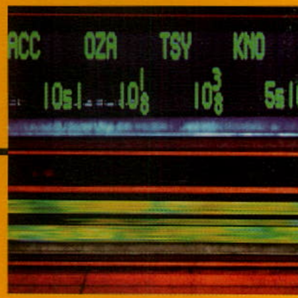


evolution

Guardian Capital Group Limited

Annual report • 2000

Mission statement

Our mission is to develop and manage complementary businesses that offer investors tailored investment products and services.

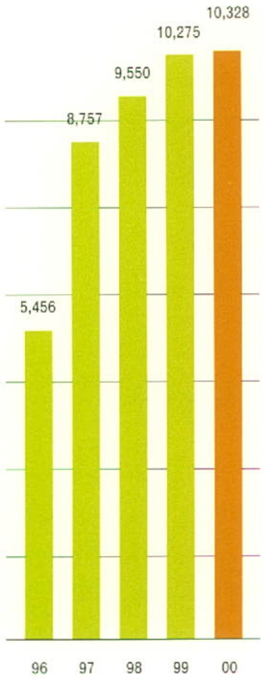
Financial highlights

(years ended December 31)

Assets under management

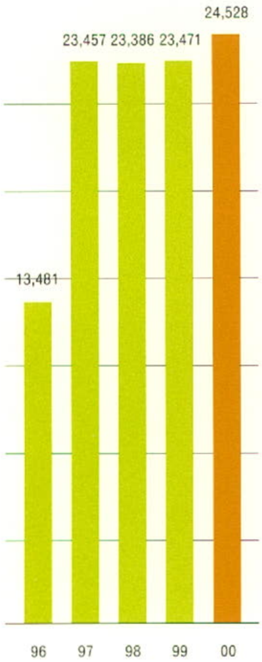
($ in millions)

Assets under management increased slightly in 2000 with growth in both institutional and private client assets under management.



EBITDA*

($ in thousands)



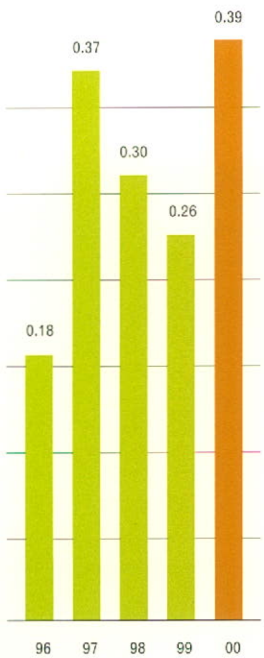
EBITDA of $24.5 million increased by 4.5% from 1999, reflecting higher earnings from capital management.

* Earnings before income taxes, depreciation, amortization, interest expense, and financing fees.

Earnings per share-fully diluted

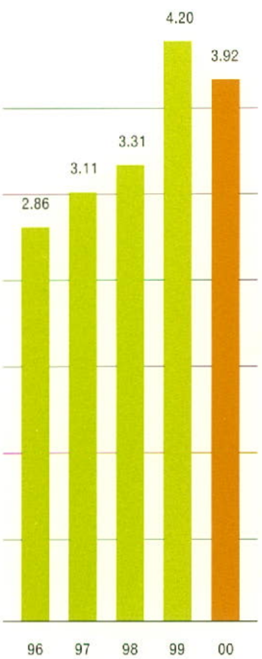
(in $)

Earnings per share were $0.39 in 2000, an increase of 50.0% over 1999 due to an increase in operating earnings and a reduction of future income taxes.



Corporate holdings of securities per share

(in $)



Corporate holdings of securities per share, decreased by 6.7% to $3.92 at the end of 2000. The decrease was due to corrections in the global capital markets.

Report to shareholders

...2000 was notable for producing positive financial results in challenging capital markets.

The year 2000 was notable for producing positive financial results in challenging capital markets. Improvements were achieved in earnings per share as well as in earnings before interest expense, financing fees, income taxes, and depreciation and amortization ("EBITDA"). As importantly, good progress was made in building the essential ingredients for achieving long-term client satisfaction.

Our core strategy continues to be to manage the evolution of autonomous but complementary businesses. It is our ability to meet and anticipate the needs of our clients that will ultimately be the measure of our success. Each of our businesses offers clients a global range of investment products and services. The businesses are differentiated through the tailoring of these products and services to the specific client base within each sector. We have a unique position in the Canadian market in that through our five main businesses, we have the ability to reach a broad cross-section of investors in almost every sector. Our depth of capital resources provides us with the flexibility to invest strategically in the development of our businesses. Some significant developments during the past year were:

- Our institutional investment management business, Guardian Capital Inc., began a substantial upturn in the relative performance of its key Canadian equity products during 2000, which has continued into 2001. Maintaining its investment disciplines and avoiding the technology stock mania was well rewarded as the year unfolded.

- Our mutual fund business, Guardian Group of Funds Ltd., continued to diversify by investment style and products. Encouragingly, the rate of mutual fund sales strengthened and redemptions declined during 2000. These trends have continued into 2001.

* CMG-Worldsource Financial Services Inc., our mutual fund dealership, achieved substantial growth in the number and quality of registered advisors and contributed to Guardian's earnings in 2000.

* We continued to invest in the growth of our private client business, Guardian Capital Advisors Inc., which realized a healthy growth in client assets under management and management fees during 2000.

The Board of Directors of Guardian is pleased to declare a dividend this year of $0.12 per share.

Mr. Mark Golding, previously our President and Chief Operating Officer and currently our Vice-Chairman, will not stand for re-election to the Board of Directors at this year's Annual Meeting. After many distinguished years as a senior executive and Director, Mr. Golding is preparing himself for retirement, but will remain with Guardian in an advisory capacity.

We are confident that looking forward, Guardian is better positioned for the future to build on its long history of success. Our success is a direct result of the support and confidence of our clients and the continued dedication and hard work of our Associates, to whom we offer our thanks.

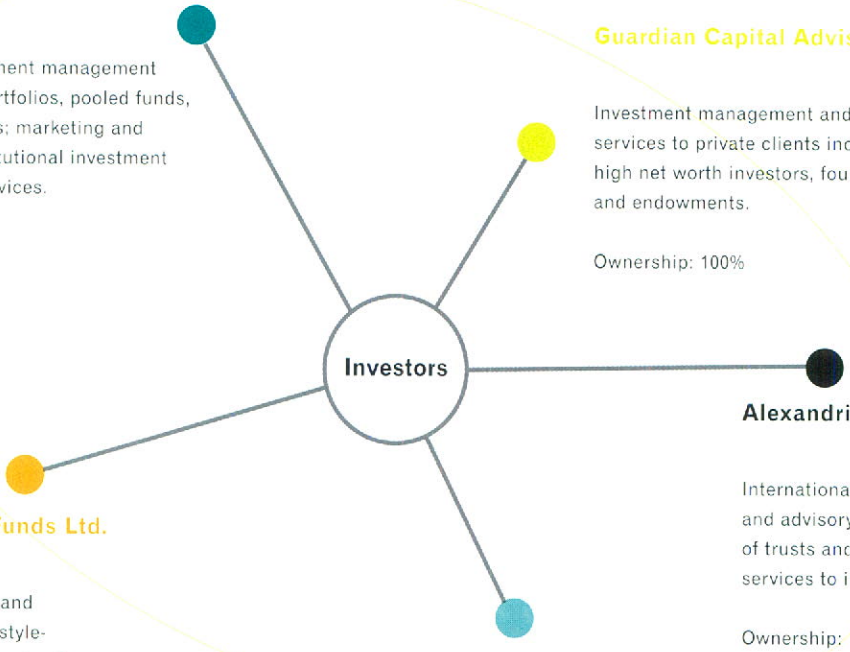
Warmest regards to all,

John M. Christodoulou
Chairman and Chief Executive Officer
March 22, 2001

...we have the ability to reach a broad cross-section of investors in almost every sector.

Who we are

Guardian Capital Group Limited is a financial services company with five main businesses, each of which offers a range of tailored investment products and services to investors in its sector.



Guardian Capital Inc.

Canadian investment management of segregated portfolios, pooled funds, and mutual funds; marketing and servicing of institutional investment products and services.

Ownership: 100%

Guardian Capital Advisors Inc.

Investment management and advisory services to private clients including high net worth investors, foundations and endowments.

Ownership: 100%

Alexandria Bancorp Limited

International investment management and advisory services, administration of trusts and corporations, and other services to international clients.

Ownership: 100%

Guardian Group of Funds Ltd.

Management, marketing, and wholesale distribution of style-diversified mutual funds under the brands:

- GGOF Alexandria Growth Funds
- GGOF Centurion Value Funds
- GGOF Guardian Funds

Ownership: 100%

Worldsource Holdings Corp.

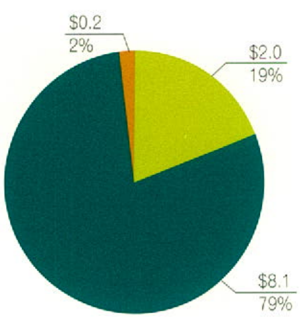
Holding company that owns a mutual fund dealership which distributes Guardian and other mutual funds to investors.

Ownership: 94%

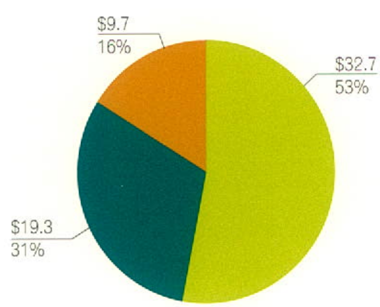
Review of operations

Guardian's operations remain focused on five business units. The two largest business units, which account for the majority of Guardian's financial results, comprise Guardian Capital Inc., which serves institutional investors, and Guardian Group of Funds Ltd., which serves mutual fund investors. The remaining business units, which are in various stages of development, comprise Guardian Capital Advisors Inc., which serves private clients; Worldsource Holdings Corp., which has an investment in a mutual fund dealership; and Alexandria Bancorp Limited, which serves international clients.

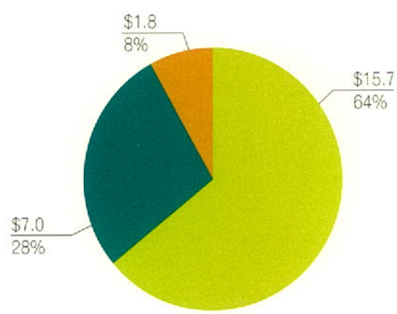
Assets under management
$10.3 billion



Revenue
$61.7 million

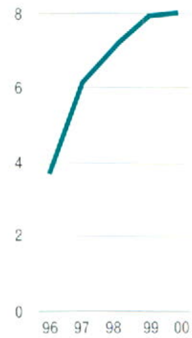


EBITDA
$24.5 million

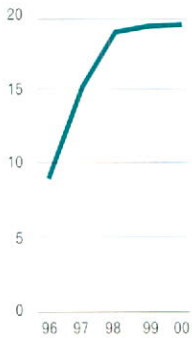


- Mutual funds
- Institutional
- Other

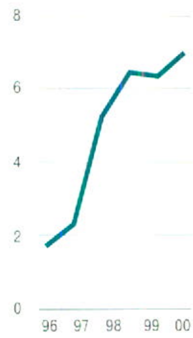
Guardian Capital Inc.



Assets under management
($ billions)



Revenue
($ millions)



EBITDA
($ millions)

...during 2000, Canadian equity and fixed income products substantially exceeded the relevant indices.

Guardian Capital Inc. provides a comprehensive range of domestic and global investment management services to the institutional market and to other Guardian business units. Guardian Capital Inc. has one of the broadest product ranges among Canadian institutional investment managers spanning equity, fixed-income, and balanced investment mandates. Through its investment managers in Toronto, and its strategic relationships with leading global investment managers, Guardian Capital Inc. manages segregated portfolios and pooled funds and is the sub-advisor with the largest share of assets within Guardian's group of mutual funds.

Guardian Capital Inc. is the 17th largest pension investment manager in Canada, as ranked in the most recent Pension Benefits Canada survey. Guardian Capital Inc. is still growing in assets under management and there is ample opportunity for it to increase market share in the pension market.

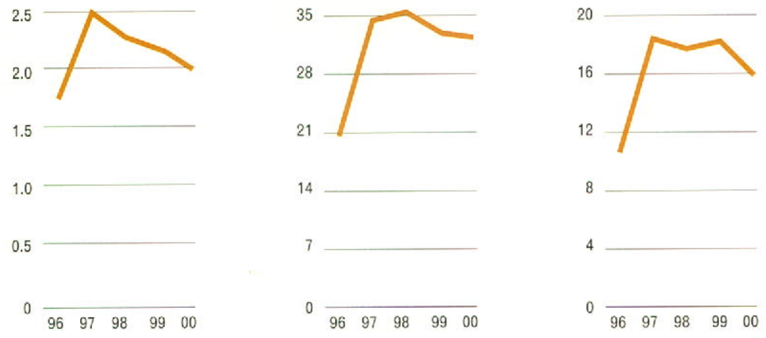
In 2000, Guardian Capital Inc. undertook a number of new initiatives. It enhanced its portfolio management capabilities by adding two senior Canadian equity portfolio managers, an investment research analyst, and a senior equity trader. Also, the marketing and servicing functions were separated and a senior marketing executive was added, thereby strengthening both areas. A Director of Administration was recruited to focus on operations, and a new portfolio management and accounting system was put in place in early 2001.

During 2000, Guardian Capital Inc.'s Canadian equity and fixed income products performed well, substantially exceeding the relevant indices and achieving above-median performance. Despite some client losses, primarily relating to previous years' performance due to an underweighting in technology stocks, client assets under management rose slightly in 2000, as did revenue and EBITDA. The positive performance trend and the creation of several new products, including an "enhanced" core Canadian equity product and a high-yield corporate bond product, is expected to attract new client assets.

Going into 2001, Guardian Capital Inc. has strong investment management, client service and operational capabilities, which, coupled with the enhancement of its marketing group, will facilitate better and broader coverage of the consultant and plan sponsor community. As a result, Guardian Capital Inc. is well positioned to achieve its objective of sustained growth in client assets under management through product innovation, good long-term performance, and exceptional client service.

Guardian Group of Funds Ltd.

...we now offer mutual fund investors a greater choice of investment styles and pricing flexibility.



Assets under management ($ billions)

Revenue ($ millions)

EBIDTA ($ millions)

Guardian Group of Funds Ltd., known as GGOF, performs the management, marketing and wholesale distribution of mutual funds through financial intermediaries, such as stockbrokers and financial planners.

In 2000, GGOF focused strategically on offering mutual fund investors a greater choice of both investment styles and pricing flexibility. GGOF continued to develop its style diversification capabilities by reorganizing its mutual funds into three separately branded sub-families distinguished by investment style – GGOF Alexandria Growth Funds, GGOF Centurion Value Funds, and GGOF

Guardian Blend Funds. GGOF also increased its pricing flexibility for financial intermediaries by introducing a third pricing option – "F" shares, which are designed for fee-for-service advisors and for inclusion in third-party "wrap" programs.

GGOF currently offers 31 mutual funds, using six different domestic and global investment managers as sub-advisors. GGOF built its own value style investment management team early in 2000. This team has significantly improved the performance of the Centurion Canadian Balanced Fund and is off to a good start with the newly launched Centurion Canadian Value Fund.

The sales capability of GGOF was enhanced during 2000 by the hiring of new regional sales managers in Calgary, Winnipeg and Halifax. The web site of GGOF was re-designed this year and now offers even greater value to mutual fund investors and intermediaries. A French language web site was launched early in 2001, and additional enhancements are scheduled for the middle of 2001.

The 2000 financial results reflect the investment in resources expended in implementing strategic initiatives. GGOF continues to be the largest contributor to EBITDA among the Guardian businesses. Increased sales volumes and lower redemptions should be further helped by a substantial increase in the number of funds with first or second quartile performance. The improving sales outlook is expected to produce tangible results in terms of growth in both assets under management and EBITDA.

Guardian Capital Advisors Inc.

Guardian Capital Advisors Inc. serves the investment management needs of private clients including high net worth individuals, foundations and endowments. Services are provided on a fully discretionary basis using pooled and segregated portfolios.

The assets under management by Guardian Capital Advisors Inc. grew from $109 million at the end of 1999 to $188 million during the course of the year, a 72% increase. Guardian Capital Advisors Inc. continues to add assets through the ongoing efforts of its experienced portfolio managers in Toronto and Vancouver who offer clients customized investment solutions. Personal discretionary money management is the sole focus of Guardian Capital Advisors Inc., and its professionals never compromise their principle of placing clients' interests first. In the current competitive environment, the attention to personalized service and customized solutions offered by Guardian Capital Advisors Inc. is an important competitive advantage.

To enhance its capabilities in meeting the needs of its clients, Guardian Capital Advisors Inc. has added a tax specialist to the Vancouver team and will open offices in markets across the country as opportunities present themselves. Assets under management are expected to grow at or above the current rate for 2001 through expanded product and service offerings and through additions to professional staff.

Guardian Capital Advisors Inc. enhanced its web site during 2000 and plans to fully launch its Internet-enabled strategy during 2001, market conditions permitting. The Internet-enabled strategy will result in administrative advantages, in addition to addressing new markets for discretionary investment management services.

Guardian Capital Advisors Inc. expects to offer services through five new offices over the next few years. Critical mass for the organization is expected to be achieved over the next two years and, while offices are budgeted to reach breakeven in the third year of operation, the reinvestment into human and technological resources will continue as required to create sustainable value.

...the attention to personalized service and customized solutions is an important competitive advantage.

Alexandria Bancorp Limited

Alexandria Bancorp Limited serves international corporations, trusts, and investors by providing trust and corporate services as well as investment management and advisory services. Alexandria Bancorp Limited also manages the Alexandria Fund, which is a global family of fixed-income and equity mutual funds, utilizing leading international sub-advisors including Lazard Asset Management, Matthews International Capital Management and Dresdner RCM Global Investors. Alexandria Bancorp Limited experienced modest growth in 2000 and made a positive contribution to Guardian's overall financial performance. It is focused on continuing the trend of prudent growth in the international financial services sector.

Worldsource Holdings Corp.

Guardian Capital Group Limited has a controlling interest in Worldsource Holdings Corp. which operates CMG-Worldsource Financial Services Inc., a mutual fund dealership. CMG-Worldsource Financial Services Inc. offers administrative and sales support services for the sale of mutual funds to associated independent financial advisors. Over the course of the year, the number of CMG-Worldsource Financial Services Inc. advisors grew from approximately 400 to over 700, and, at year-end, assets under administration amounted to over $2 billion.

A look ahead

...our strategy is to create sustainable value through the development of diversified businesses.

Guardian's strategy remains focused on the creation of sustainable value through the development of diversified businesses. The outlook for each of the five main businesses is encouraging. Guardian Capital Inc.'s consistent and prudent investment style should be particularly attractive in the current market environment. Guardian Group of Funds Ltd. now offers diversified investment styles and a wider range of products desired by financial intermediaries and mutual fund investors. In addition, Guardian Capital Advisors Inc. and CMG-Worldsource were both successful in building their platforms during the year and this growth is expected to continue through 2001.

Guardian is also committed to maintaining its strong capital base in order to have the flexibility to invest resources, as appropriate, in the development of its businesses. The investments made to enhance the competitiveness of Guardian Group of Funds Ltd. and to build Guardian Capital Advisors Inc. are expected to yield tangible results over the next several years.

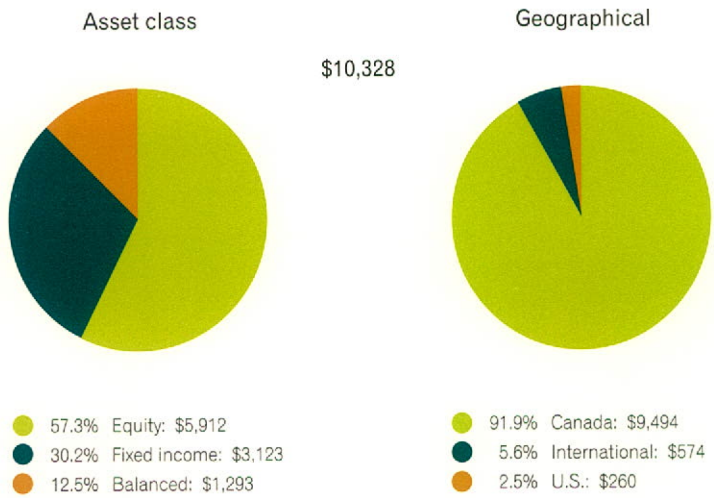
Management's discussion and analysis

Overview

The Board of Directors of Guardian Capital Group Limited consists of six members, four of whom are unrelated to the Company. With the departure of Mr. Mark Golding, the Board of Directors will consist of five members. There are four committees of the Board of Directors, with mandates in the areas of compensation, governance, audit, and ethics. Management and other insiders have a common interest with shareholders arising from their significant equity ownership in the Company. As at December 31, 2000, management and other insiders collectively held 55.0% of the Common shares of the Company. On a fully diluted basis, management and other insiders would have held 33.4% of the Common and Class A shares of the Company as at year-end.

Guardian Capital Group Limited conducts its business primarily through four wholly owned operating subsidiaries and a majority investment in a mutual fund dealership holding company. The bulk of assets under management, and consequently revenue and earnings, are in the institutional and mutual fund business units.

2000 Assets under management
As at December 31 ($ in millions)



Client assets under management

As at December 31 ($ in millions)	2000	1999	Change $	Change %
Institutional	$ 8,072	$ 7,980	92	1.1
Mutual funds	1,982	2,087	(105)	(5.0)
Other	274	208	66	31.7
Total	$ 10,328	$ 10,275	53	0.5

As a result of good investment performance, institutional assets under management at December 31, 2000 of $8.1 billion were slightly higher than the $8.0 billion at December 31, 1999, despite some lost clients.

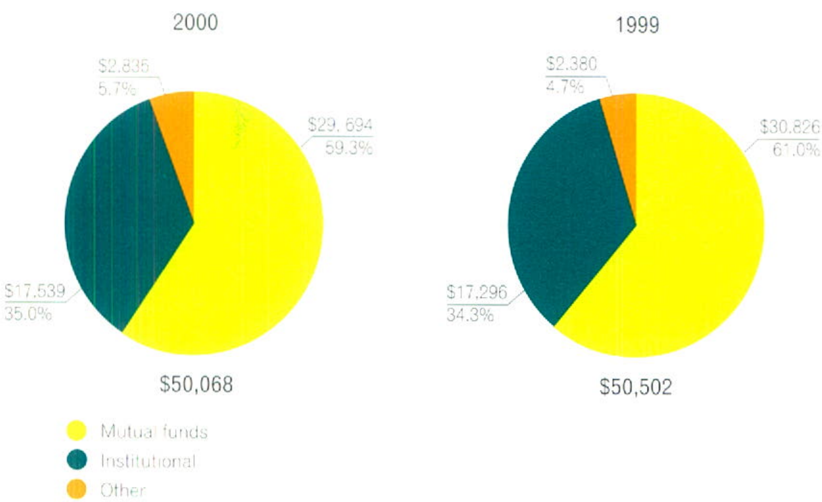
Mutual fund assets ended 2000 at $1,982 million, a decline of 5% from the end of 1999. Although gross sales were significantly higher during 2000 than in 1999, the decline in assets under management resulted substantially from net redemptions in three funds.

Gross revenue

Guardian's primary business activities involve investing client assets in Canadian and foreign equity and bond markets, in return for which we receive management fees based primarily on the market value of the assets under management. Gross revenues for the year ended December 31, 2000 were $61.7 million, 5% more than in the prior year. Management fees from institutional assets under management of $17.5 million were $0.2 million or 1% more than the management fees earned in 1999. Management fees from mutual funds are based on the daily net asset value in each of the funds. Average assets under management for 2000 were lower than in 1999, resulting in net management fees of $29.7 million, $1.1 million or 3.7% less than in the prior year.

Management fees

Years ended December 31 ($ in thousands)



While redemption fees for the year of $3.0 million were higher than the $2.5 million for 1999, the rate of redemptions slowed significantly through 2000.

Sales commissions relate to CMG-Worldsource, our mutual fund dealer subsidiary. Sales commissions are earned by CMG-Worldsource from the sale of mutual funds by its sponsored representatives. Net sales commissions of $3.8 million were 46% higher than the $2.6 million received in 1999, reflecting both a larger number of CMG-sponsored representatives and an increase in mutual fund sales.

Expenses

Total expenses increased by 4% to $52 million for the year ended December 31, 2000 as compared to the same period in 1999. Operating expenses rose by 6% to $37.2 million in 2000, but remained substantially the same, as a percentage of total revenue.

Operating expenses

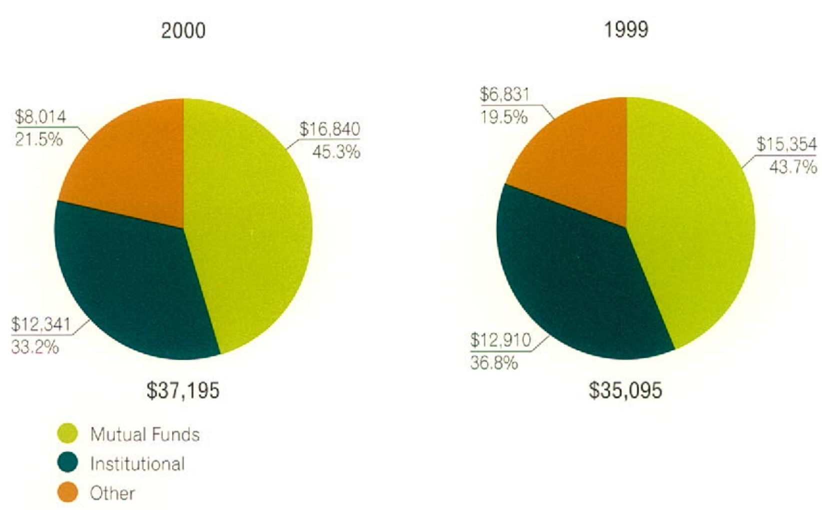
Years ended December 31 ($ in thousands)			Change	
	2000	1999	$	%
Operating expenses (1)	**$ 37,195**	$ 35,095	2,100	6.0
As a % of:				
Total revenue	**60.3**	59.9		
Average client assets	**0.36**	0.36		

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

A substantial portion of the increase in operating expenses relates to the diversification by investment style and product by GGOF. In the management and administration of the mutual funds, certain expenses are incurred, which

Operating expenses

Years ended December 31 ($ in thousands)



are recoverable from these mutual funds. In order to ensure that the mutual funds' management expense ratios remained competitive during its strategic shift to a broader choice of investment styles and product offerings, GGOF absorbed more of the expenses eligible for recovery from the mutual funds in 2000 than in 1999. Other operating expense increases relate primarily to an increase in operating costs in Guardian Capital Advisors Inc., which was more than offset by an increase in revenue over the same period. Significant expense savings were realized in institutional investment management and overall technology spending for the Company.

The largest non-operating expenses are the amortization of deferred sales commissions and financing fees. Commissions paid on the sale of deferred load mutual funds are capitalized as deferred costs and amortized over the deferred sales charge period of seven years. As the total amount of commissions financed increased during the year, the amortization of these deferred sales commissions also increased.

Financing fees represent amounts paid to the Limited Partnerships, which the Company ceased using as financing vehicles in 1997. These fees for 2000 were lower than in 1999 because the assets that had been financed by the Limited Partnerships declined.

EBITDA

EBITDA represents earnings before income taxes, interest expense, financing fees, depreciation and amortization. EBIDTA has become a benchmark measure for comparing financial services companies whose reported earnings are impacted by the different approaches to financing their operations and the different tax structures within which they operate.

Years ended December 31 ($ in thousands)			Change	
	2000	1999	$	%
EBITDA from:				
Business units	**$ 21,329**	$ 21,875	(546)	(2.5)
Capital management	**3,199**	1,596	1,603	100.4
Total	**$ 24,528**	$ 23,471	1,057	4.5
Total as a % of revenue	**39.7**	40.1		

EBITDA for the business units for 2000 was substantially the same as for 1999. Higher operating revenues, mainly from higher sales commissions and redemption fees, were offset by the higher operating expenses discussed above.

EBITDA relating to capital management is considerably higher than in 1999, primarily due to realized gains.

Net income and earnings per share

Years ended December 31 ($ in thousands, except per share figures)	2000	1999	Change $	Change %
EBITDA	**$ 24,528**	$ 23,471	1,057	4.5
Less: Depreciation and amortization	**7,366**	6,774	592	8.7
Interest	**1,839**	1,637	202	12.3
Financing fees	**5,572**	6,583	(1,011)	(15.4)
Income taxes	**2,312**	3,511	(1,199)	(34.2)
Net income	**$ 7,439**	$ 4,966	2,473	49.8
Effective tax rate (%)	**23.7**	41.4		
Net earnings as a % of revenue	**12.1**	8.5		
Return on average equity (%)	**13.1**	9.3		
Earnings per share fully diluted	**$ 0.39**	$ 0.26		

Net income for the year was $ 7.4 million, or $ 0.39 per share, fully diluted. This represents an increase of 50% from net income of $5.0 million, or $0.26 per share, fully diluted, in 1999. Higher EBITDA and investment income contributed directly to higher net income. In 2000 the Company adopted the recommendations in CICA Handbook Section 3465, Income Taxes. The effect of these changes was to reduce our future income taxes by $1,379, as well as to reduce our effective tax rate. As corporate income tax rates levied by both the federal and provincial governments decline as enacted in the relevant legislation, future income taxes will be paid at lower rates than those that prevailed when the related tax liabilities arose. The impact of lower tax rates accounts for the majority of the reduction in our future income taxes.

Basic and fully diluted earnings per share are the same because the income that would be earned on the proceeds from the issuance of stock options, if all stock options outstanding were to be exercised at their strike prices, would have offset the dilutive effect of increasing the number of shares outstanding in calculating earnings per share.

Cash flow per share

Years ended December 31 (fully diluted)	2000	1999	Change $	Change %
Earnings per share	**$ 0.39**	$ 0.26	0.13	50.0
Cash flow per share	**$ 0.53**	$ 0.58	(0.05)	(8.6)

There is a significant difference between net earnings per share and cash flow per share. The major components affecting earnings but not cash flow are amortization of deferred sales charges and depreciation and amortization, which reduce earnings but do not impact operating cash flow, while gains on sales of investments and lower future income taxes increase earnings but do not affect cash flow. Operating cash flow per share, fully diluted, of $0.53 per share was lower than the comparable figure for 1999 due to the factors described above.

Liquidity and capital resources

We strive to maintain a strong balance sheet in order to support the operations of the group and to afford us the flexibility to make the necessary investments required to develop and grow the businesses that we operate. We achieve this by making timely and appropriate use of borrowings and by maintaining a substantial pool of capital resources.

Corporate holdings of securities (including cash and equivalents)

As at December 31 ($ in thousands)	Carrying Value	Realizable Value	
	2000	2000	1999
Cash and equivalents	**$ 13,853**	$ 17,575	$ 6,956
Marketable securities	**42,376**	52,493	68,414
Unquoted securities	**4,193**	4,414	4,467
	60,422	74,482	79,837
Less: Applicable debt obligations	**(253)**	(253)	(270)
Net securities	**$ 60,169**	$ 74,229	$ 79,567

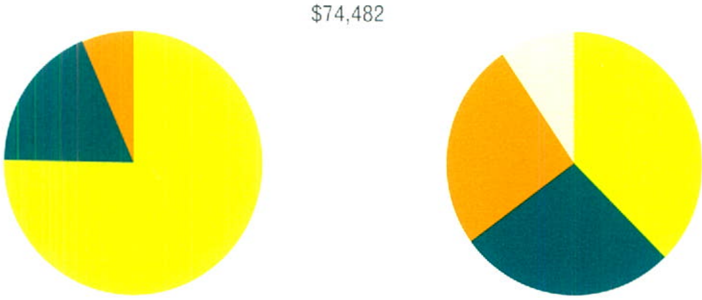
2000 Realizable value of corporate holdings

As at December 31 ($ in thousands)

Asset allocation

Currency diversification

$74,482



75.3% Equities: $56,106
18.2% Bonds: $13,542
6.5% Cash and money market mutual funds: $4,834

37.5% U.S.: $27,962
27.4% Europe: $20,375
25.6% Canada: $19,088
9.5% Asia/Pacific: $7,057

At December 31, 2000 we had total long-term borrowings of $16.3 million of which $16.1 million is limited recourse financing relating to the sale of deferred load mutual funds provided by the Multifund Income Trust. The realizable value at December 31, 2000 of corporate holdings of securities, including cash and equivalents, was $74.2 million, or $3.92 per share. Guardian's corporate holdings are managed independently of our client's assets except for those investments that are invested in Guardian's pooled funds and mutual funds. In addition, our corporate holdings are suitably diversified, from both an asset class and geographical perspective, thereby limiting the risk of significant capital erosion.

Risk factors

Managing risk is a critical element in any business in that risk can provide opportunity or cause adversity. Market volatility has an impact on the investment management business as well as on our corporate holdings of securities. It directly affects the value of client assets under management and therefore, our revenue stream. Product risk is related both to the performance of the products sold and the adequacy of the range of products available. Together, these risks can affect client confidence and the prospects for new business development. Risk is also related to our ability to anticipate and address shifts in client preferences and market forces. In both cases, our ability to meet or exceed client expectations affects our businesses. Competition exists in varying degrees in every market in which Guardian operates. In some cases, such as the fast growing high net worth sector, the most competitive markets may also offer the greatest opportunity. Finally, although regulation helps protect the integrity of our industry, as well as consumer confidence, changes to tax laws and other regulations may adversely affect the behaviour of investors.

At Guardian, we strive to minimize the negative effects of risk though business diversification. We operate in several market sectors to protect against undue exposure to any one sector, while at the same time, positioning the Company to take advantage of growth opportunities, wherever they may be. We have also diversified our products, by offering a global range of products in every major asset class. In addition, the corporate holdings of securities are diversified by currency, and by asset class.

Quarterly statistics

($ in thousands)	2000 Q1	2000 Q2	2000 Q3	2000 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4
Gross revenues	**16,005**	**14,846**	**15,030**	**15,842**	14,371	13,834	14,456	15,905
Net earnings	**1,956**	**1,322**	**1,136**	**3,025**	1,286	809	926	1,945
Shareholders' equity	**54,958**	**55,030**	**57,234**	**60,322**	54,121	51,830	52,676	53,075
Per average Common and Class A share (in $)								
Net earnings								
Basic	**0.10**	**0.07**	**0.06**	**0.16**	0.07	0.04	0.05	0.10
Fully diluted	**0.10**	**0.07**	**0.06**	**0.16**	0.07	0.04	0.05	0.10
Per Common and Class A share (in $)								
Shareholders' equity								
Basic	**2.89**	**2.90**	**3.01**	**3.17**	2.83	2.72	2.76	2.80
Fully diluted	**2.89**	**2.90**	**3.01**	**3.17**	2.56	2.45	2.50	2.50

Ten year review

($ in millions)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Value of client assets managed	**10,328**	10,275	9,550	8,757	5,456	3,800	4,001	3,634	2,585	2,328

($ in thousands)										
Gross revenues	**61,723**	58,566	62,805	57,095	36,273	23,727	24,681	14,715	9,877	8,893
Operating expenses*	**37,195**	35,095	39,419	33,636	22,792	19,145	16,495	12,401	8,400	7,080
EBITDA	**24,528**	23,471	23,386	23,457	13,481	4,582	8,186	2,314	1,477	1,813
Earnings before taxes and goodwill written off	**9,751**	8,477	8,639	11,760	5,059	2,428	6,868	1,119	383	407
Goodwill written off	–	–	–	–	–	–	–	–	–	(6,322)
Net earnings (loss)	**7,439**	4,966	5,617	7,191	3,383	2,288	5,859	1,129	425	(5,847)
Shareholders' equity	**60,322**	53,075	53,606	46,307	37,917	31,192	32,204	25,456	24,512	22,586
Corporate cash and securities (at realizable value)	**74,482**	79,567	63,175	58,710	53,694	47,366	47,673	40,035	32,026	31,749

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

(in dollars)										
Per average Common and Class A share										
Net earnings (loss) for the year										
Basic	**0.39**	0.26	0.30	0.39	0.20	0.14	0.35	0.07	0.02	(0.34)
Fully diluted	**0.39**	0.26	0.30	0.37	0.18	0.13	0.30	0.07	0.02	(0.34)
Per Common and Class A share										
Dividends paid	**0.12**	0.10	0.08	0.06	0.04	0.03	0.03	0.02	0.02	0.00
Shareholders' equity										
Basic	**3.17**	2.80	2.81	2.46	2.06	1.94	1.94	1.53	1.43	1.31
Fully diluted	**3.17**	2.50	2.53	2.21	1.93	1.56	1.57	1.21	1.16	1.08
Share prices										
Common high	**13.00**	15.50	23.00	17.28	4.17	3.96	4.00	2.54	1.92	2.00
low	**8.75**	7.50	12.60	4.00	3.42	3.50	2.33	2.13	1.50	1.43
Class A high	**9.50**	9.95	14.33	16.08	4.17	3.33	3.42	2.54	1.58	1.42
low	**4.25**	4.90	6.50	3.92	2.95	2.75	2.38	2.00	1.20	1.20

(in thousands)										
Year end Common and Class A shares outstanding										
Basic	**19,110**	18,941	19,080	18,839	18,426	16,083	16,617	16,626	17,112	17,250
Fully diluted	**21,021**	21,212	21,173	20,946	19,644	20,040	20,571	21,030	21,186	20,910

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 23 to 25. 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 22, 2001

Auditors' report

We have audited the consolidated balance sheets of Guardian Capital Group Limited as at December 31, 2000 and 1999 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, 2000 and 1999 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 1, 2001

Consolidated balance sheets

As at December 31, 2000 and 1999

($ in thousands)	2000	1999
Assets		
Current assets:		
Cash and short-term securities	$ 3,663	$ 2,526
Accounts receivable (note 3)	13,626	12,897
Prepaid expenses	244	477
Future income taxes (notes 2 and 11)	827	–
Outstanding deposits	16,236	8,044
	34,596	23,944
Financial assets (note 4)	60,422	56,286
Capital assets (note 5)	5,559	6,454
Deferred sales commission (note 6)	26,616	25,570
Goodwill	6,589	5,646
Future income taxes (notes 2 and 11)	2,092	–
	$ 135,874	$ 117,900
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank overdrafts (note 3)	$ 13,232	$ 13,686
Accounts payable and accrued expenses	13,597	11,076
Income taxes payable	2,883	182
Capital lease obligations	–	110
Leasehold inducements (note 8)	336	336
Outstanding deposits	16,154	8,021
	46,202	33,411
Limited Recourse Secured Note (note 7)	13,663	16,813
Participation Certificates (note 7)	2,414	2,414
Leasehold inducements (note 8)	1,523	1,813
Long-term debt (note 9)	253	270
Future income taxes (notes 2 and 11)	11,497	10,104
	75,552	64,825
Shareholders' equity		
Capital stock (note 10)	18,050	17,151
Foreign currency translation adjustment	5,390	3,754
Retained earnings	36,882	32,170
	60,322	53,075
	$ 135,874	$ 117,900

See accompanying notes to consolidated financial statements.

On behalf of the Board

James W. McCutcheon
Director

John M. Christodoulou
Director

Consolidated statements of operations

Years ended December 31, 2000 and 1999

($ in thousands, except per share amounts)	2000	1999
Revenues		
Management fees	$ 50,068	$ 50,502
Sales commissions	3,782	2,576
Income from securities	3,199	1,596
Administrative services	1,687	1,369
Redemption fees	2,987	2,523
	61,723	58,566
Expenses		
Expenses, exclusive of undernoted items	37,195	35,095
Financing fees	5,572	6,583
Depreciation and amortization	2,070	2,382
Amortization of deferred sales commission	5,296	4,392
Interest on secured note (note 7)	750	908
Other interest	1,089	729
	51,972	50,089
Earnings before the undernoted	9,751	8,477
Provision for income taxes (notes 2 and 11)	2,312	3,511
Net earnings	$ 7,439	$ 4,966
Earnings per Class A and common share (note 13):		
Basic	$ 0.39	$ 0.26
Fully diluted	$ 0.39	$ 0.26
Weighted average number of Class A and common shares outstanding (in thousands):		
Basic	19,037	19,073
Fully diluted	20,951	21,147

See accompanying notes to consolidated financial statements.

Consolidated statements of retained earnings

Years ended December 31, 2000 and 1999

($ in thousands)	2000	1999
Retained earnings, beginning of year	$ 32,170	$ 30,043
Change in accounting policy (note 2)	147	–
Net earnings	7,439	4,966
	39,756	35,009
Less		
Dividends paid	2,273	1,909
Excess of purchase price over issue price on Company's capital stock acquired (note 10)	601	930
	2,874	2,839
Retained earnings, end of year	$ 36,882	$ 32,170

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

Years ended December 31, 2000 and 1999

($ in thousands)	2000	1999
Cash from operations		
Net earnings	$ 7,439	$ 4,966
Add (deduct) items not involving cash		
Amortization of leasehold inducements	(290)	(335)
Depreciation and amortization	1,930	2,225
Amortization of deferred sales commission	5,296	4,392
Amortization of goodwill	140	157
Future income taxes	(1,379)	3,145
Net gain on sale of securities	(2,647)	(1,072)
	10,489	13,478
Change in non-cash working capital		
Accounts receivable	(729)	(535)
Prepaid expenses	233	216
Outstanding deposits	(8,192)	3,980
Accounts payable and accrued expenses	2,521	1,841
Outstanding deposits	8,133	(4,009)
Income taxes payable	2,701	182
	15,156	15,153
Financing activities		
Net decrease in Limited Recourse Secured Note	(3,150)	(2,918)
Decrease in capital lease obligation	–	(112)
Stock options exercised	1,036	98
Acquisition of capital stock	(738)	(1,099)
Capital lease obligation	(110)	(389)
Dividends paid	(2,273)	(1,909)
Decrease in long-term debt	(17)	–
	(5,252)	(6,329)
Investing activities		
Repurchase of subsidiaries minority shares	(1,083)	(814)
Acquisition of securities	(13,443)	(7,794)
Commission paid	(6,342)	(6,407)
Proceeds on sale of securities	11,954	4,731
Purchase of capital assets	(1,035)	(1,855)
Foreign currency translation adjustment	1,636	(2,587)
	(8,313)	(14,726)
Net change in cash and short-term securities, net of bank loan and overdrafts	1,591	(5,902)
Cash and short-term securities, net of bank overdrafts, beginning of year	(11,160)	(5,258)
Cash and short-term securities, net of bank overdrafts, end of year	$ (9,569)	$ (11,160)
Represented by		
Cash and short-term securities	$ 3,663	$ 2,526
Bank overdrafts	(13,232)	(13,686)
	$ (9,569)	$ (11,160)
Supplemental cash flow information		
Interest paid	$ 1,857	$ 1,632
Income taxes paid	1,707	991
Dividends paid	2,273	1,909

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.

(b) Financial assets

Securities are carried at cost, and are written down 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.

(c) Cash and short-term securities

Cash and short-term securities includes liquid short-term instruments. Cash and short-term securities are recorded at cost, which approximates net realizable value.

(d) Capital assets

Capital assets are recorded at cost, less accumulated depreciation and amortization. Computer hardware and software are depreciated on a straight-line basis over three years. The majority of the furniture and equipment is depreciated 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.

(e) Capital leases

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

(f) Leasehold inducements

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

(g) Goodwill

Goodwill represents the excess of the purchase price over the fair value of tangible net assets acquired and is being amortized on a straight-line basis over forty years. Goodwill is written down when it is considered that an impairment in value that is other than temporary has occurred. The Company reviews the recoverability of unamortized goodwill on an ongoing basis by assessing the financial condition of the acquired businesses.

(h) Deferred sales commission

The commission paid on the sale of deferred load mutual fund units is capitalized and amortized over seven years, which is the period over which the income stream associated with the underlying assets is expected to extend.

(i) Participation Certificates

The Company has sold the right evidenced by Participation Certificates, under a Participation Agreement to Multi-Fund Income Trust (the "Trust") such that the Trust receives a portion of the management fees and redemption charges from the Company's mutual funds or "Participation Fees," as described in note 7. The amount received from the sale of Participation Certificates has been deferred on the balance sheet and will be amortized to income over the period from commencement of payment of Participation Fees to the end of the life of the Trust, estimated to be on or about April 30, 2013.

(j) Revenue recognition

The Company provides management, investment advisory and transfer agency 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.

(k) 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.

(l) Stock option plan

The Company has a stock-based compensation plan. No compensation expense is recognized for this plan when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital.

(m) Income taxes

The Company follows the 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.

(n) Use of estimates

The preparation of the financial statements in conformity with 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.

(o) Financial instruments

The book values of financial instruments other than those described in notes 4 and 7, such as cash and short-term securities, accounts receivable, outstanding deposits, bank overdrafts, and accounts payable and accrued expenses are considered to approximate fair values.

2. Change in accounting policy

Effective January 1, 2000, the Company retroactively adopted the accounting recommendations in CICA Handbook Section 3465, Income Taxes. The comparative statements have not been restated, as permitted by this Section. Section 3465 requires a change from the deferral method of accounting for income taxes under CICA Handbook Section 3470, Corporate Income Taxes, to the asset and liability method of accounting for income taxes. Under the asset and liability method of Section 3465, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Under Section 3465, the effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. The effect of this accounting policy change is an increase in retained earnings as at January 1, 2000 of $147,000 and an increase in current year income of $1,379,000.

3. Accounts receivable

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

4. Financial assets

As at December 31 ($ in thousands)	2000		1999	
	Market value	**Carrying value**	Market value	Carrying value
Securities having a quoted market value				
Short-term securities	$ 17,575	$ 13,853	$ 20,930	$ 17,872
Capital in mutual funds	50,254	40,144	52,121	31,677
Diversified common share holdings	2,239	2,232	2,319	2,492
	70,068	56,229	75,370	52,041
Securities not having a quoted market value	4,414	4,193	4,467	4,245
	$ 74,482	$ 60,422	$ 79,837	$ 56,286

The estimated fair value of securities having a quoted market value is the market value as shown above. The estimated fair value of securities not having a quoted market value are generally assumed to equal carrying value unless there is a decline in value that is considered to be other than temporary, in which case, the investments are written down to expected net realizable value. These securities are investments in investment funds, real estate and untraded company stock. The mutual funds are managed by subsidiaries of the Company. Certain of the above investments have been pledged as collateral security for the outstanding mortgages payable (note 9).

5. Capital assets

As at December 31 ($ in thousands)	2000			1999
	Cost	**Accumulated depreciation and amortization**	**Net book value**	Net book value
Computer hardware and software	$ 6,663	$ 4,453	$ 2,210	$ 2,764
Furniture and equipment	2,026	991	1,035	750
Leasehold improvements	3,574	1,260	2,314	2,940
	$ 12,263	$ 6,704	$ 5,559	$ 6,454
Included in capital assets are the following under capital leases	$ –	$ –	$ –	$ 321

6. Deferred sales commission

As at December 31 ($ in thousands)	2000	1999
Total commission paid	**$ 40,150**	$ 33,808
Less accumulated amortization	**13,534**	8,238
	$ 26,616	$ 25,570

7. Limited Recourse Secured Note and Participation Certificates

The Secured Note and Participation Certificates are payable to the Multi-Fund Income Trust (the "Trust"). The Secured Note and Participation Certificates were used to finance the commission costs relating to the sale of mutual funds under the deferred load option (the "financed units"). The Trust finances the commission payable to the dealers and the Company. Of the amount financed by the Trust, 90% is repayable as a Limited Recourse Secured Note which bears interest at 5% per annum, and is repayable monthly out of the portion of the management fee relating to the financed units, and all fees received on redemption of the financed units through a retention account, being applied first to interest and then to principal. Interest is accrued daily and payable monthly in arrears. During the year, $750,000 (1999 - $908,000) of interest was payable. The remaining 10% of the amount financed represents the sale of Participation Fees to the Trust through the Participation Certificates, such that on the complete repayment of the Secured Note the Participation Agreement becomes effective, whereby the Trust receives the same income stream as that paid on the Secured Note, until such time as the financed units are all redeemed or April 30, 2013, if earlier. Both the Secured Note and the Participation Certificates are secured by the retention account, and the Trust has no recourse to any other assets of the Company. The fair values of the Limited Resource Secured Note and Participation Certificates are not readily determinable.

8. Leasehold inducements

During 1994, the Company moved substantially all of its operations into new premises. Leasehold inducements received are being amortized over the period of the lease. In 1998, an option in the original lease was exercised to substantially increase the size of premises leased. Additional leasehold inducements received are also being amortized over the remaining period of the lease.

9. Long-term debt

As at December 31 ($ in thousands)	2000	1999
Mortgages payable	**$ 253**	$ 270

The mortgages payable bear interest at 7.60% and are due on March 1, 2001. The mortgages are in connection with an investment in a condominium, the assets of which are pledged as security.

10. 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 terms and conditions described in the Special Resolution of the Company dated May 25, 1994 Highlights of the terms and conditions 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)	2000		1999	
	Shares	**Amount**	Shares	Amount
Class A ((c) below)	**16,161**	**$ 16,602**	15,989	$ 15,701
Common ((d) below)	**2,949**	**1,448**	2,952	1,450
	19,110	**$ 18,050**	18,941	$ 17,151

(c) Class A shares

	2000 Shares	2000 Amount	1999 Shares	1999 Amount
Outstanding, beginning of year	**15,989**	**$ 15,701**	16,123	$ 15,765
Options exercised	**317**	**1,036**	40	99
Acquired ((f) below)	**(145)**	**(135)**	(174)	(163)
Outstanding, end of year	**16,161**	**$ 16,602**	15,989	$ 15,701

(d) Common shares

	2000 Shares	2000 Amount	1999 Shares	1999 Amount
Outstanding, beginning of year	**2,952**	**$ 1,450**	2,957	$ 1,457
Acquired ((f) below)	**(3)**	**(2)**	(5)	(7)
Outstanding, end of year	**2,949**	**$ 1,448**	2,952	$ 1,450

(e) Stock Option Plan

The Company maintains a Stock Option Plan for designated Officers, Directors, consultants and employees. Each stock option entitles the holder to purchase one common share. A summary of the status of the Company's Stock Option Plan as of December 31, 2000 and changes during the year is presented below:

($ and shares in thousands)	2000		1999	
Fixed options	**Shares**	**Weighted average exercise price**	Shares	Weighted average exercise price
Outstanding, beginning of year	**2,271**	**$ 7.26**	2,045	$ 7.34
Granted	**427**	**7.76**	296	5.89
Cancelled	**(470)**	**11.90**	(30)	5.41
Exercised	**(317)**	**3.27**	(40)	2.48
Outstanding, end of year	**1,911**	**$ 6.89**	2,271	$ 7.26

The Company currently has reserved for the grant of options a maximum of 2,002,000 Class A shares. 317,000 stock options were exercised during the current year for cash of $1,036,000 and have been credited to share capital.

The following table summarizes information about fixed stock options outstanding at December 31, 2000 ($ and 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
$ 1.50 – 4.95	355	1.25	$ 2.62	345	$ 2.55
$ 5.00 – 9.00	1,174	3.78	6.48	365	5.56
$ 10.00 – 14.00	382	3.14	12.13	268	12.18
	1,911		$ 6.89	978	$ 6.31

(f) During 2000, the Company acquired 145,000 (1999 - 174,000) of its own Class A shares for $715,000 (1999 - $1,049,000) of which $580,000 (1999 - $886,000) was charged directly to retained earnings. Also during 2000, the Company acquired 3,000 (1999 - 5,000) of its own common shares for $23,000 (1999 - $50,000), of which $21,000 (1999 - $44,000) was charged directly to retained earnings.

11. Income taxes

($ in thousands)	2000	1999
The components of the total income tax provision are as follows:		
Current income taxes:		
Federal	**$ 2,433**	$ 1,570
Provincial	**1,258**	812
	3,691	2,382
Future income taxes:		
Federal	**(909)**	744
Provincial	**(470)**	385
	(1,379)	1,129
	$ 2,312	$ 3,511
The components of the total income tax provision are as follows:		
Future income tax assets:		
Loss carryforwards	**$ 2,788**	$ 2,158
Deferred items	**1,739**	2,067
Corporate minimum tax carryforwards	**751**	503
	5,278	4,728
Less valuation allowance	**188**	–
Net future income tax assets	**5,090**	4,728
Future income tax liabilities:		
Deferred sales commissions	**10,875**	11,862
Capital assets	**574**	751
Partial repatriation of earnings from foreign subsidiaries	**2,219**	2,219
Future income tax liabilities	**13,668**	14,832
Net future income tax liability	**$ (8,578)**	$ (10,104)

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

2003	$ 236,000
2004	132,000
2005	4,527,000
2006	679,000
2007	1,345,000

The benefit of $6,431,000 (1999 - $4,905,000) 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)	2000	1999
Tax at the combined federal and provincial statutory income tax rate for the current year	$ 4,290	$ 3,730
Increase (decrease) in rate due to:		
Lower average tax rate applicable to foreign subsidiaries	(489)	(352)
Tax-exempt income from securities	(42)	–
Non-taxable portion of capital gains	(283)	(96)
Non-deductible expenses	164	121
Non-capital loss carryforwards not recognized	49	149
Non-capital loss carryforwards previously not recognized	(93)	–
Adjustment to future tax assets and liabilities for substantively enacted changes in tax rates	(948)	–
Reduction in valuation allowance	(416)	–
Large Corporations Tax and Corporate Minimum Tax	89	–
Other	(9)	(41)
Effective income tax	$ 2,312	$ 3,511

12. Worldsource Holdings Corp.

During 2000, the Company increased its ownership of Worldsource Holdings Corp. to 93.6% from 81.45% through the purchase of shares from minority shareholders. Worldsource Holdings Corp. is the holding company of CMG-Worldsource Financial Services Inc., a mutual fund dealership. Minority interest is not recorded until all losses which have been borne by the Company are eliminated by subsequent earnings.

13. 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.

Fully diluted earnings per share are calculated by dividing the adjusted earnings for each year by the weighted average of outstanding Class A and common shares and the shares which would have been issued upon exercise of options effective at the beginning of each year. The adjusted earnings for the year include $639 (1999 - $730) of after-tax imputed earnings relating to the monies that would be received from the exercise of all options, calculated using an imputed rate of return of 8.5%.

14. Commitments and contingencies

The Company has leases which expire on various dates after 2000. 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, 2000 are as follows:

2001	$ 2,230,000
2002	2,230,000
2003	2,230,000
2004	2,230,000
2005	2,230,000
2006 and thereafter	2,852,000
	$ 14,002,000

The Company has guaranteed secured bank loans made to certain senior employees, to a maximum of $1,350,000 as at December 31, 2000.

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.

15. Business segments

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

	Canada		Rest of the World		Consolidated	
($ in thousands)	**2000**	1999	**2000**	1999	**2000**	1999
Total assets	**$ 74,823**	$ 67,725	**$ 61,051**	$ 50,175	**$ 135,874**	$ 117,900
Revenue	**$ 58,541**	$ 55,250	**$ 3,182**	$ 3,316	**$ 61,723**	$ 58,566
Expenses:						
General	**42,536**	41,135	**2,070**	2,180	**44,606**	43,315
Depreciation and amortization	**7,366**	6,774	**–**	–	**7,366**	6,774
	49,902	47,909	**2,070**	2,180	**51,972**	50,089
Earnings before income taxes	**8,639**	7,341	**1,112**	1,136	**9,751**	8,477
Income tax provision	**(2,312)**	(3,511)	**–**	–	**(2,312)**	(3,511)
Net earnings	**$ 6,327**	$ 3,830	**$ 1,112**	$ 1,136	**$ 7,439**	$ 4,966

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

16. Pension expense

The Company has a defined contribution pension plan which is registered under the Pension Benefits Act of Ontario. During 2000, contributions were made to the plan by the Company in the amount of $246,000 (1999 - $230,000).

17. Comparative figures

Certain 1999 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2000.

Board of directors and committees

Board of directors

John M. Christodoulou•

F. Dermot Barrett••
Peter Stormonth Darling••
Mark A.F. Golding
James W. McCutcheon••
Michel Sales••

Committees

Governance

F. Dermot Barrett•••
John M. Christodoulou
James W. McCutcheon••

Compensation

Michel Sales•••
John M. Christodoulou
F. Dermot Barrett••

Audit

James W. McCutcheon•••
Michel Sales••
F. Dermot Barrett••

Ethics

Michel Sales•••
John M. Christodoulou
F. Dermot Barrett••

• *Chairman*
•• *Unrelated Directors*

Principal officers

Guardian Capital Group Limited

John M. Christodoulou
Chairman and Chief Executive Officer

Mark A.F. Golding
Vice-Chairman

C. Verner Chistensen
Vice-President and Secretary

Norman R. Fust
Vice-President, Human Resources

Sam K. Greiss
Vice-President, Corporate Development

Steven Rostowsky
Vice-President, Finance

Anthony Stockley
Vice-President, Technology Services

Michael Denuzzo
Controller

Guardian Capital Inc.

J.J. Woolverton
Managing Director and Chief Operating Officer

Gary C. 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 and Secretary

Isabelle Butler
Vice-President, Account Management

Brian P. Holland
Senior Vice-President, Client Services

Stephen T. Dennis
Vice-President, Investment Services

Nadi Naderi
Vice-President, Investment Services

Norman Kerr
Vice-President, Investment Services

Steven Rostowsky
Vice-President, Compliance and Chief Financial Officer

Michael Denuzzo
Controller

Guardian Group of Funds Ltd.

Harold W. Hillier
President and Chief Executive Officer

John L. Boeckh
Senior Vice-President, Marketing

C. Verner Christensen
Senior Vice-President and Secretary

Stuart J. Freeman
Senior Vice-President, Operations

Ross F. Kappele
Senior Vice-President, Sales

Gavin Graham
Vice-President, Director of Investments

R. Cameron Grout
Vice-President, Regional Sales

Gilles Lefebvre
Vice-President, Regional Sales

Jean Marier
Vice-President, Regional Sales

Jason McIntyre
Vice-President, Regional Sales

Dianna L. Price
Vice-President, Regional Sales

Nick Ribic
Vice-President, Regional Sales

Eric Valderrama
Vice-President, Regional Sales

Cristina Warlop
Vice-President, Regional Sales

Fraser Ball
Vice-President, Marketing

Irene Mitchell
Vice-President, Fund Accounting

Debbie Stansens
Vice-President, Marketing Services

Steven Rostowsky
Chief Financial Officer

Michael Denuzzo
Controller

Guardian Capital Advisors Inc.

Mark S. Yamada
Managing Director

Douglas G. Farley
Senior Vice-President

Michael G. Frisby
Senior Vice-President

Graham A. Mayes
Senior Vice-President

Adam G. Pion
Vice-President, Investment Advisory Services

Darryl M. Workman
Vice-President, Administration

Steven Rostowsky
Vice-President, Compliance and Chief Financial Officer

C. Verner Christensen
Secretary

Michael Denuzzo
Controller

Corporate information

Bankers and principal custodian

Canadian Imperial Bank of Commerce

Corporate offices

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Investor relations

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Auditors

KPMG LLP

Registrar and transfer agent

Computershare Trust Company of Canada

Toronto Stock Exchange listing

Shares	Symbol
Common	GCG
Class A	GCG.A

Annual meeting

May 18, 2001
11:00 a.m.
The Ontario Club
Commerce Court South, Fifth Floor
30 Wellington Street West
Toronto, Ontario

GUARDIAN
Capital Group Limited