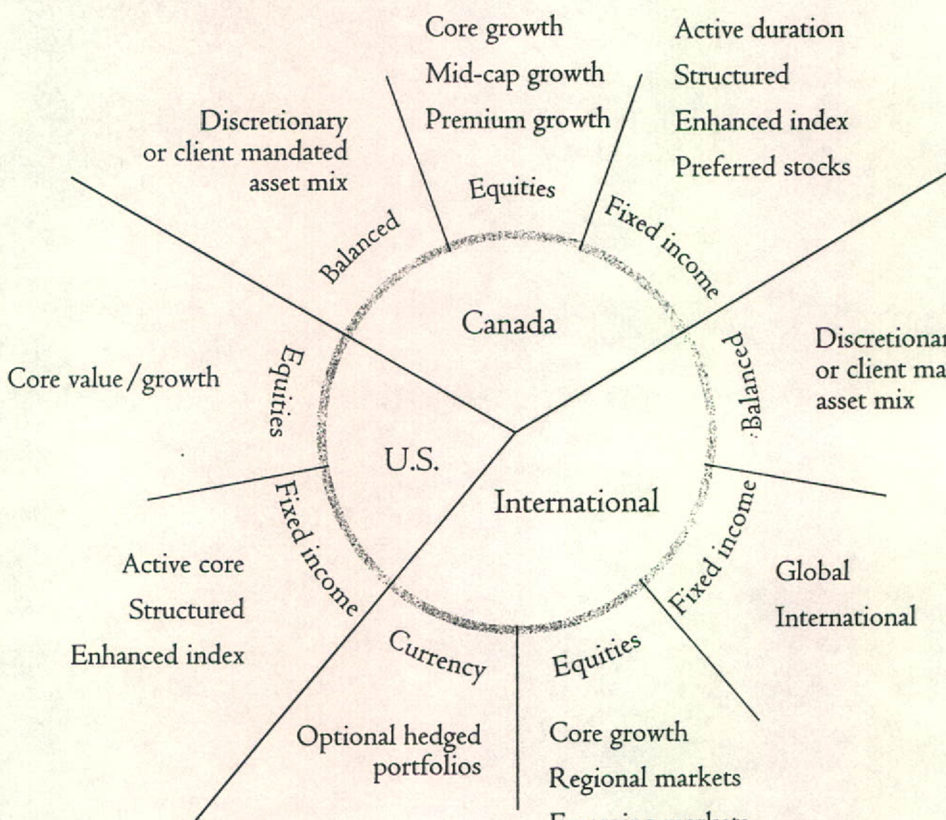
Compliance with the firm's ethical standards is supervised by the firm's non-Executive Chairman, A.G.S. Griffin, who serves as Chairman of the Ethics Committee.

International Investment Management Services

The investment management services offered by Guardian are international in scope. These services are provided by fully dedicated client-service groups to a variety of institutional and retail investors.

Institutional Asset Management

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 the major financial markets of the world. This global expertise represents the broad choice of investment options shown in the diagram below.



Guardian Capital Inc.

Investment Counsel

Investment management services to institutional investors provide Guardian with market-share growth opportunities in a maturing, slow-growth 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 increasing 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.

Retail Asset Management

Guardian's services to individual investors are provided through its mutual fund organization, its private banking group and its Cayman Islands facilities.

THE GUARDIAN GROUP OF FUNDS LIMITED

Mutual Fund Management and Marketing

Guardian offers twelve public mutual funds by prospectus, ten of which are fully RRSP eligible. 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.

The investment management, sales and service functions of Guardian's mutual fund business are well supported by sophisticated administrative systems. These systems meet the most demanding requirements of individual and group plan investors and their professional financial consultants.

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

ALEXANDRIA BANCORP LIMITED

Overseas Financial Services for International Investors

The managers of Alexandria in the Cayman Islands offer a comprehensive variety of global financial and trust 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 client service specialists.

Through sub-funds of The Alexandria Fund, Alexandria's services enable investors to choose from a global selection of Alexandria's money market, bond and stock funds, including a number of currency funds. These funds provide a combination of portfolio diversification and professional management. Investment advisors to Alexandria are located in Toronto, New York, London and Hong Kong. Used in combination, the funds can be assembled into whichever asset allocation structure best suits each client.

GUARDIAN CAPITAL ADVISORS

Wealth Management Services for High Net Worth Investors

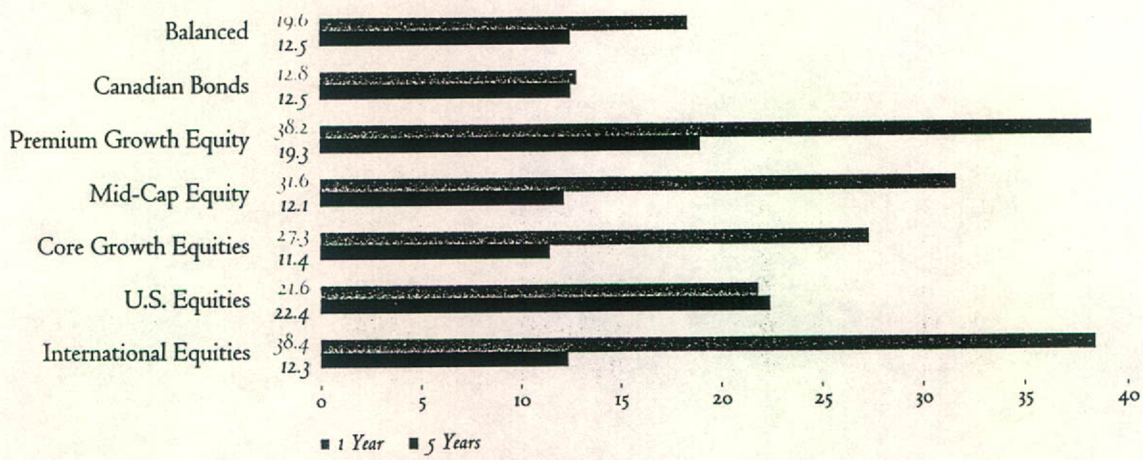
Investors with substantial personal net worth have many of the same needs for prudent, cost-effective investment services as institutional investors. The business of Guardian Capital Advisors, a division of Guardian Capital Inc., is to serve such investors with client-specific overall counsel on wealth management, as well as personal and estate investment counsel. Its services encompass counsel (in collaboration with each client's other professional advisors) on the legal and tax structure of investment holdings; counsel on client-specific asset allocation in a global range of bonds, stocks and cash; and portfolio management by Guardian and its international associates.

Investment Performance

(All returns in Canadian dollars)

Guardian Capital Inc. - Composites of Portfolios
1 and 5 Year Returns (before fees and expenses)

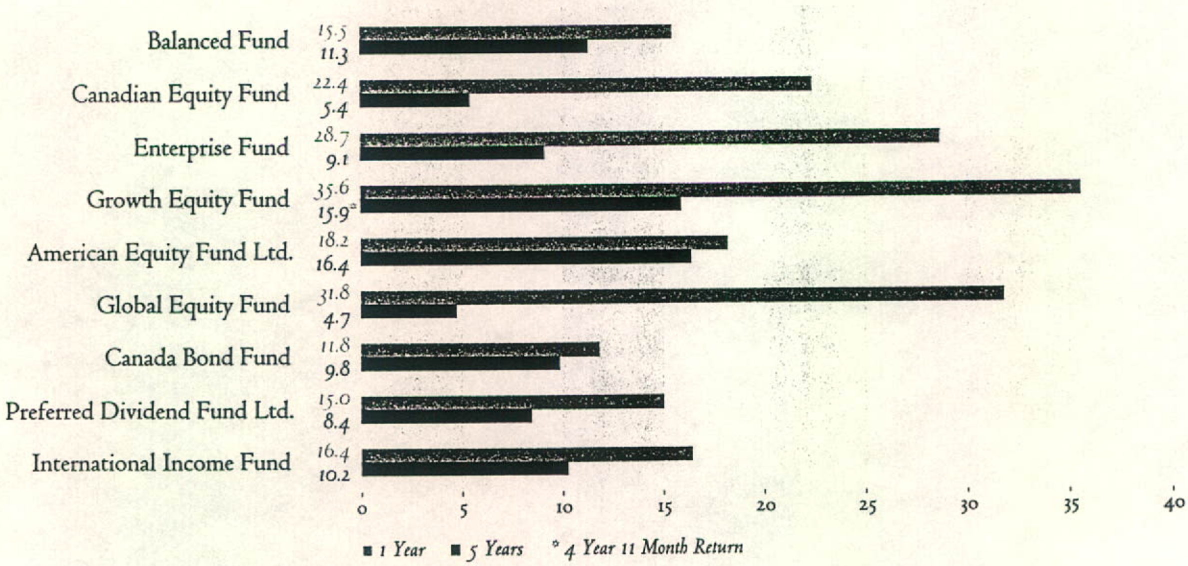
To December 31, 1993



(Data for asset class components are for securities plus cash)

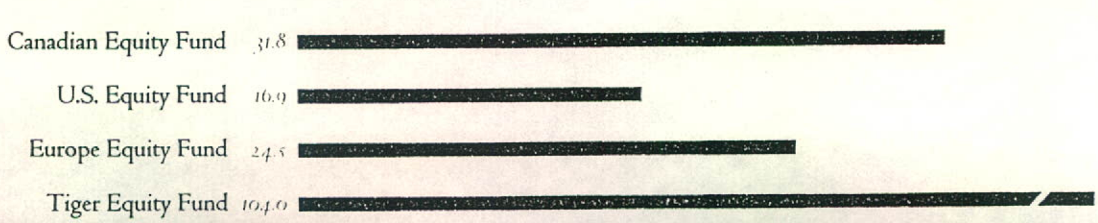
The Guardian Group of Funds Limited
1 and 5 Year Returns (after fees and expenses)

At December 31, 1993



Alexandria Bancorp Limited
1 Year Returns (after fees and expenses)

At December 31, 1993



Client Assets Under Management

Client assets managed amounted to $3.6 billion at December 31, 1993. This total represented a 40.6% increase from the previous year-end total of $2.6 billion. Institutional client assets accounted for 80.4% of the 1993 year-end total compared with 90.3% the year before. Retail client assets – comprising mutual funds and private client assets – increased to 19.6% of total assets, from 9.7% the year before.

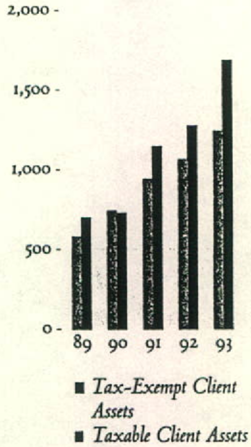
Institutional Asset Management

Guardian's institutional assets continued the strong growth of recent years, rising to $2.9 billion at December 31, 1993, up 25.2% from the previous year-end total of $2.3 billion.

Assets of tax-exempt clients – pension funds, foundation and endowment funds – showed a year-over-year increase of 32.2% to $1.7 billion from $1.3 billion. Assets of taxable and other corporate accounts increased by 16.6% to $1.2 billion from the previous year-end total of $1.1 billion.

Institutional Client Assets

$ in millions
As at December 31



Retail Asset Management

Nineteen ninety-three was a year of unprecedented growth for Guardian's retail asset management business. Growth was concentrated in your Company's mutual fund organization, which increased its client assets by 184.4%, starting the year with $250 million and ending with $711 million of mutual fund assets.

Net mutual fund sales for 1993 amounted to $436 million, up from $52 million in 1992. In the fourth quarter of 1993, net sales were at an annualized rate of $812 million.

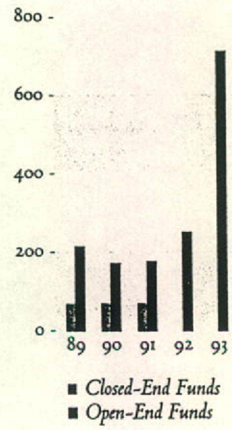
Guardian's growth is partly attributable to the rapid growth of Canada's mutual fund industry. However, Guardian's rate of growth of non-money market funds has greatly exceeded that of the industry. While the non-money market assets of Canada's mutual fund industry (as represented by the members of the Investment Funds Institute of Canada) grew by 86.7% in 1993, the comparable growth rate for Guardian was 221.6%.

A number of Guardian's mutual funds attracted the attention of investors and their advisors, including Guardian Balanced Fund, Guardian Preferred Dividend Fund Ltd. and Guardian Growth Equity Fund; and a new fund introduced toward year end, Guardian International Balanced Fund, showed signs of rapidly becoming popular.

Guardian's single most successful fund, however, was Guardian International Income Fund, a fully RRSP-eligible fund which invests in high quality foreign bonds. It accounted for 66.3% of 1993 net fund sales of $436 million and grew to represent 47.1% of the Company's total mutual assets by year-end 1993.

Mutual Fund and Closed-End Fund Assets

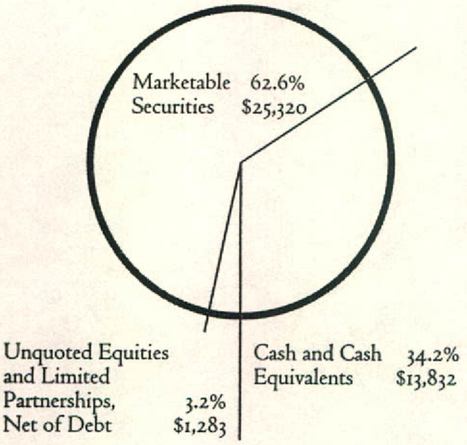
$ in millions
Years Ended December 31



Asset Allocation

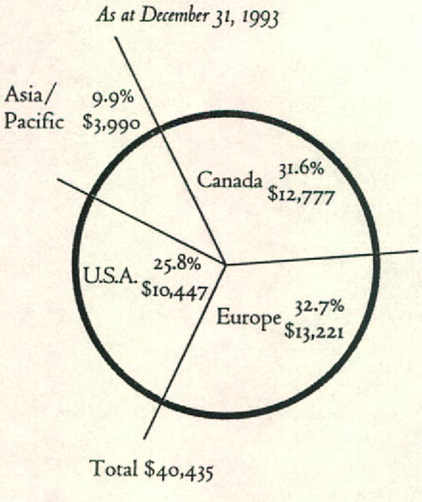
$ in thousands
As at December 31, 1993

Total $40,435



Currency Diversification

$ in thousands
As at December 31, 1993



Total $40,435

Capital Management

The management of your Company's corporate capital resources is conducted through a number of wholly-owned subsidiaries. Investment activities include investment both in marketable and non-marketable securities. In recent years, the investment income from these capital resources was the major source of funding of your Company's interest expense, payment of dividends, repurchase for cancellation of Class A shares, loans advanced to the mutual fund organization for financing limited partnerships and, until 1991, operating losses of the investment management services group of companies.

With the return of the investment management services group of companies to substantial profitability, and their renewed ability to self-finance their future needs for funds, your Company's capital management activities can be more fully focused on building shareholder value.

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 in any way 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 substantial 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.

Capital Resources

Summary of Securities Holdings

As at December 31, 1993

	Cost	Realizable Value	% of Total
Canadian Dollar Investments			
Cash and short-term investments	$ 233	$ 233	1.8
Cash equivalent securities	661	719	5.6
Marketable securities	5,940	10,701	83.8
Unquoted securities	1,444	1,600*	12.5
Less: Applicable debt obligations	(476)	(476)	(3.7)
Net Canadian Dollar Investments	7,802	12,777	100.0
Non-Canadian Dollar Investments			
Cash and short-term investments	4,915	5,006	18.1
Cash equivalent securities	7,253	7,874	28.5
Marketable securities	8,957	14,619	52.8
Unquoted Securities	159	159*	0.6
Total Non-Canadian Dollar Investments	21,284	27,658	100.0
All Investments			
Cash and short-term investments	5,148	5,239	13.0
Cash equivalent securities	7,914	8,593	21.3
Marketable securities	14,897	25,320	62.6
Unquoted securities	1,603	1,759*	4.3
Total Cash and Securities	29,562	40,911	101.2
Less: Applicable debt obligations	(476)	(476)	(1.2)
Net Capital Resources	$ 29,086	$ 40,435	100.0

* *As valued by the Directors*

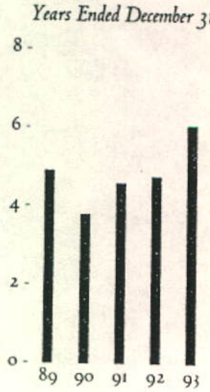
Net Capital Resources Per Share

At December 31, 1993, the market value of your Company's capital resources – cash and securities, net of applicable debt obligations – was $40,435,000 or $6.01 per share, fully diluted. The comparable figures for 1992 were $32,026,000, or $4.72 per share. The trend in recent years in net capital resources per share can be seen in the adjacent chart.

Net Capital Resources

in dollars

Years Ended December 31



Risks

Investment Management Businesses

All investment management companies share a number of business risks. Chief among these is the failure to consistently deliver investment returns or service, or both, that meet the expectations of clients. This fundamental failure to perform may lead to the loss of client assets under management. It may also lead to a loss of professional reputation which affects future business growth prospects. In short, money managers are in a "perform or die" business.

Another risk is that of failing to adapt to the product needs of a marketplace which is constantly changing over time. These changes are driven by a number of factors, including generational and regulatory changes in financial markets. Failure to supply contemporary products can lead to "manager obsolescence" or to lost business opportunities.

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

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

In institutional asset management, for example, the steady market share growth 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-added performance of active managers, such as Guardian.

In retail asset management, mutual fund companies such as Guardian, which charge investors either a sales commission on fund purchases or a rear-load fee on fund redemptions, may face growing competition from "no-load" or "low-load" mutual funds offered by a variety of organizations, including the major banks.

With a mutual fund organization which has enjoyed remarkable growth over the past year, Guardian is especially alert to three particular areas of risk.

- Distribution channels. Maintaining excellence in service to the retailers of mutual funds – stockbrokers, financial planners and registered sales representatives – is considered a primary determinant of success. Every effort is being made to ensure that Guardian's client service capacity is fully capable of meeting all current and future needs.
- Sales commission financing. Guardian may be exposed, one hopes, to the risk of excess sales success. A substantial proportion of fund sales is represented by rear-load products, sales of which could be limited by the availability of third-party financing of limited partnerships. Guardian, however, has access to other forms of financing sales commissions including, if necessary, its internal financial resources.
- Market risk. The phenomenal growth of the mutual fund industry is not so much due to growth in personal savings as to a portfolio shift by individuals; that is, money moving from one pocket (e.g. bank savings accounts, GIC's and Canada Savings Bonds) to another (mutual

funds). This widespread portfolio shift is being driven by the sharp decline in interest rates paid by traditional savings vehicles. A rise in interest rates or a perceived risk in equity investments may well slow, or reverse, the flow of funds into mutual funds, at least temporarily.

Corporate Capital Management

The risks facing Guardian in managing its corporate investment portfolios 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.

Finally, risks for money management companies can arise from having an undue concentration of revenues derived from too few clients or products. In 1993, Guardian's largest institutional client accounted for approximately 10.6% of total management fees, and it's largest mutual fund accounted for 16.4%.

Liquidity and Capital Resources

The main source of your Company's financial strength is its substantial holdings of cash equivalents and marketable securities. At December 31, 1993, these holdings had a market value of $33.9 million. Working capital at year-end 1993 was $3.7 million. The corresponding figure at the previous year end was $4.7 million. Working capital excludes cash equivalent securities of $8.6 million in 1993 ($7.5 million in 1992).

The Company has guaranteed a loan made to Guardian Limited Partnership 1993 which, at year-end 1993, amounted to $7.0 million, fully secured by the partnership's 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 1993, and none is presently contemplated for the foreseeable future.

Guardian is well financed and has the flexibility and financial strength to meet all its current and anticipated financing requirements.

Results of Operations

Gross Revenues

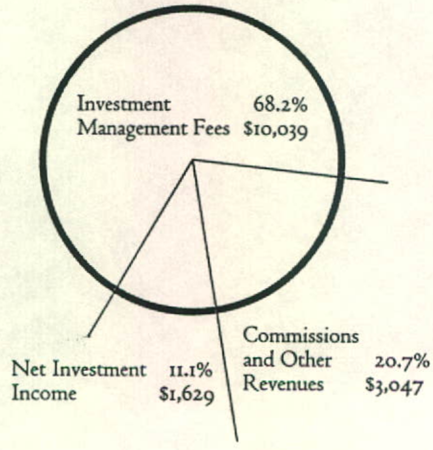
In the year ended December 31, 1993, revenues grew faster than in any of the preceding five years. The year-over-year gain was 49.0%, comparing 1993 revenues of $14,715,000 with 1992 results of $9,877,000. The components contributing to growth in 1993 can be seen in the following Table:

($ in thousands)	1993	1992	Change $	Change %
Management fees	10,039	7,227	2,812	38.9
Sales commissions	2,781	762	2,019	265.0
Redemption fees	59	130	(71)	(54.6)
Other income	207	70	137	195.1
	13,086	8,189	4,897	59.8
Net Investment Income	1,629	1,688	(59)	(3.5)
Total Revenue	14,715	9,877	4,838	49.0

Gross Revenues

$ in thousands
Year Ended December 31, 1993

Total $14,715



As the table on the preceding page shows, your Company's 49.0% increase in revenues in 1993 was almost entirely attributable to growth in (i) fees received for management of client assets and (ii) increased commissions from the sale of mutual funds.

In 1993, management fees accounted for 68% of total revenues, compared with 73% in 1992. Management fees have been in a positive uptrend for several years; the 39% increase achieved in 1993 was due to the 41% increase in client assets under management. During the fourth quarter of 1993, management fees reached an annualized rate of $12.6 million, boding well for further strong revenue growth from this source in 1994.

The rapid growth in revenues from sales commissions reflects the more than tripling of mutual fund sales in 1993. Continued revenue growth from sales commissions is anticipated for 1994.

Net investment income in 1993 of $1,629,000 comprised $1,022,000 of realized gains and $607,000 of interest and dividend income. At December 31, 1993, unrealized gains in the Company's holdings of securities amounted to $11.3 million.

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

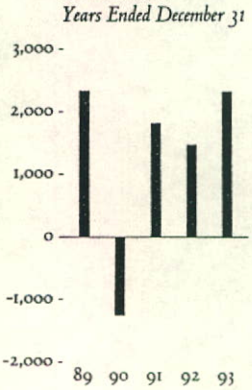
Operating Expenses

In 1993, operating expenses (i.e., expenses before depreciation, amortization, interest and income taxes) rose to $12,379,000, an increase of 47.4% compared with expenses of $8,400,000 in 1992. Approximately 47% of operating expenses in 1993 were attributable to personnel costs. Higher commissions paid to mutual fund dealers and sales representatives, and growth-related personnel expansion, accounted for most of the increase in expenses.

Prior to year-end 1993, the Company entered into a lease for new office premises for occupancy in May, 1994. The early termination cost of $639,000 under the lease for the previous premises has been accrued.

Operating Earnings

$ in thousands
Years Ended December 31



Operating Earnings

Your Company achieved a 56.7% improvement in 1993 in earnings before depreciation, amortization, interest expense and income taxes ("operating earnings"). Compared with 1992 results of $1,477,000, operating earnings in 1993 increased to $2,314,000.

The main source of the 1993 improvement in operating earnings was the sharp upturn in profitability of your Company's investment management services group of businesses. In 1993, these businesses contributed $1,283,000 to operating earnings, a seven-fold improvement over 1992 results of $148,000. This represents important progress toward your Company's goal of sustainable profit growth and enhanced shareholder value. The longer term historical trend in overall operating earnings can be seen in the accompanying Chart.

Operating Cash Flow

In 1993, cash flow from operations, before interest expense and income taxes, was $2,336,000. This represented an increase of 58.2% compared with 1992 results of $1,477,000.

Net Earnings

Net earnings in 1993 were $1,129,000, a gain of 165.6% compared with 1992 net earnings of $425,000. Earnings per share, fully diluted, were $0.20 in 1993 (on 7,144,000 shares outstanding), compared with $0.07 in 1992 (on 7,126,000 shares outstanding).

Earnings in 1993 before the lease termination cost amounted to $0.31 per share.

Total Assets and Shareholders' Equity

At December 31, 1993, total assets were $40,388,000, up from $37,909,000 at the previous year-end. Total liabilities were $14,932,000 at year-end 1993, compared with $13,397,000 at year-end 1992.

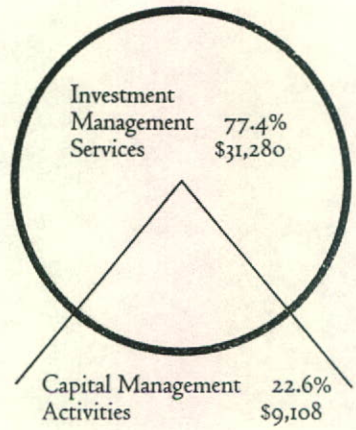
Shareholders' equity at December 31, 1993, was $25,456,000, compared with $24,512,000 at year-end 1992.

A foreign currency translation adjustment of $836,000 was almost entirely related to the Company's capital management activities.

Identifiable Assets

$ in thousands
As at December 31, 1993

Total $40,388



Quarterly Statistics

	1993				1992			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
($ in thousands)								
Gross revenue	$ 3,087	$ 3,036	$ 3,821	$ 4,771	$ 2,512	$ 2,263	$ 2,802	$ 2,300
Net earnings (loss)	236	(63)	461	495	237	(61)	446	(197)
Shareholders' equity	24,479	24,613	25,728	25,456	23,438	23,182	24,614	24,512
(in dollars)								
Per average Common and Class A share								
Net earnings (loss)								
Basic	0.04	(0.01)	0.08	0.09	0.04	(0.01)	0.08	(0.04)
Fully diluted	0.04	(0.01)	0.08	0.09	0.04	(0.01)	0.08	(0.04)
Per Common and Class A share								
Shareholders' equity								
Basic	4.29	4.32	4.51	4.59	4.08	4.03	4.29	4.30
Excluding goodwill	3.40	3.43	3.63	3.70	3.29	3.25	3.46	3.47

Seven-Year Review

Years ended December 31	1993	1992	1991	1990	1989	1988	1987
($ in millions)							
Value of client assets managed	$ 3,634	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
($ in thousands)							
Gross revenues	14,715	9,877	8,893	6,663	9,793	10,647	16,930
Operating expenses (excl. depreciation, amortization and interest)	12,379	8,400	7,080	7,911	7,477	7,523	8,695
Earnings (loss) from operations	2,314	1,477	1,813	(1,248)	2,316	3,124	8,235
Earnings (loss) before taxes and good will written off	1,119	383	407	(2,846)	141	2,140	5,928
Goodwill written off	–	–	(6,322)	–	–	–	–
Net earnings (loss)							
Before extraordinary items	1,129	425	(5,847)	(2,118)	568	1,581	4,043
For the year	1,129	425	(5,847)	(2,118)	568	2,334	11,005
Shareholders' equity	25,456	24,512	22,586	28,916	32,512	33,725	33,619
(in dollars)							
Per average Common and Class A share							
Earnings (loss) from operations							
Basic	0.41	0.24	0.31	(0.21)	0.41	0.53	1.43
Fully diluted	0.41	0.24	0.31	(0.21)	0.37	0.49	1.29
Net earnings (loss) before extraordinary items							
Basic	0.20	0.07	(1.01)	(0.36)	0.10	0.27	0.70
Fully diluted	0.20	0.07	(1.01)	(0.36)	0.09	0.25	0.60
Net earnings (loss) for the year							
Basic	0.20	0.07	(1.01)	(0.36)	0.10	0.40	1.92
Fully diluted	0.20	0.07	(1.01)	(0.36)	0.09	0.36	1.52
Per Common and Class A share							
Dividends paid	0.05	0.05	0.00	0.00	0.16	0.16	0.15
Shareholders' equity							
Basic	4.59	4.30	3.93	4.93	5.73	5.87	5.84
Fully diluted	3.63	3.47	3.24	3.91	4.21	4.35	4.38
Share price							
Common - High	7.63	5.75	6.00	6.00	6.75	7.25	10.50
- Low	6.38	4.50	4.30	4.90	5.63	5.88	6.00
Class A - High	7.63	4.75	4.25	5.25	5.75	6.25	8.50
- Low	6.00	3.60	3.60	4.00	4.20	4.85	4.55
(in thousands)							
Year-end Common and Class A shares outstanding							
Basic	5,542	5,704	5,750	5,858	5,665	5,742	5,753
Fully diluted	7,010	7,062	6,970	7,387	7,716	7,740	7,670

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 29 and 30. 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 examined 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
March 23, 1994

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, 1993 and 1992 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, 1993 and 1992 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

Consolidated Balance Sheets

($ in thousands)

As at December 31	1993	[illegible]
Assets		
Current Assets		
Short-term investments	$ 5,148	$ 5,688
Accounts receivable	3,493	2,449
Investment income receivable	139	309
Prepaid expenses	202	81
	8,982	8,527
Investments (note 2)	24,414	22,547
Loans Receivable (note 3)	1,230	1,023
Fixed Assets (note 4)	718	590
Unamortized Debenture Issue Costs (note 5)	69	91
Goodwill	4,975	5,131
	$ 40,388	$ 37,909
Liabilities		
Current Liabilities		
Bank overdrafts	$ 1,842	$ 1,793
Accounts payable and accrued liabilities	2,384	1,597
Income taxes payable	448	393
Lease termination	639	–
	5,313	3,783
Long-Term Debt (note 5)	6,976	6,961
Deferred Income Taxes	2,643	2,653
	14,932	13,397
Shareholders' Equity		
Capital Stock (note 6)	9,965	10,269
Foreign Currency Translation Adjustment	836	(141)
Retained Earnings	14,655	14,384
	25,456	24,512
	$ 40,388	$ 37,909

Signed on behalf of the board

Anthony G.S. Griffin
Director

John M. Christodoulou
Director

Consolidated Statements of Retained Earnings

Years ended December 31	1993	($ in thousands) 1992
Balance, beginning of year	$ 14,384	$ 14,351
Net earnings	1,129	425
	15,513	14,776
Less		
Dividend paid	285	288
Excess of purchase price over issue price on Company's capital stock acquired (note 6e)	573	104
	858	392
Balance, end of year	$ 14,655	$ 14,384

Consolidated Statements of Operations

Years ended December 31	($ in thousands, except per share amounts) 1993	1992
Revenue		
Management fees	$ 10,039	$ 7,227
Redemption fees	59	130
Net investment income	1,629	1,688
Other income	207	70
Sales commissions	2,781	762
	14,715	9,877
Expenses		
Expenses exclusive of undernoted items	11,740	8,400
Depreciation	262	200
Amortization	178	178
Interest on long-term debt	553	553
Other interest	224	163
Lease termination	639	–
	13,596	9,494
Earnings before income taxes	1,119	383
Recovery of income taxes (note 7)	10	42
Net earnings for the year	$ 1,129	$ 425
Net earnings per Common and Class A share (note 8)		
Basic	$ 0.20	$ 0.07
Fully diluted	0.20	0.07
Weighted average number of Common and Class A shares outstanding (in thousands)		
Basic	5,676	5,743
Fully diluted	7,144	7,126

Consolidated Statements of Changes in Financial Position

		($ in thousands)
Years ended December 31	1993	1992
Cash from Operations		
Net earnings for the year	$ 1,129	$ 425
Add (deduct) items not involving cash		
Depreciation	262	200
Amortization	178	178
Deferred income taxes	(10)	133
Net gain on sale of investments	(1,022)	(967)
	537	(31)
Net change in working capital excluding cash	486	(1,913)
	1,023	(1,944)
Financing Activities		
Acquisition of Company's capital stock	(877)	(189)
Dividend paid	(285)	(288)
Increase in long-term debt, net of current portion	15	13
Loan advance	(207)	(1,023)
	(1,354)	(1,487)
Investment Activities		
Acquisition of investments	(3,666)	(7,201)
Proceeds on sale of investments	3,481	3,849
Purchase of fixed assets	(390)	(245)
	(575)	(3,597)
Net change in cash and short-term investments net of bank overdrafts, during the year	(906)	(7,028)
Foreign currency translation adjustment	317	790
Cash and short-term investments net of bank overdrafts, beginning of year	3,895	10,133
Cash and short-term investments net of bank overdrafts, end of year	$ 3,306	$ 3,895

For the years ended December 31, 1993 and 1992

1 *Summary of Significant Accounting Policies*

a Principles of consolidation

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

b Investments

Investments 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. The Company follows the equity method of accounting for its interest in Guardman Investment Management Services Inc. ("Guardman") over which it exercises significant influence.

c Fixed assets

Fixed 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 transactions and portfolio investments – assets at the year-end exchange rate; purchases and sales of investments and income and expenses at the rate of exchange prevailing on the respective dates of such transactions; equity earnings at average monthly rates; and foreign exchange gains and losses 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.

iii Realized gains and losses on forward foreign exchange contracts are recognized on expiration of the contract. Unrealized losses on forward foreign exchange contracts are recognized at the balance sheet date.

j Marketable securities

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

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. Revenues that may be received prior to being earned are recorded as deferred income on the consolidated balance sheets.

2 *Investments*

Portfolio of investments

($ in thousands)

	Market Value		Carrying Value	
As at December 31	1993	1992	1993	1992
(see note 1*b*)				
a Securities having a quoted market value				
Cash equivalents	$ 8,593	$ 7,454	$ 7,914	$ 6,990
Investments in equity mutual funds managed by a subsidiary	10,934	6,775	7,839	6,558
Diversified common share holdings	14,386	8,919	7,058	6,060
	$ 33,913	$ 23,148	22,811	19,608
b Company at equity				
Guardman			120	209
c Securities not having a quoted market value				
Private corporations and limited partnerships			1,483	2,730
Total portfolio of investments			$ 22,414	$ 22,547

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

3 *Loans Receivable*

Of the loans receivable, $736,000 is receivable from Guardian Limited Partnership 1991. The loan bears interest at the prime bank rate and is repayable out of excess funds of the partnership. The balance of the loans are to third parties, bear interest at varying rates and are fully secured.

4 *Fixed Assets*

As at December 31	1993	($ in thousands) 1992
Computer hardware and software	$ 774	$ 1,239
Furniture and equipment	559	564
Leasehold improvements	224	223
	1,557	2,026
Less accumulated depreciation and amortization	839	1,436
	$ 718	$ 590

5 *Long-Term Debt*

As at December 31	1993	($ in thousands) 1992
Convertible debentures (*a* below)	$ 6,500	$ 6,500
Mortgages payable (*b* below)	316	316
Notes payable (*b* below)	160	145
	$ 6,976	$ 6,961

a The 8½% convertible subordinated debentures mature on December 15, 1996 and are convertible into 1,083 Class A non-voting shares at a price of $6 per share.

b The mortgages payable bear interest at 9% and are due February 1, 1996. The notes payable bear interest at 14% per annum and are repayable February 1, 1996. These mortgages and notes are in connection with an investment in a limited partnership, the assets of which are pledged as security. The notes were repaid after the year end.

6 *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 June 11, 1987. 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)

	1993 Shares	1993 Amount	1992 Shares	1992 Amount
b Issued and outstanding				
Class A (*c* below)	4,542	$ 8,488	4,705	$ 8,792
Common	999	1,477	999	1,477
		$ 9,965		$ 10,269
c Class A shares				
Outstanding, beginning of year	4,705	$ 8,792	4,751	$ 8,877
Acquired during the year (*e* below)	(163)	(304)	(46)	(85)
Outstanding, end of year	4,542	$ 8,488	4,705	$ 8,792

d As at December 31, 1993, 385,000 (275,000 at December 31, 1992) 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 15, 1998, at an amount of $4.50 per share.

e During 1993, the Company acquired 162,500 (45,600 in 1992) of its own Class A shares for $877,000 ($189,000 in 1992), of which $573,000 ($104,000 in 1992) was charged directly to retained earnings.

7 *Income Taxes*

As at December 31	1993	1992
	($ in thousands)	
a The (recovery of) provision for income tax comprises:		
Current tax	$ –	$ (16)
Deferred tax	(10)	(26)
	$ (10)	$ (42)
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	$ 1,119	$ 383
Tax exempt portion of capital gains	(266)	(56)
Non-deductible amortization	151	132
Foreign investment and operating income	(310)	(793)
Dividend income	(33)	(61)
Losses not tax affected	328	772
Use of losses carried forward	(1,023)	(454)
Other	5	(18)
	(1,142)	(478)
	$ (23)	$ (95)
Effective income tax at statutory rate of 44% (1992 – 44%)	$ (10)	$ (42)

c The group has unutilized non capital tax losses of approximately $972,000 ($2,106,000 in 1992) available for utilization against future taxable profits. These losses expire in the periods 1997 to 1999. The benefit of these tax losses has not been recorded in the financial statements.

8 *Net Earnings (Loss) 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.

9 *Commitments and Contingencies*

The Company has leases which expire on various dates after 1994. 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, 1993 are as follows:

1994	$ 75,000
1995	254,000
1996	327,000
1997	327,000
1998 and thereafter	2,780,000
	$ 3,763,000

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

In 1992, the Company sold two foreign exchange contracts of 30 contracts each for a value of $6,000,000, on which a gain of $206,000 was realized.

The Company guaranteed a loan made to Guardian Limited Partnership 1993 to the extent of $8,500,000; at the year end, the loan amounted to $6,984,000.

10 *Subsequent Event*

Subsequent to the year end, the Company has been involved in negotiations with the intent of providing a guarantee and security for the obligations of an affiliate, Guardian Limited Partnership 1994, to a third party lender, with recourse to the value of the security provided to the lender pursuant to a Securities Pledge Agreement. The maximum value of securities that could be required to be pledged by the Company in favour of the lender pursuant to such arrangements would be $17,000,000. As at February 24, 1994, no securities have been pledged.

11 *Business Segments*

a Identifiable assets and operations by industry segment are as follows:

($ in thousands)

	Investment Management Services* 1993	Investment Management Services* 1992	Investment Activites 1993	Investment Activites 1992	Consolidated 1993	Consolidated 1992
Identifiable assets	$ 31,280	$ 25,465	$ 9,108	$ 12,444	$ 40,388	$ 37,909
Income	$ 13,480	$ 8,302	$ 1,235	$ 1,575	$ 14,715	$ 9,877
Expenses						
General	12,028	7,998	204	246	12,232	8,244
Interest on long-term debt	–	–	553	553	553	553
Depreciation and amortization	418	378	–	–	418	378
	12,446	8,376	757	799	13,203	9,175
Earnings (loss) before the undernoted	$ 1,034	$ (74)	$ 478	$ 776	1,512	702
General corporate expenses					393	319
Earnings before income taxes					1,119	383
Income tax recovery					10	42
Earnings before equity in earnings of an investment					$ 1,129	$ 425

* *Investment counselling, mutual funds, and other financial services.*

b Identifiable assets and operations by geographic location are as follows:

($ in thousands)

	Canada 1993	Canada 1992	Rest of World 1993	Rest of World 1992	Consolidated 1993	Consolidated 1992
Identifiable assets	$ 31,636	$ 13,022	$ 26,752	$ 24,887	$ 40,388	$ 37,909
Income	$ 13,076	$ 8,444	$ 1,639	$ 1,433	$ 14,715	$ 9,877
Expenses						
General	12,336	8,476	842	640	13,178	9,116
Depreciation and amortization	418	378	–	–	418	378
	12,754	8,854	842	640	13,596	9,494
Earnings (loss) before income taxes	322	(410)	797	793	1,119	383
Income tax recovery	10	42	–	–	10	42
Earnings (loss)	$ 422	$ (368)	$ 797	$ 793	$ 1,129	$ 425

Directors and Officers

Board of Directors

Guardian Capital Group Limited

Management Directors

John M. Christodoulou
Mark A.F. Golding

Independent Directors

George N.M. Currie [1]
Paul C. Dietche
Anne Armstrong Gibson
Anthony G.S. Griffin [1]
Lesley M.S. Knox [2]
Michel Sales [1]

[1] *Member, Audit Committee*

[2] *Nominee proposed for election at the 1994 Annual General Meeting of Shareholders.*

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

Ronald C. Rodgers
Vice-President, General Legal Counsel

C.Verner Christensen
Vice-President & Secretary

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

Larry T. Kennedy
Managing Director

John G. Priestman
Managing Director

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

Huntly C.R. Christie
Vice-President, Client Services

Natasha B. Cuddy
Vice-President, International Investments

Nairn J. Cutten
Vice-President, Fixed Income

Roy J. Jacobson
Controller

The Guardian Group of Funds Limited

Mark A.F. Golding
Chairman & Chief Executive Officer

Harold W. Hillier
President & Chief Operating Officer

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

Stuart J. Freeman
Vice-President, Operations

Roy J. Jacobson
Controller

Guardian Capital Advisors

Mark A.F. Golding
Chairman

Gareth S. Seltzer
Vice President, Private Banking

Alexandria Bancorp Limited

Frank Flanagan
Chairman

David Dobson
Secretary

Lesley J. Scott
Treasurer

Corporate Information

Bankers and Principal Custodian
Canadian Imperial Bank of Commerce

Legal Counsel
Fasken Campbell Godfrey

*Corporate Offices**
18th Floor, 110 Yonge Street,
Toronto, Ontario, M5C 1T4
Tel: (416) 364-8341
Fax: (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 a.m., May 25, 1994,
The Council Chamber,
The Board of Trade of Metropolitan Toronto,
1 First Canadian Place, Third Floor
Toronto, Ontario

**Corporate offices will be relocated to*
Commerce Court West, Suite 3100,
Toronto, Ontario, M5L 1E8
effective May 1, 1994.

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