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BUILDING FOR THE FUTURE

Annual report 2002

GUARDIAN
CAPITAL GROUP LIMITED

Mission statement

OUR MISSION IS TO DEVELOP AND MANAGE BUSINESSES IN THE FINANCIAL SERVICES SECTOR THAT OFFER CLIENTS TAILORED INVESTMENT PRODUCTS AND SERVICES.

Financial highlights

In a year during which finanical markets were generally negative, assets under management were slightly higher at the end of 2002 compared to 2001.

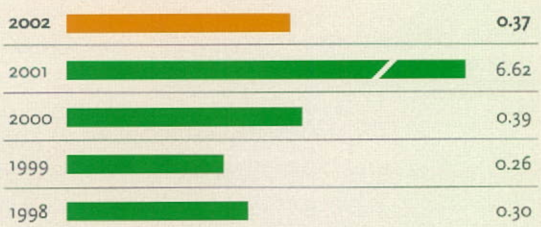
Assets under management
As at December 31 ($ in millions)

Assets under administration declined slightly compared with 2001 but remained strong relative to the performance of the financial markets.

Assets under administration
As at December 31 ($ in millions)

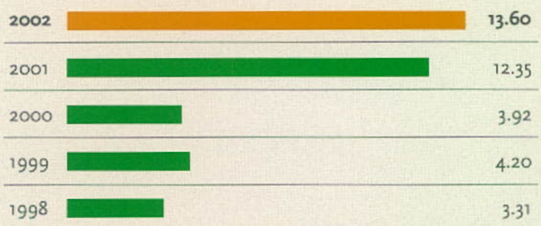
Earnings per share in 2002 reflects the growth in revenue and the additional outlays to develop and build Guardian's businesses.

Earnings per share diluted
For the years ended December 31 (in $)

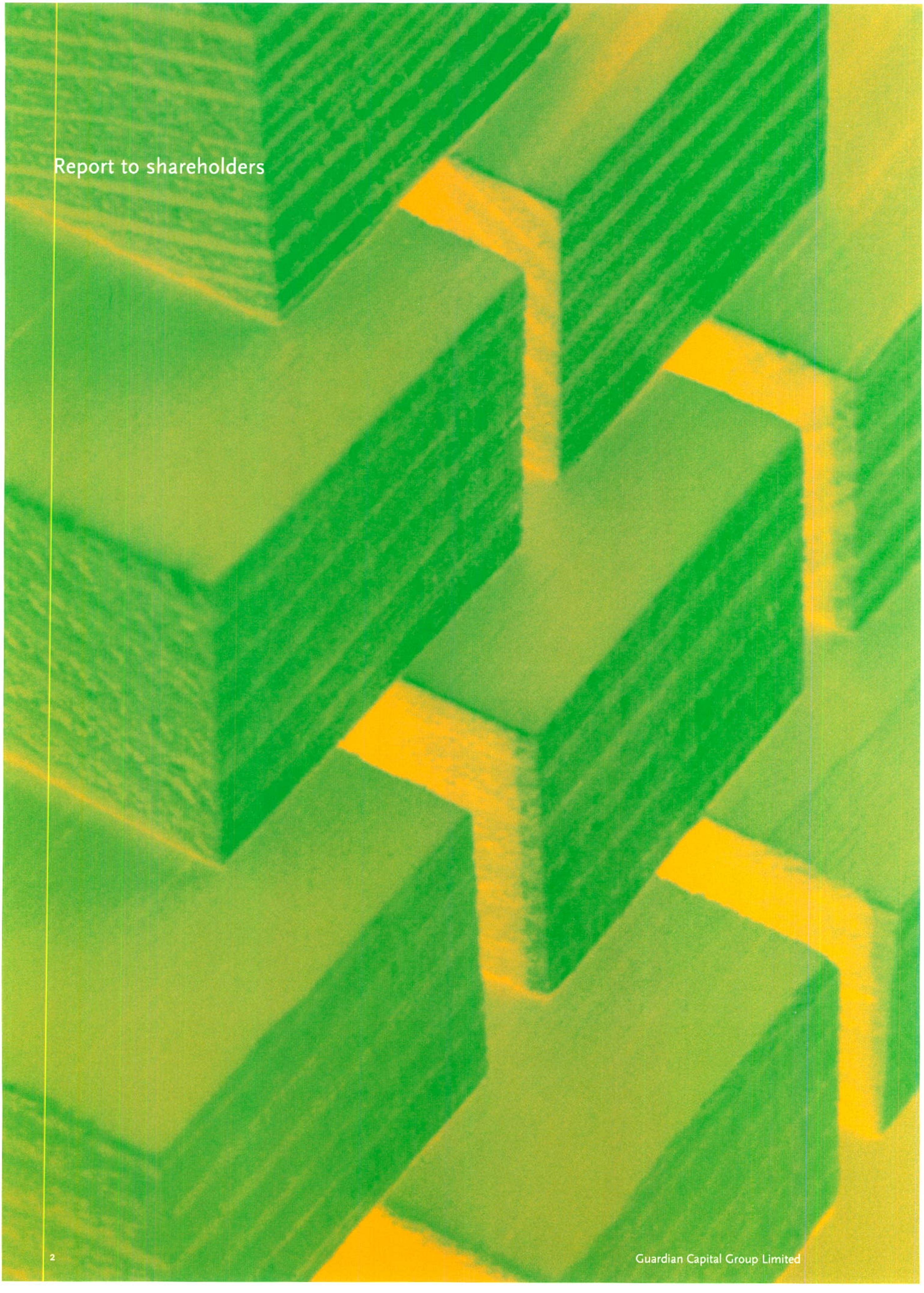


Corporate holdings of securities per share increased in 2002 reflecting the strength of Guardian's holdings.

Corporate holdings of securities per share
As at December 31 (in $)



Report to shareholders



We are committed to serving our clients. We do so by providing them with high quality products and services to meet their needs. In addition, we emphasize development and growth in the financial services industry. Last year, we accelerated our activities, which in the short term, increases our operating costs. Over the past ten years, we have successfully utilized our financial and human resources to create long-term sustainable value for our stakeholders in the form of substantial increases in revenue, earnings, and ultimately share price.

SOME HIGHLIGHTS FROM LAST YEAR:

- We are pleased with the development of Guardian Capital Advisors Inc. ("GCA") our high net worth unit, and Worldsource Wealth Management Inc. ("WWM") our financial advisory unit. We plan to further develop these areas to grow in terms of assets under management and administration.

- We are also pleased with the success of Guardian Capital Inc. ("GCI"), our institutional investment management unit, in growing assets under management in the mutual fund area, as well as in expanding its advisory role for closed-end funds. GCI has one of the most diversified institutional investment product lines in Canada. As a result, assets under management have increased slightly, despite a difficult market environment.

- Our strong balance sheet is a positive factor because it enhances our capability to implement our growth strategy and enables us to attract associates, provide comfort to our clients and have the flexibility to take advantage of opportunities as they arise. Our commitment to our clients and to create long-term sustainable value for our stakeholders remains our priority.

The Board of Directors is pleased to declare a dividend this year of $0.15 per share, an increase of approximately 15% over last year.

Several important accomplishments were achieved during 2002 and we will continue moving forward in 2003. Our success results from the support and confidence of our clients and the dedication, creativity and hard work of our Associates. We offer our sincere thanks to all.

Warmest regards,

John Christodoulou
Chairman and Chief Executive Officer
March 20, 2003

Who we are

GUARDIAN CAPITAL GROUP LIMITED IS A FINANCIAL SERVICES COMPANY WITH FOUR MAIN BUSINESSES, EACH OF WHICH OFFERS A RANGE OF TAILORED INVESTMENT PRODUCTS AND SERVICES TO CLIENTS IN ITS SECTOR.

Review of operations

GUARDIAN CAPITAL INC.

Guardian Capital Inc. ("GCI") is one of the largest independent investment counselling firms in Canada, as reported by Benefits Canada. Based in Toronto, GCI provides institutional investment management services to clients, which include pension plan sponsors, open and closed-end mutual funds, operating and endowment funds, and retail managed asset programs. GCI has one of the broadest range of products among Canadian institutional investment managers spanning Canadian and foreign equity, fixed-income, and balanced portfolio mandates.

During 2002, GCI continued to deliver above average performance in its Core and Small/Mid Cap Canadian equity products as well as in its income trust and high-yield fixed-income products. GCI is one of the industry leaders in the income trust sector, being one of the first institutional investment managers to enter this sector in 1996 and having one of the strongest performance track records and largest amount of income trust assets under management in Canada.

In 2002, GCI experienced significant growth in mutual fund assets under management and was appointed as co-advisor for two successful closed-end income trust mutual funds launched during the year. These new sources of assets under management and revenue provide GCI with a diversification of clients and asset sectors, that contributes to the management of the business risk to GCI by reducing the exposure to any one client or asset sector. The growth in mutual fund and closed-end fund assets and revenue, along with GCI's prudent style of investment management, more than offset the negative market environment of 2002.

In 2003, GCI plans to add to its portfolio management capabilities to keep pace with the growth in assets under management. In addition, GCI intends to enhance its coverage of consultants and its relationships in the plan sponsor community. GCI also plans to expand its presence in the closed-end mutual fund and managed asset or wrap account sector, thereby further diversifying its asset and revenue base. On the administrative side, a GCI web site *www.guardiancapitalinc.ca* is scheduled for launch in the first quarter of 2003 and client service will be enhanced through the increase in the automation of client reporting during the year.

In the short term, GCI will look to augment its capabilities to better meet the needs of clients in areas such as alternative investments and global asset management. Over the mid-term, GCI expects to achieve growth in new client assets in the pension fund, mutual fund, and closed-end fund sectors.

Review of operations

GUARDIAN CAPITAL ADVISORS INC.

Guardian Capital Advisors Inc. ("GCA") provides investment and asset management services to high net worth clients, foundations and endowment funds. Over the past several years, GCA has created a comprehensive global investment management platform to provide clients with sophisticated separate account management. In addition, GCA has launched ETFolios, an Internet-based service utilizing exchange-traded funds to create tailored investment portfolios for clients. GCA has also established a national presence through offices in Vancouver, Toronto and Ottawa, which was augmented by the addition of an office in Calgary during 2002. The Calgary office is staffed by several investment professionals.

In 2002, GCA added a quantitative analyst to expand its risk-based investment management capability. During the year, GCA was appointed as investment advisor for three global pooled funds, thereby broadening the range of its investment management expertise. To support these initiatives, GCA expanded its securities registration as an investment counsellor to six provinces and added an experienced software development professional.

As a result of these efforts, GCA realized substantial growth in new client assets during the year, which was partially offset by the weak financial markets. In 2002, GCA continued to invest in the development and growth of the business.

In the short term, GCA will continue to add experienced portfolio managers in all of its existing offices and to enhance its capabilities. It will also focus on attracting new high net worth client assets through referrals and the development of relationships with clients and their advisors. An improvement in market conditions will be a positive factor in attracting clients to GCA's Internet-based service, ETFolios. GCA intends to commence an effort to expose advisors to the products and services it offers that may be suitable for their clients. In addition, U.S. and foreign licensing and joint venture opportunities for the firm's online capabilities will be explored as markets develop.

New client assets under management and revenue are expected to increase significantly while the rate of increase in expenses is expected to decline over the next several years.

WORLDSOURCE WEALTH MANAGEMENT INC.

In 2002, a multi-year program was commenced to develop the organization under Worldsource Holdings Corp. ("Worldsource") into a horizontally integrated financial advisory platform. The objective is to build assets under administration and management by creating a platform within the Worldsource organization that would attract financial advisors with books of business in targeted market segments which include mutual funds, securities, insurance and managed investment programs. During the year, a cohesive marketing and communication strategy was launched under a newly created subsidiary, Worldsource Wealth Management Inc. ("WWM"), which would manage the various companies within the Worldsource organization. CMG-Worldsource Financial Services Inc. ("CMG"), WWM's mutual fund distribution arm, was granted membership in the Mutual Fund Dealers Association in 2002. At the end of the year, CMG had approximately 750 financial advisors and $2.3 billion in assets under administration.

A new senior executive management team was put in place during 2002 with expertise in all functional areas necessary to support the WWM organization. This was a confirmation of WWM's commitment to grow and develop the business. In addition, a website, *www.worldsourcewealth.com* was launched to improve communication with existing financial advisors as well as to convey the new corporate image and attract new financial advisors.

Worldsource Securities Inc. ("WSI"), a securities dealer registered with the Investment Dealers Association in British Columbia, Alberta, and Ontario, was activated in the fourth quarter of 2002. WSI is providing securities brokerage services to CMG financial advisors and their clients. WSI is also building an agency-based network of seasoned brokerage financial advisors with the first branch in Ontario opened at the end of the year.

Also in 2002, WWM completed a business plan for the launch in 2003 of an insurance platform to integrate insurance products with the financial services offered by its network of financial advisors.

In 2003, WWM plans to enhance its field support and recruiting capabilities with a commitment to expand and upgrade the financial advisor groups within the organization. WSI plans to open several new offices on the agency-based platform to support existing CMG offices and to build a network of brokerage financial advisors. To support these initiatives, WWM intends to offer an on-line interactive financial advisor web portal to provide financial reporting and financial planning services to financial advisors and their clients. In addition, WWM intends to launch a series of managed account programs to provide financial advisors with high quality mutual fund and individually managed account products and services for their affluent clients.

The program to develop WWM requires an investment of resources over the short term. Guardian is confident that the development of its financial advisory distribution platform is an important element in its growth as a financial services company.

ALEXANDRIA BANCORP LIMITED

Alexandria Bancorp Limited ("ABL") is a small high quality non-Canadian international bank. ABL provides banking, trust and corporate administration, and investment management services to international clients. In addition to having its own in-house investment management capabilities, ABL also manages the Alexandria Fund, which is a global family of fixed-income and equity mutual funds that utilize top tier international sub-advisors such as Lazard Asset Management, Vontobel, and Mathews International Capital Management. All of the Alexandria Fund's equity mutual funds substantially outperformed their respective indices in 2002. ABL intends to expand its operation and improve its coverage of top-tier international accounting firms and law firms, the objective being to expose them to ABL's products and services that may be suitable for their clients.

Management's discussion and analysis

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian Capital Group Limited ("Guardian") is a diversified financial services company, which serves the needs of clients in different sectors of the financial services market through its four operating businesses, and which has a substantial holding of marketable securities. Guardian's largest operating business, Guardian Capital Inc. ("GCI"), is an institutional investment counsellor. Guardian Capital Advisors Inc. ("GCA") is a high net worth investment counsellor and Alexandria Bancorp Limited ("Alexandria") is a non-Canadian entity that operates an international bank, trust and corporate services and investment management business. These three operating businesses had a total of $10.0 billion of assets under management as at December 31, 2002. Guardian has a majority interest in a fourth operating business, Worldsource Wealth Management Inc. ("WWM"), which operates a mutual fund dealer and a securities dealer, and has a total of $2.3 billion of client assets under administration. Guardian also has a substantial holding of Bank of Montreal shares and other holdings of securities, which together are valued at approximately $272 million.

In July, 2001, Guardian sold its mutual fund management subsidiary, Guardian Group of Funds Ltd. ("GGOF"), to the Bank of Montreal, in exchange for shares of the Bank, valued at $180.0 million. After recording expenses and a future income tax liability related to the sale, a gain of $126.2 million was recorded. The 2001 comparative figures contain the results of operations of GGOF to the date of sale.

BOARD OF DIRECTORS

Guardian's Board of Directors consists of five members, four of whom are unrelated to the Company. There are three committees of the Board of Directors, which focus on audit, compensation and governance.

CONSOLIDATED FINANCIAL RESULTS

The comparative financial results of Guardian and its subsidiaries are summarized in the following table.

YEARS ENDED DECEMBER 31 ($ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2002	2001	% CHANGE
Revenues	$ 34,911	$ 44,665	-21.8%
Expenses	29,312	41,164	-28.8%
Earnings before goodwill write off, sale of GGOF, and income taxes	5,599	3,501	+59.9%
Gain on sale of GGOF, net of tax	–	126,256	–
Goodwill written off	–	(3,954)	–
Income tax recovery on operations	1,779	4,013	-55.7%
Net earnings	$ 7,378	$ 129,816	-94.3%
Cash flow from operations before changes in non-cash working capital	$ 6,761	$ 10,704	-36.8%
Diluted per share amounts			
Net earnings	$ 0.37	$ 6.62	-94.4%
Cash flow from operations before changes in non-cash working capital	$ 0.34	$ 0.55	-38.2%

AS AT DECEMBER 31 ($ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	2002	2001	% CHANGE
Year end assets under management	$ 10,031	$ 10,010	+ 0.2%
Year end assets under administration	$ 2,308	$ 2,369	-2.6%
Value of corporate holdings of securities	$ 271.8	$ 247.0	+10.0%
Value of corporate holdings of securities, diluted per share	$ 13.60	$ 12.35	+10.1%

REVENUES AND EXPENSES

The largest source of revenue at Guardian is management fees received from clients, which vary as a result of changes in the amounts of assets managed, and variations in the rates of management fees charged. The following is a summary of the changes in the assets under management:

YEARS ENDED DECEMBER 31 ($ IN MILLIONS)	2002	2001
Assets under management, beginning of year	$ 10,010	$ 10,328
Net additions by clients during year	292	300
Market depreciation of client portfolios	(271)	(222)
Assets lost as a result of sale of GGOF	–	(396)
Assets under management, end of year	$ 10,031	$ 10,010
Composed of:		
GCI	$ 9,503	$ 9,474
GCA	411	394
Alexandria	117	142
Total	$ 10,031	$ 10,010

Despite a year in which financial markets were generally negative, total assets under management at Guardian were slightly higher at the end of 2002 compared with 2001. Management fees for the year were $21.2 million compared to $35.9 million in 2001. The decline in management fees was substantially due to the fact that the 2001 results include $15.2 million of net management fees for GGOF until the sale in July 2001. Management fees earned by GCI increased to $17.4 million in 2002 from $16.8 million in 2001. This increase was due to a combination of a slight increase in total assets under management and a slight increase in the average fee on assets being managed. Management fees earned by GCA in 2002 increased to $1.9 million from $1.7 million in 2001, reflecting an increase in average assets under management in 2002 compared with 2001. Management fees earned by ABL in 2002 were $1.3 million compared to $1.6 million in 2001 as a result of the downturn in the international financial markets.

Another significant source of revenue for Guardian is sales commissions generated by the assets under administration in WWM. Despite the general downturn in the markets, and the continuing "September 11 chill", net sales commissions earned by WWM increased in 2002, amounting to $4.0 million, compared to $3.7 million in 2001. Assets under administration at the end of 2002 amounted to $2.3 billion, relatively unchanged from 2001.

A growing component of revenue at Guardian is administrative service fees, composed of registered plan fees earned at WWM and trust and corporate administration fees earned in Alexandria. These fees increased to $3.5 million in 2002 from $2.6 million in 2001, substantially due to an increase in the registered plan fees in WWM.

Income from securities in 2002 of $6.3 million consisted entirely of dividend and interest income. This compared with income from securities of $1.3 million in 2001, made up of $3.2 million of dividend and interest income offset by $1.9 million of capital losses. The increase in income from securities was primarily a result of a full year of dividends being received on the Bank of Montreal shares in 2002, compared with only a partial year's dividends in 2001, the year the shares were acquired.

The elimination of redemption fees revenue in 2002 is a result of the sale of GGOF in 2001.

Management's discussion and analysis

Guardian's operating expenses declined to $26.8 million in 2002 compared with $31.8 million in 2001. The decline reflected the reduction in expenses due to the sale of GGOF in July 2001. The decline in operating expenses would have been greater if not for the fact that the 2002 operating expenses reflect additional outlays in WWM and GCA incurred to build and develop these businesses. The additional outlays in WWM included the strengthening of the management team, the establishment of a securities dealer, and the development of a marketing and communication strategy. GCA expanded its network of offices, its investment management capacity, and its portfolio analytics and administration capabilities. Interest expense declined to $1.1 million in 2002 compared to $1.3 million in 2001 due to a general decline in the cost of borrowing in 2002 relative to 2001.

The elimination of financing fees, amortization of deferred sales commission, and interest on secured note expenses in 2002 is entirely as a result of the sale of GGOF in 2001.

GOODWILL WRITE OFF

As a result of changes in clients over a period of years, it was ascertained in 2001 that the management contracts included in purchases of certain investment management businesses several years ago no longer had any significant value. Therefore, the unamortized balance of the goodwill then acquired, amounting to $4.0 million, was written off in 2001.

EBITDA

Earnings before income taxes, depreciation, amortization, interest expense and financing fees ("EBITDA") for Guardian was $8.1 million in 2002 compared with $12.9 million in 2001. The decline in the EBITDA in 2002, compared with 2001, was substantially caused by the sale of GGOF, which because of the nature of its financing flows, produced EBITDA substantially in excess of its net earnings. EBITDA in 2002 was also adversely impacted by the additional outlays incurred to build and develop GCA and WWM.

NET EARNINGS

The figures below show the adjustments from EBITDA to arrive at net earnings.

YEARS ENDED DECEMBER 31 ($ IN THOUSANDS, EXCEPT PER SHARE FIGURES)	2002	2001
EBITDA	$ 8,068	$ 12,857
Less: Amortization	1,319	5,060
Interest	1,150	1,610
Financing fees	–	2,686
Earnings before goodwill write off, sale of GGOF, and income taxes	5,599	3,501
Gain on sale of GGOF, net of tax	–	126,256
Goodwill written off	–	(3,954)
Income tax recovery on operations	1,779	4,013
Net earnings	$ 7,378	$ 129,816
Earnings per share, diluted	$ 0.37	$ 6.62

CASH FLOW FROM OPERATIONS*

YEARS ENDED DECEMBER 31 ($ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2002	2001
Cash flow from operations*	$ 6,761	$ 10,704
(Diluted)		
Earnings per share	$ 0.37	$ 6.62
Cash flow from operations* per share	$ 0.34	$ 0.55

* before changes in non-cash working capital

In prior years, there was a substantial difference between earnings per share ("EPS") and cash flow per share ("CFPS"), as a result of the financing structures utilized in GGOF. In 2002, EPS and CFPS are in closer proximity. The differences between EPS and CFPS now arise primarily due to the impact of amortization expenses and future income taxes.

LIQUIDITY AND CAPITAL RESOURCES

The strength of Guardian's balance sheet was enhanced by the sale of GGOF in 2001. This strength has enabled Guardian to attract associates, provide clients with a high comfort level, make appropriate use of borrowings, and develop its businesses. We are confident that the strength of Guardian's balance sheet will continue to provide similar benefits in the future. During 2002, Guardian converted overdraft borrowings into a term loan of $25 million, at competitive rates, with the provision for regular repayments of principal beginning late in 2003. Guardian's holdings of securities as at December 31, 2002, were valued at $271.8 million, or $13.60 per share, diluted. The following is a summary of Guardian's securities holdings:

CORPORATE HOLDINGS OF SECURITIES

	CARRYING VALUE	REALIZABLE VALUE	
AS AT DECEMBER 31 ($ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2002	2002	2001
Short-term securities	$ 13,209	$ 19,269	$ 18,376
Bank of Montreal shares	180,000	206,789	178,069
Other marketable securities	39,970	41,078	46,220
Unquoted securities	4,842	4,853	4,551
	238,021	271,989	247,216
Less: Applicable debt obligations	(232)	(232)	(243)
Net securities	$ 237,789	$ 271,757	$ 246,973
(Diluted)			
Net securities per share		$ 13.60	$ 12.35

Guardian's holdings of securities are managed independently of our clients' assets, except for those assets that are invested in Guardian's pooled funds, or mutual funds for which Guardian is an advisor. The corporate holdings are suitably diversified, from both an asset class and geographical perspective.

Management's discussion and analysis

RISK FACTORS

As has often been stated, risk in our business is a "double-sided coin", as it can pose challenges as well as provide opportunities, depending upon the effectiveness of the way in which it is managed.

Market risk is the most prevalent risk in our business, because it affects both clients' portfolios and our own holdings. The effect on our clients' portfolios affects us, as most of our management fees are based on market values. Additionally, market risk has a significant impact on the amounts being invested by the clients of our financial advisory businesses, increasing or reducing their commission revenues. Market risk is primarily managed in our investment counselling business units by having a diversified client base, and in the financial advisory units by attracting strong financial advisors who in turn have clients with different investment needs. Market risk for our own holdings is managed by diversifying those holdings geographically and by asset class.

Product performance presents another risk, which particularly impacts our investment counselling businesses. It is a relative, as well as an absolute measure, because the risk is that we will not perform as well as the market, our peers, or in line with our clients' expectations. We manage this risk by having a disciplined approach to investment management, and by ensuring that our compliance capabilities are strong. With respect to clients' expectations, we also ensure that we are fully aware of all of those expectations, and that we properly communicate with our clients to develop, report on and comply with client mandates.

There are the risks of competition in each business in which we operate. Our ability to meet that competition is enhanced by the fact that several of our business units are among the larger independent businesses in their areas of operation. In addition, our corporate holdings of securities provides us with the ability to support our operations, and helps to attract the type of clients and associates that enables us to be competitive in these businesses.

OUTLOOK

Guardian will continue to develop and build its businesses in 2003. The results of these efforts are expected to be visible in the growth of assets under management and assets under administration. We are confident that Guardian is well-positioned to build and develop businesses and to create sustainable value.

Quarterly statistics

($ IN THOUSANDS)	2002				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross revenues	**8,759**	**9,136**	**8,296**	**8,720**	14,152	13,596	168,764	8,480
Net earnings	**1,746**	**1,831**	**1,235**	**2,566**	447	–	124,911	4,458
Shareholders' equity	**194,673**	**191,932**	**194,884**	**196,730**	63,149	59,488	186,825	192,886
Per average common and Class A share (in $)								
Net earnings								
Basic	**0.09**	**0.09**	**0.06**	**0.13**	0.02	–	6.47	0.22
Diluted	**0.09**	**0.09**	**0.06**	**0.13**	0.02	–	6.38	0.22
Shareholders' equity								
Basic	**9.87**	**9.69**	**9.84**	**9.96**	3.30	3.08	9.59	9.78
Diluted	**9.71**	**9.55**	**9.80**	**9.84**	3.25	3.04	9.46	9.65

Ten year review

($ IN MILLIONS)	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Value of client assets managed	**10,031**	10,010	10,328	10,275	9,550	8,757	5,456	3,800	4,001	3,634
($ IN THOUSANDS)										
Gross revenues	**34,911**	44,665	61,723	58,566	62,805	57,095	36,273	23,727	24,681	14,715
Operating expenses*	**26,843**	31,808	37,195	35,095	39,419	33,636	22,792	19,145	16,495	12,401
EBITDA	**8,068**	12,857	24,528	23,471	23,386	23,457	13,481	4,582	8,186	2,314
Earnings before taxes and goodwill written off	**5,599**	163,827	9,751	8,477	8,639	11,760	5,059	2,428	6,868	1,119
Gain on sale of subsidiary	**–**	160,326	–	–	–	–	–	–	–	–
Goodwill written off	**–**	3,954	–	–	–	–	–	–	–	–
Net earnings	**7,378**	129,816	7,439	4,966	5,617	7,191	3,383	2,288	5,859	1,129
Shareholders' equity	**196,730**	192,886	60,322	53,075	53,606	46,307	37,917	31,192	32,204	25,456
Corporate holdings of securities (at market value)	**271,989**	247,216	74,482	79,567	63,175	58,710	53,694	47,366	47,673	40,035

*Before interest, financing fees, income taxes, and amortization.

(IN DOLLARS)											
Per average common and Class A share											
Net earnings for the year											
Basic		**0.37**	6.71	0.39	0.26	0.30	0.39	0.20	0.14	0.35	0.07
Diluted		**0.37**	6.62	0.39	0.26	0.28	0.37	0.18	0.12	0.29	0.06
Per common and Class A share											
Dividends paid		**0.13**	0.12	0.12	0.10	0.08	0.06	0.04	0.03	0.03	0.02
Shareholders' equity											
Basic		**9.96**	9.78	3.17	2.80	2.81	2.46	2.06	1.94	1.94	1.53
Diluted		**9.84**	9.65	3.15	2.80	2.70	2.37	2.00	1.63	1.62	1.31
Share prices											
Common	high	**16.50**	13.00	13.00	15.50	23.00	17.28	4.17	3.96	4.00	2.54
	low	**12.00**	9.00	8.75	7.50	12.60	4.00	3.42	3.50	2.33	2.13
Class A	high	**12.40**	13.15	9.50	9.95	14.33	16.08	4.17	3.33	3.42	2.54
	low	**8.50**	8.10	4.25	4.90	6.50	3.92	2.95	2.75	2.38	2.00

(IN THOUSANDS)										
Year end common and Class A shares outstanding										
Basic	**19,747**	19,720	19,110	18,941	19,080	18,839	18,426	16,083	16,617	16,626
Diluted	**19,984**	19,994	19,178	18,941	19,823	19,502	18,974	19,182	19,908	19,523

Comparative figures reflect the June 1998 3-for-1 stock split.

Financial statements

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 19 and 20. 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.

KPMG LLP, 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 KPMG LLP to review their activities and to discuss the external audit program, internal controls, accounting policies, and financial reporting matters. The Board of Directors reviews interim financial statements prior to their release. KPMG LLP 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 M. Christodoulou
Chairman and Chief Executive Officer
March 17, 2003

AUDITORS' REPORT

We have audited the consolidated balance sheets of Guardian Capital Group Limited as at December 31, 2002 and 2001 and the consolidated statements of operations, retained earnings and cash flows 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 Canadian 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, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Toronto, Canada
March 17, 2003

Consolidated balance sheets

AS AT DECEMBER 31 ($ IN THOUSANDS)	2002	2001
Assets		
Current assets:		
Cash	$ 1,464	$ 2,925
Accounts receivable	14,271	14,111
Income taxes recoverable	9	1,232
Prepaid expenses	302	98
Deposits	12,180	26,880
	28,226	45,246
Securities holdings (notes 5 and 7)	238,021	239,538
Capital assets (note 6)	3,924	3,358
Deferred charges	1,148	398
Goodwill (note 4)	2,487	2,487
Intangible assets (note 4)	1,207	1,233
	$ 275,013	$ 292,260
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank overdrafts	$ –	$ 23,562
Accounts payable and accrued expenses	7,198	12,632
Current portion of long-term debt (note 7)	1,500	–
Current portion of leasehold inducements	145	145
Client deposits	14,322	29,482
	23,165	65,821
Leasehold inducements	498	643
Long-term debt (note 7)	23,732	243
Future income taxes (note 9)	30,888	32,667
	78,283	99,374
Shareholders' Equity		
Capital stock (note 8)	21,540	20,637
Foreign currency translation adjustment	7,735	8,112
Retained earnings	167,455	164,137
	196,730	192,886
	$ 275,013	$ 292,260

See accompanying notes to consolidated financial statements.

On behalf of the Board

James W. McCutcheon
Director

John M. Christodoulou
Director

Consolidated statements of operations

FOR THE YEARS ENDED DECEMBER 31 ($ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2002	2001
Revenues		
Management fees	$ 21,156	$ 35,871
Sales commissions, net	3,961	3,707
Income from securities	6,273	1,275
Administrative services	3,521	2,618
Redemption fees	–	1,194
	34,911	44,665
Expenses		
Expenses, exclusive of undernoted items	26,843	31,808
Amortization of capital assets and intangible assets	1,319	1,685
Other interest	1,150	1,258
Financing fees	–	2,686
Amortization of deferred sales commission	–	3,375
Interest on secured note	–	352
	29,312	41,164
Earnings before the undernoted	5,599	3,501
Gain on sale of subsidiary (note 3)	–	160,326
Write off of goodwill (note 4)	–	(3,954)
Earnings before income taxes	5,599	159,873
Provision for (recovery of) income taxes (note 9)	(1,779)	30,057
Net earnings	$ 7,378	$ 129,816
Earnings per Class A and common share (note 10):		
Basic	$ 0.37	$ 6.71
Diluted	0.37	6.62
Weighted average number of Class A and common shares outstanding (in thousands):		
Basic	19,775	19,333
Diluted	20,033	19,607

See accompanying notes to consolidated financial statements.

Consolidated statements of retained earnings

YEARS ENDED DECEMBER 31 ($ IN THOUSANDS)	2002	2001
Retained earnings, beginning of year	$ 164,137	$ 36,882
Net earnings	7,378	129,816
	171,515	166,698
Less:		
Dividends paid	2,564	2,296
Excess of purchase price over issue price on Company's capital stock and options acquired (note 8)	1,496	265
	4,060	2,561
Retained earnings, end of year	$ 167,455	$ 164,137

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

YEARS ENDED DECEMBER 31 ($ IN THOUSANDS)	2002	2001
Operating activities		
Net earnings	$ 7,378	$ 129,816
Add (deduct) items not involving cash:		
Amortization of leasehold inducements	(145)	(218)
Amortization of capital assets and intangible assets	1,319	1,685
Amortization of deferred sales commission	–	3,375
Write off of goodwill	–	3,954
Future income taxes	(1,779)	30,465
Net loss (gain) on sale of securities	(12)	1,953
Gain on sale of subsidiary	–	(160,326)
	6,761	10,704
Change in non-cash working capital	(3,535)	(2,735)
	3,226	7,969
Financing activities		
Net decrease in Limited Recourse Secured Note	–	(1,279)
Leasehold inducements received	–	(853)
Stock options exercised	1,036	2,595
Acquisition of capital stock and options	(1,629)	(274)
Deferred charges	(829)	(283)
Dividends paid	(2,564)	(2,296)
Long-term debt	23,489	(10)
	19,503	(2,400)
Investing activities		
Working capital associated with sale of subsidiary	–	(10,196)
Acquisition of securities	(2,195)	(7,739)
Commission paid	–	(4,806)
Proceeds on sale of securities	3,723	6,670
Purchase of capital assets	(1,712)	(2,088)
Acquisition of intangible assets	(67)	(1,200)
Foreign currency translation adjustment	(377)	2,722
	(628)	(16,637)
Net change in cash, net of bank overdrafts	22,101	(11,068)
Cash, net of bank overdrafts, beginning of year	(20,637)	(9,569)
Cash, net of bank overdrafts, end of year	$ 1,464	$ (20,637)
Represented by		
Cash	$ 1,464	$ 2,925
Bank overdrafts	–	(23,562)
	$ 1,464	$ (20,637)
Supplemental cash flow information:		
Interest paid	$ 1,150	$ 1,639
Income taxes paid	–	904
Dividends paid	2,564	2,296

See accompanying notes to consolidated financial statements.

Notes to consolidated financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of Guardian Capital Group Limited (the "Company") and its subsidiaries. All intercompany transactions and balances have been eliminated.

(b) Securities holdings

Securities, apart from investments in corporations over which the Company has significant influence, are carried at cost, with the exception of those held by one subsidiary, which is an investment dealer. For regulatory purposes, securities held by this subsidiary are required to be disclosed at market value, and this presentation is retained on consolidation. Securities are written down to the lower of cost and market value if there is a loss of value which is considered to be other than temporary. The trade date is used for purposes of calculating gains and losses on sale of marketable securities. The full amount of gains and losses on disposal of securities and adjustments to record any impairment in value that is other than temporary are included in income from securities in the year of disposal or impairment.

(c) Capital assets

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

(d) Leasehold inducements

Leasehold inducements provided by the lessor for refurbishment of new premises are amortized over the period of the lease.

(e) Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of tangible net assets acquired. Prior to 2002, goodwill was amortized on a straight-line basis over 40 years. In September 2001, The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 1581, "Business Combinations", and 3062, "Goodwill and Other Intangible Assets". These new standards require the purchase method of accounting for business combinations, and require that goodwill no longer be amortized but instead be tested for impairment at least annually. The Company has adopted these new standards as of January 1, 2002 and has discontinued amortization of all existing goodwill.

Intangible assets represent the Company's right to a future benefit, such as revenue, and are amortized over their useful life of 15 years. The Company reviews the amortization method and estimate of useful life of intangible assets annually.

(f) Revenue recognition

The Company provides management and investment advisory services to mutual funds, corporations, endowment funds, individuals and pension funds on a contract basis in consideration for management fees which are recorded when earned. Net sales commissions earned are recorded on a trade date basis. Management fees are recorded net of trailer fees, when applicable.

(g) Translation of foreign currencies

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

(i) Foreign currency financial assets and liabilities are translated at the year-end exchange rates; purchases and sales of securities and income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions; and equity earnings are translated 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.

(h) Stock option plan

The Company has a stock option plan, details of which are contained in note 8(e). Effective January 1, 2002, the company adopted the standards contained in CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments", which permit the Company to continue its existing policy of treating all employee and director stock options as capital transactions (the settlement method), but require pro-forma disclosure of net earnings and per share information as if the Company had accounted for these stock options under the fair value method.

(i) Income taxes

The Company follows the asset and liability method of accounting for income taxes, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those assets and liabilities are expected to be recovered or settled.

(j) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

(k) Financial instruments

The book values of financial instruments (other than those described in note 5), are considered to approximate fair values, due to their short-term nature or contractual arrangements.

2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2002, the Company adopted the new accounting recommendations of the CICA on goodwill. As of January 1, 2002, the Company had unamortized goodwill of $2,487,000, which is no longer being amortized. This change in accounting policy has not been applied retroactively and the amounts presented for prior periods have not been restated for this change. The following selected pro-forma financial information is provided for 2001, assuming no goodwill amortization, compared with 2002:

($ IN THOUSANDS)			2002		2001
Net earnings, as reported		$	7,378	$	129,816
Add back goodwill amortization (included in goodwill written off)			–		132
Pro-forma net earnings		$	7,378	$	129,948
Earnings per share as reported	– Basic	$	0.37	$	6.71
	– Diluted	$	0.37	$	6.62
Pro-forma earnings per share	– Basic	$	0.37	$	6.72
	– Diluted	$	0.37	$	6.63

3. SALE OF GUARDIAN GROUP OF FUNDS LTD. ("GGOF")

On July 19, 2001, the Company sold all the issued and outstanding shares of its mutual fund subsidiary, GGOF, to Bank of Montreal ("BMO") for proceeds amounting to 4,960,140 BMO common shares valued at $180.0 million. After recording expenses related to the sale, a gain on sale of $160.3 million was recorded. The Company has recorded future income taxes of $34.1 million relating to this transaction, which further reduced the gain to $126.2 million. The results of the operation of GGOF for the period to July 19, 2001 are included in the comparative figures in these consolidated financial statements.

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill from the purchase of investment management businesses, over 15 years ago, in the amount of $3,954,000 (including amortization of $132,000) had been determined to have no continuing value and was written off in 2001.

During the year, the Company purchased an intangible asset of $67,000, being the right to future revenues relating to management contracts. Intangible assets at year-end amount to $1,207,000 (2001-$1,233,000), net of accumulated amortization of $93,000 (2001-$Nil).

5. SECURITIES HOLDINGS

AS AT DECEMBER 31 ($ IN THOUSANDS)		2002		2001
	MARKET VALUE	CARRYING VALUE	MARKET VALUE	CARRYING VALUE
Securities having a quoted market value:				
Short-term securities	$ 19,629	$ 13,209	$ 18,376	$ 14,193
Mutual funds	38,732	37,538	43,677	38,449
Common shares	208,775	182,432	180,612	182,568
	267,136	233,179	242,665	235,210
Securities and other assets not having a quoted market value	4,853	4,842	4,551	4,328
	$ 271,989	$ 238,021	$ 247,216	$ 239,538

The estimated fair value of securities having a quoted market value is the market value as shown above. The estimated fair values of securities and other assets not having a quoted market value are generally assumed to equal carrying values unless there is a decline in value that is considered to be other than temporary, in which case they are written down to expected net realizable value. Short-term securities shown above include securities of mutual funds that hold short-term securities, as well as short-term instruments that are continually reinvested by the Company and are therefore included in securities holdings. Certain mutual funds are managed by subsidiaries of the Company. Certain of the above assets have been pledged as collateral security for the outstanding mortgages and the term loan payable (note 7).

6. CAPITAL ASSETS

AS AT DECEMBER 31 ($ IN THOUSANDS)			2002	2001
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Computer hardware and software	$ 3,759	$ 1,988	$ 1,771	$ 1,629
Furniture and equipment	2,128	1,212	916	741
Leasehold improvements	2,434	1,197	1,237	988
	$ 8,321	$ 4,397	$ 3,924	$ 3,358

7. LONG-TERM DEBT

AS AT DECEMBER 31 ($ IN THOUSANDS)	2002	2001
Term loan payable	$ 25,000	$ –
Mortgages payable	232	243
	25,232	243
Less: Current portion	(1,500)	–
	$ 23,732	$ 243

During the year, the Company converted bank overdrafts to a $25,000,000 bank term loan, bearing interest at the prime rate. The loan provides for monthly principal repayments of $250,000 each, for the period from July, 2003 to May, 2007, with the balance of $13,250,000 due in June, 2007. Certain assets have been pledged as collateral for this loan.

The mortgages payable were due on March 1, 2003, at which time they were renewed to March 1, 2005, at a rate of 5.60 %. The mortgages are in connection with a holding in real estate, the assets of which are pledged as security.

8. CAPITAL STOCK

(a) Authorized

Unlimited preferred shares, without par value, may be issued in an unlimited number of series, the designation, rights, privileges, restrictions, conditions and other provisions of which are to be determined by the Board of Directors.

Unlimited Class A non-voting shares, without par value, are convertible into common shares at the option of holders of Class A shares on a one-for-one basis, under certain terms and conditions, the highlights of which are as follows:

- If in excess of 50% of the common shares are acquired by any person other than an insider of the Company, the Class A shares may be converted to common shares; and
- 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 purpose of the offer.

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

(b) Issued and outstanding

AS AT DECEMBER 31 ($ AND SHARES IN THOUSANDS)	2002 SHARES		2002 AMOUNT	2001 SHARES		2001 AMOUNT
Class A (c)	16,867	$	20,143	16,810	$	19,212
Common (d)	2,880		1,397	2,910		1,425
	19,747	$	21,540	19,720	$	20,637

(c) Class A shares

($ AND SHARES IN THOUSANDS)	2002 SHARES		2002 AMOUNT	2001 SHARES		2001 AMOUNT
Outstanding, beginning of year	16,810	$	19,212	16,161	$	16,602
Options exercised	170		1,036	619		2,595
Acquired and cancelled (f)	(113)		(105)	–		–
Converted from common	–		–	30		15
Outstanding, end of year	16,867	$	20,143	16,810	$	19,212

(d) Common shares

($ AND SHARES IN THOUSANDS)	2002 SHARES		2002 AMOUNT	2001 SHARES		2001 AMOUNT
Outstanding, beginning of year	2,910	$	1,425	2,949	$	1,448
Acquired and cancelled (f)	(30)		(28)	(9)		(8)
Converted to Class A	–		–	(30)		(15)
Outstanding, end of year	2,880	$	1,397	2,910	$	1,425

(e) Stock Option Plan

The Company maintains a Stock Option Plan for designated officers, directors and employees. Each stock option entitles the holder to purchase one Class A share. A summary of the status of the Company's Stock Option Plan as at December 31, and changes during the year is presented below:

(SHARES IN THOUSANDS)	2002			2001		
FIXED OPTIONS	SHARES		WEIGHTED AVERAGE EXERCISE PRICE	SHARES		WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year	1,192	$	8.42	1,911	$	6.89
Granted	225		11.00	226		8.58
Cancelled	(197)		13.08	(326)		4.88
Exercised	(170)		6.09	(619)		4.19
Outstanding, end of year	1,050		8.47	1,192		8.42

The Company currently has reserved for the grant of options a maximum of 1,613,400 Class A shares. 170,000 stock options were exercised during the current year for cash of $1,036,000, which was credited to share capital. 5,000 stock options were purchased for cancellation for $28,000, which was charged to retained earnings and an additional 197,000 stock options were cancelled in accordance with their terms.

The following table summarizes information about fixed stock options outstanding:

AS AT DECEMBER 31 (SHARES IN THOUSANDS)

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
2002					
$ 4.95 – 10.00	**725**	**3.58**	**$ 7.31**	**332**	**$ 6.36**
$ 10.01 – 14.00	**325**	**3.06**	**11.04**	**92**	**11.14**
	1,050		**$ 8.47**	**424**	**$ 7.40**
2001					
$ 4.95 – 10.00	900	3.25	$ 7.07	331	$ 6.14
$ 10.01 – 14.00	292	2.46	12.54	202	12.61
	1,192		$ 8.42	533	$ 8.59

During the year 2002, the Company granted options to purchase 225,000 Class A Shares. The fair value of these options has been determined using the Black-Scholes option-pricing model, with the following assumptions: a risk-free interest rate of 4.61%; an expected average life of the options of five years; volatility of 49% per annum in the price of the Class A Shares; and dividends on the Class A Shares increasing at one-half cent per share per annum. Based on these assumptions, and allocating the resulting compensation cost on a straight-line basis over the vesting period of the options, the compensation cost which would be recorded during the year if the Company was required to do so would be $175,000. On this basis, the Company's net earnings and earnings per share would have been reduced to the pro-forma amounts indicated below:

($ IN THOUSANDS)		**2002**
Net earnings – as reported		**$ 7,378**
Net earnings – pro-forma		**$ 7,203**
Earnings per share as reported	– Basic	**$ 0.37**
	– Diluted	**$ 0.37**
Pro-forma earnings per share	– Basic	**$ 0.36**
	– Diluted	**$ 0.36**

(f) During 2002, the Company acquired 30,000 (2001 - 9,000) of its common shares for $361,000 (2001 - $106,000), of which $333,000 (2001 - $98,000), the excess of the purchase price over the issue price, was charged directly to retained earnings. During 2002, the Company acquired 113,000 of its Class A shares for $1,240,000, of which $1,135,000, the excess of the purchase price over the issue price, was charged directly to retained earnings.

Notes to consolidated financial statements

9. INCOME TAXES

($ IN THOUSANDS)		2002		2001
The components of the total income tax provision are as follows:				
Current income taxes:				
Federal	$	–	$	(272)
Provincial		–		(136)
		–		(408)
Future income taxes:				
Federal		(1,269)		20,450
Provincial		(510)		10,015
		(1,779)		30,465
	$	(1,779)	$	30,057
The components of the future income tax balance are as follows:				
Future income tax assets:				
Loss carryforwards	$	4,248	$	3,893
Deferred items		426		396
		4,674		4,289
Less valuation allowance		602		231
Net future income tax assets		4,072		4,058
Future income tax liabilities:				
Deferred capital gains		32,295		34,070
Capital assets		438		438
Partial repatriation of earnings from foreign subsidiaries		2,227		2,217
Future income tax liabilities		34,960		36,725
Net future income tax liability	$	30,888	$	32,667

The Company and its subsidiaries have total non-capital loss carryforwards which expire as follows:

2004	$	132,000
2005		725,000
2006		671,000
2007		1,364,000
2008		7,044,000
2009		1,644,000

The benefit of $10,079,000 (2001 - $9,629,000) of these non-capital loss carryforwards has been recognized in the consolidated financial statements.

The total provision for income taxes in the consolidated statements of operations is at a rate less than the combined federal and provincial statutory income tax rate of the current year for the following reasons:

($ IN THOUSANDS)		2002		2001
Tax at the combined federal and provincial statutory income tax rate for the current year	$	**2,161**	$	67,147
Increase (decrease) in rate due to:				
Lower average tax rate applicable to foreign subsidiaries		**(20)**		829
Tax-exempt income from securities		**(2,323)**		(1,196)
Non-taxable portion of capital gains		**(50)**		(34,920)
Non-deductible expenses		**39**		1,524
Adjustment to future tax assets and liabilities for substantively enacted changes in tax rates		**(1,618)**		(3,376)
Other		**32**		49
Effective income tax	$	**(1,779)**	$	30,057

10. EARNINGS PER SHARE

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

11. COMMITMENTS AND CONTINGENCIES

The Company has leases which expire on various dates after 2002. The Company has also signed equipment maintenance and information services contracts. Future minimum payments required under these operating leases and contracts that have initial terms in excess of one year as at December 31, 2002 are as follows:

2003	$ 1,775,000
2004	1,775,000
2005	1,775,000
2006	1,649,000
2007	1,183,000
2008 and thereafter	343,000
	$ 8,500,000

The Company has guaranteed secured bank loans made to certain senior employees, of which the amount outstanding as at December 31, 2002 was $709,000.

In 1996, the Company set up an employees' profit-sharing trust. The Company guarantees a loan to this trust of up to a maximum of $6,000,000 for a third party lender.

From time to time in connection with its operations, the Company is named as defendant in actions for damages and costs allegedly sustained by the plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any significant additional loss or expense in connection with such actions. Should additional loss result from the resolution of these claims, such loss would be accounted for as a charge to income in the year in which the resolution occurs.

12. BUSINESS SEGMENTS

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

($ IN THOUSANDS)	CANADA 2002	CANADA 2001	REST OF THE WORLD 2002	REST OF THE WORLD 2001	CONSOLIDATED 2002	CONSOLIDATED 2001
Total assets	$ 215,407	$ 216,930	$ 59,606	$ 75,330	$ 275,013	$ 292,260
Revenues	$ 31,948	$ 43,826	$ 2,963	$ 839	$ 34,911	$ 44,665
Expenses:						
General	25,171	33,290	2,822	2,814	27,993	36,104
Amortization	1,231	4,928	88	132	1,319	5,060
	26,402	38,218	2,910	2,946	29,312	41,164
Earnings (loss) before income taxes	5,546	5,608	53	(2,107)	5,599	3,501
Income tax recovery	1,779	4,013	–	–	1,779	4,013
Gain on sale of subsidiary	–	126,256	–	–	–	126,256
Writeoff of goodwill	–	(3,954)	–	–	–	(3,954)
Net earnings	$ 7,325	$ 131,923	$ 53	$ (2,107)	$ 7,378	$ 129,816

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

13. PENSION EXPENSE

The Company has a defined contribution pension plan which is registered under the Pension Benefits Act of Ontario. During 2002, contributions were made to the plan by the Company in the amount of $157,000 (2001 - $226,000).

Directors and officers

BOARD OF DIRECTORS
John M. Christodoulou*
Dr. F. D. Barrett†
Peter Stormonth Darling†
James W. McCutcheon†
Michel Sales†

COMMITTEES

Governance
Dr. F. D. Barrett*†
John M. Christodoulou
James W. McCutcheon†
Michel Sales†

Compensation
Michel Sales*†
John M. Christodoulou
Dr. F. D. Barrett†

Audit
James W. McCutcheon*†
Michel Sales†
Dr. F. D. Barrett†

* Chairman
† Unrelated Directors

PRINCIPAL OFFICERS

Guardian Capital Group Limited
John M. Christodoulou
Chairman and Chief Executive Officer

Sam K. Greiss
Senior Vice-President, Operations and Corporate Development

F. Gwyer Moore
Senior Vice-President, Strategic Planning and Development

C. Verner Christensen
Vice-President, Finance and Secretary

Norman R. Fust
Vice-President, Human Resources

Michael Denuzzo
Controller

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

Gary M. Chapman
Managing Director

Robert K. Hammill
Managing Director

Peter A. Hargrove
Managing Director

D. Edward Macklin
Managing Director

John G. Priestman
Managing Director

Michael P. Weir
Managing Director

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

C. Verner Christensen
Senior Vice-President, Compliance and Secretary

Isabelle Butler
Vice-President, Account Management

Brian P. Holland
Senior Vice-President, Investment Services

Stephen T. Dennis
Vice-President, Investment Services

Nadi Naderi
Vice-President, Investment Services

Norman Kerr
Vice-President, Investment Services

Malcolm G. MacDonald
Chief Administration Officer

Michael Denuzzo
Controller

Guardian Capital Advisors Inc.
Mark S. Yamada
Managing Director

Douglas G. Farley
Senior Vice-President

G. Wayne Anderson
Senior Vice-President, Wealth Management Services

Michael G. Frisby
Senior Vice-President

Graham A. Mayes
Senior Vice-President

Adam G. Pion
Vice-President, Investment Advisory Services

Jerry Olynuk
Vice-President, Portfolio Manager

Suresh Sharma
Vice-President, Wealth Management Services

Bruce W. Hatt
Vice-President, Technology Development

Srikanth G. Iyer
Director, Portfolio Engineering and Vice-President, Research

Darryl M. Workman
Vice-President, Administration

C. Verner Christensen
Vice-President, Compliance and Secretary

Michael Denuzzo
Controller

Worldsource Wealth Management Inc.
Dianne Carmichael
President and Chief Executive Officer

Tom Wu
Chief Financial Officer, Chief Compliance Officer and Secretary

Susan Fitzpatrick
Managing Director, Operations and Administration

John Hunt
Managing Director, Business Development

Anthony Stockley
Managing Director, Technology and Advisor Relations

Corporate information

BANKERS AND PRINCIPAL CUSTODIAN
Canadian Imperial Bank of Commerce

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AUDITORS
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REGISTRAR AND TRANSFER AGENT
Computershare Trust Company of Canada

TORONTO STOCK EXCHANGE LISTING

Shares	Symbol
Common	GCG
Class A	GCG.A

ANNUAL MEETING
May 22, 2003
11:00 a.m.
The Toronto Board of Trade
Downtown Centre
77 Adelaide Street West
1 First Canadian Place
Toronto, Ontario

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GUARDIAN
Capital Group Limited