GUARDIAN CAPITAL

Guardian

2011 Annual Report

Guardian Capital Group Limited

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In Memoriam

John Christodoulou
1932-2011

Born and raised in Alexandria, Egypt, John Christodoulou emigrated alone to Canada in 1957.

He graduated with an MBA from Queens University in 1962, and then embarked on a career that yielded numerous successes and high praise from his peers. He was known for his intellect and acumen, his talent and diligence and, perhaps most importantly, for his integrity and ethics.

John combined and shared these qualities, through a vision and philosophy that guided the growth of Guardian Capital Group. That growth was impressive under his leadership. The strength of the company and the clarity of its standards and approach are John's lasting legacy.

He will be missed by us all.

What to expect from a Guardian relationship.

The Guardian client relationship is built on a foundation of experience, confidence, trust and results.

Experience

The Guardian team believes there is value in a history of success. As a firm, we operate on the basis of half a century of experience. The knowledge accrued over that time has shaped the fundamentals of our approach. Experience is the context through which we focus our talents on the ongoing goal of the entire firm – to build value for our customers.

Confidence

Guardian Capital has produced steady returns on investments for its clients for over fifty years. That's a record of which we can be proud. But it's also a good indicator that our methods are sound, our approach is mature and our team is talented.

Trust

We believe that service can be more than just service. The foundation of a solid relationship in the financial services industry is trust. Trust in our experience. Trust in our approach. Trust that we have our clients' best interests at heart. We earn their trust through steady performance, through a demonstrated understanding of their goals and concerns and through a culture that remembers that, even in business, feelings count.

Results

At Guardian, we measure success by more than the numbers. To us, the achievement of goals, the comfort of stability and the empowerment to act on the plans of a lifetime are the human measures of achievement. Because achieving goals is satisfying in itself, but to do so in the service of someone else is something of which we can be proud.

A brand apart.

The Guardian story is one of steady results over a number of years. It proves the integrity of our approach by providing ongoing value to our clients.

The secret of our success.

Guardian is known as a solid, conservative company, with a low-risk, bottom-up investment approach. To some, our approach may seem staid, but those who know us acknowledge the value of the personal touch. They recognize that a tailored approach is a major differentiator in a relationship-based business.

Guardian has a well-established reputation in the Canadian institutional world. Our name is strongly associated with the stability and longevity that come from our core strategies. But we also create a balance between a solid fundamental research approach and a quantitative, systematic methodology.

This dual approach gives us the ability to offer clients "two worlds in one shop." A secret is a valued piece of information that can be shared or withheld, but the secret of our success is open to scrutiny. Our clients know that the Guardian way is to forge lasting relationships on the basis of well-founded trust, informed investment strategy and the satisfaction of continued results.

Above all else, the Guardian approach emphasizes ethics, integrity and responsibility for the best interests of our clients. John Christodoulou once said "I would rather lose clients than lose them their money." That is what Guardian Capital will always be about.

The Guardian Way

Steady Knowledgeable
Focused *Inspired*
Vigilant Communicative

INSTITUTIONAL
Guardian Capital LP

Institutional investment management services to clients, which include pension plan sponsors, open and closed-end mutual funds, operating and endowment funds, and wrap programs.

PRIVATE CLIENT
Guardian Capital Advisors LP

Investment and asset management services to private clients, foundations and endowment funds.

Trust
Satisfaction
Results

FINANCIAL ADVISORY
Worldsource Wealth Management

Horizontally integrated financial advisory platform, which includes a mutual fund dealer, a securities dealer, and an insurance managing general agency.

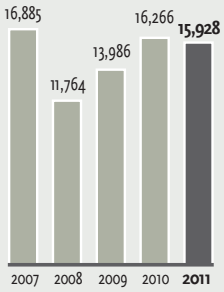
INTERNATIONAL PRIVATE BANKING
Alexandria

Banking, trust and corporate administration, as well as investment and advisory services to international clients.

Financial Highlights

Assets Under Management

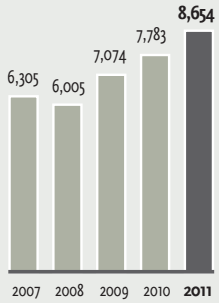
As at December 31 ($ in millions)



Assets under management reduced slightly in 2011, as a result of the reductions in the Canadian financial markets.

Assets Under Administration

As at December 31 ($ in millions)



Assets under administration increased significantly in 2011, as a result of the additional AUA provided by the new life insurance MGA subsidiary.

Net Earnings available to shareholders, per share, diluted[1]

For the years ended December 31 (in $)

Net earnings per share in 2011 reduced slightly, with improved operating earnings but reduced net gains on securities.

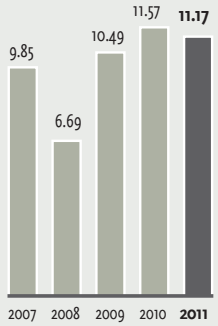
Adjusted Cash Flow from Operations available to shareholders, per share, diluted[1]

For the years ended December 31 (in $)

Adjusted cash flow from operations increased in 2011, reflecting improved operating earnings.

The Company's Securities Holdings per share, diluted[1]

As at December 31 (in $)



The Company's Securities Holdings per share reduced in 2011, reflecting the reduction in the Canadian financial markets and, more specifically, in the financial services sector.

(1) 2010 and 2011 numbers are in accordance with IFRS; 2009 and previous years are as reported under previous Canadian GAAP.

Report to Shareholders

Dear Shareholder,

I am deeply honoured to write to you my first shareholder letter as President and Chief Executive Officer of your Company. It was with a great sense of responsibility and excitement that I assumed the role as only the third Chief Executive Officer in the long history of Guardian. The founder Norman Short led the company from inception in 1962 to 1986, followed by the great investor and visionary John Christodoulou (belovedly referred to by all as JC). For the past 25 years, JC has been the architect of the success Guardian is today, and to many he represented everything Guardian stands for – stability, quality, integrity and a passion for our business, our clients and our staff. With the passing of Mr. Christodoulou on July 14th, 2011, we all lost a great friend and kind man. Unfortunately, a few short months later, personal loss was yet again experienced by Guardian with the sudden passing of our long-serving Board member and recently appointed Chairman, James W. McCutcheon. Jim was a valued contributor to Guardian, with his wise counsel over his fourteen years on the board of Guardian.

In the face of these personal losses, your company has shown its strength with great resolve and maturity, positioned to succeed for generations to come. Its strength is backed by a solid balance sheet, and operating businesses that have scale to compete amongst the leaders in their respective industries.

Over the years, Guardian has been a patient investor, allowing for the time necessary to build scale for each business unit by focusing on long-term strategic goals rather than short-term profits. Scale exists in both our Investment Management and Financial Advisory businesses. Guardian Capital LP competes as a respected independent institutional investment management firm, with a strong track record in multi-regional equities and fixed income strategies for both institutional pension and retail intermediary clients. Guardian Capital Advisors LP is one of Canada's largest independent private wealth management firms, representing clients across Canada and a growing list of referring advisors who value our partnership in serving their High Net Worth clients. The combined assets under management of these two investment management divisions total $15.9 billion as at December 31, 2011.

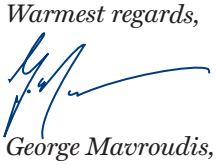
Worldsource Wealth Management (WWM), our Group's Financial Advisory business, is our independent advisor distribution platform. Largely through organic growth, it has become one of the largest independent dealership platforms in Canada, with combined assets under administration of $8.7 billion. With the mid-2011 acquisition and amalgamation of our Managing General Agency, IDC WIN, we now service over 2,500 independent financial advisors under the WWM umbrella.

The future success of Guardian will be driven by its focus to convert the scale of both our Investment Management and Financial Advisory businesses into generators of meaningful and repeatable operating profits. Although our preferred route to continued growth will remain organic, we do believe that our financial strength gives us the ability to consider opportunistic strategic acquisitions that are accretive to our goal of achieving meaningful operating profits.

Despite very volatile 2011 markets, your company produced stable year over year net earnings available to shareholders of $0.50 per share, diluted, compared with $0.51 per share, diluted in 2010. Adjusted cash flow from operations available to shareholders was $0.59 per share in 2011, diluted, versus $0.55 in 2010. The Board of Directors has declared a $0.17 per share dividend payable in 2012, an increase from the $0.16 paid last year.

In closing, I would like to express my sincere appreciation for the hard work, passion and loyalty of all of our Associates and I look forward to celebrating a successful fiscal 2012, as we mark our 50th year in business.

Warmest regards,



George Mavroudis,
President and Chief Executive Officer

February 22, 2012

Review of Operations

Institutional Investment Management

Institutional investment management services are provided by Guardian Capital LP ("GCLP"), which serves pension plan sponsors, broker dealer third-party platforms, closed-end funds and mutual funds, operating and endowment funds, and foundations. GCLP's capabilities span a range of asset classes, geographic regions, and specialty mandates. GCLP, one of the largest, independent investment management firms in Canada, was founded in 1962.

Assets under management in GCLP were $14.5 billion at the end of 2011, compared to $14.9 billion at the end of 2010. The slight decrease in assets under management was due mainly to the exposure many of our clients have to the decline in the S&P/TSX Composite benchmark, which declined 8.7% in 2011. Offsetting the market declines, several of GCLP's strategies had relatively better than market returns, and strong net new assets were gained in the retail intermediary market.

Canadian Equity

We continued to provide our clients the benefit of a stable investment team, while adding to our professional management with the hiring of Denis Larose as Chief Investment Officer. The Canadian Equity team is drawing significant investor interest for both its Growth Equity and Equity Income strategies. The Canadian Growth Equity strategy has been included in new opportunities to replace either existing growth equity managers or as a broad large-cap Canadian Equity solution. As at the end of calendar year 2011, this strategy has grown its assets under management to approximately $1.8 billion. Interest remains strong and we expect continued success for new client wins in 2012 for this strategy. Guardian's Canadian Equity Income team is one of the most experienced in the industry, with a 15+ year track record managing equity income solutions on behalf of mostly retail intermediary clients. The recent volatile equity market has seen a significant change in the risk appetite for institutional investors in relation to their equity allocations and, as a result, we are beginning to see strong interest from this segment of the community for "lower volatility" equity solutions. The track record of our Equity Income investment products are well placed to deliver such solutions to the institutional community, as we expect search activities to increase for this mandate.

Global Equity

The global equity team continues to gain incremental assets, mainly through success on retail intermediary platforms. In the past year, the global equity team delivered superior outperformance in the Global Dividend Equity strategy, with greater than 900 bps of outperformance over the MSCI World Index. This strategy completed a 5 year performance history at the end of 2011, and opportunities for growth in assets in this equity strategy remain strong into 2012.

Fixed Income

In 2011, the fixed income team produced solid, consistent investment returns across the spectrum of strategies it manages on behalf of clients, ranging from core bond to high yield bond strategies. The ability of the fixed income team to customize solutions to meet specific client needs is exemplified by their unique delivery of tailored liability-driven investment capabilities for an increasing number of corporations seeking to minimize future volatility in their pension liabilities.

Distribution

The composition of our client base remains broadly diversified, with approximately 50% institutional corporate and pension accounts, and 50% retail intermediary clients. Retail intermediary includes sub-advisory relationships with mutual funds and closed-end funds, as well as our fast-growing presence in the separately managed wrap account programs with the top broker dealers in the country. The separately managed wrap account assets continued to deliver excellent growth in net new assets over the fiscal 2011 year. We continue to have many of our existing broker dealer partners consider us as a preferred provider of core investment solutions on their managed account platforms. This is a tribute to our rich, stable, diversified investment solutions, married with our excellence in servicing the advisors in these large broker dealer distribution channels. The growth we have experienced over the past several years in this distribution channel now positions us as a leader in providing investment solutions for this growing fee-based advisor segment.

We also experienced significant improvement in 2011 in institutional search requests, with the number of finalist opportunities higher than at any point in the past decade. This level of activity is expected to continue, as we produce strong relative investment returns across the spectrum of equity and fixed income solutions and we build on our relationships and communications with the investment consulting community. We have significantly improved the awareness of our capabilities to the institutional investment consultants, and also expanded our coverage from the top tier to the regional and smaller consultants across Canada and into the US. Success in the institutional investment market still relies heavily on winning over the consultants, as they are in some way involved in greater than 80% of the institutional placements.

Growth prospects within Guardian Capital LP's existing investment capabilities is good. However, we have also historically demonstrated that long-term relevance as an investment management firm is enhanced by the ability to constantly reinvest in existing and new investment professional teams. We continue to foster a stable investing environment, to allow our professionals to meet their value-added targets over full cycles. The ongoing search to deepen and diversify our investment teams and strategies will be critical to our goal of building a stable but growing pool of AUM and revenues.

Private Wealth Management

Guardian Capital Advisors LP ("GCA") provides portfolio management services across Canada and beyond to private wealth clients, foundations, and endowments. We are focused on assisting private wealth clients in achieving their investment objectives by constructing tailored and tax-efficient investment solutions through fully-discretionary segregated accounts and investment funds. Our investment process combines a proprietary global equity screening tool with the experience of dedicated private wealth client portfolio managers.

GCA provides comprehensive portfolio management services to meet each client's individual investment needs. Through the dedicated assignment of an experienced portfolio manager, we bring the vast intellectual resources of the firm to construct custom-designed solutions for each client. We work not only with the clients themselves, but also with their legal, accounting and other advisors, to ensure that the services we provide properly integrate with the overall financial objectives of the clients. Through offices in Vancouver, Calgary and Toronto, clients and their advisors have local direct access to experienced investment professionals, supported by a strong administrative team.

GCA's assets under management and supervision were $1.3 billion at the end of 2011, up from $1.2 billion at the end of 2010. Our income-oriented investment focus proved beneficial in 2011, by protecting our clients' capital in a volatile environment. Our focus is on risk management as well as on return enhancement, which we believe will continue to provide comfort to our client base in 2012. GCA continues to attract new clients, both directly and through referrals from financial advisors. The majority of our AUM arises from domestic clients, split roughly equally between Eastern and Western Canada.

In 2012, we plan to continue to expand our portfolio management expertise, to ensure that we can achieve the goals and objectives of our clients. Our business development efforts will continue to focus on delivering awareness in the legal, accounting, family office and financial advisory communities.

Financial Advisory

Worldsource Wealth Management Inc. ("Worldsource") is an integrated financial advisory platform, with financial advisors offering mutual funds, securities and life insurance products to Canadians from coast to coast. Assets under administration ("AUA") totaled $8.7 billion at December 31, 2011, up from $7.8 billion at the end of 2010. Most of the growth in AUA was as a result of the acquisition of IDC by Worldsource Insurance Network completed in July, absent which acquisition AUA would have been flat in a down market year.

Worldsource is committed to being an independent dealership platform for financial advisors who sell a variety of financial products. Worldsource promotes an open architecture and thus provides advisors with the independence to choose the best available products for

their clients. The advisors are further supported with quality reporting and administration, and a professional approach to sales compliance and product suitability.

Worldsource Financial Management Inc. ("WFM") is a national mutual fund dealer with AUA of $6.1 billion at December 31, 2011, compared to $6.2 billion at the end of 2010. The slight decline in assets was attributable primarily to the volatility in the global capital markets. Sales commission revenues were lower in 2011, due to a decline in sales activity, but trailing revenue increased as advisors allocated more sales and AUA to front-end funds with higher trailers. As markets remained impaired, WFM noted that investors continued to allocate more of their investments into cash or cash equivalents, rather than equities.

In 2012, WFM will maintain its efforts to increase AUA through the increasing value proposition offered by independent advisors, and continue to grow overall revenues. WFM also plans to invest in developing best practice management programs and portfolio solutions for its advisors. We believe that revenues can grow, as advisors improve their productivity in servicing the needs of their clients and in building their books of business.

Worldsource Securities Inc. ("WSI") is Worldsource's investment dealer or securities brokerage. WSI operates its branch network on the Agency Model, under which investment advisors are permitted a higher degree of independence than traditionally afforded. WSI is, however, focused on providing the highest possible level of technological and administrative support to its branch network. During a difficult 2011, WSI managed to attract new financial advisors, adding two new branches, one in Ottawa and the other in Calgary. In 2012, management expects WSI to continue its success in recruiting advisors and adding new branches to its growing network of brokers across the country.

IDC Worldsource Insurance Network Inc. ("IDC WIN") is a Managing General Agency ("MGA"), created through the merger of IDC Financial Inc. and Worldsource Insurance Network, which provides sales and administrative support to licensed insurance advisors nationwide. IDC WIN and its affiliates now have offices in Western, Central and Eastern Canada, in order to serve these advisors. The merger to form IDC WIN, which closed on July 1, 2011, has become a leader in the MGA market in Canada, and is positioned for accelerated growth. AUA in segregated funds and accumulation annuity assets reached $1.6 billion at December 31, 2011, up from $0.7 billion at the end of 2010. IDC WIN will focus on sales growth through selective advisor recruitment and increasing advisor productivity in 2012.

International Private Banking

Alexandria Bancorp Limited ("ABL") is a private bank based in the Cayman Islands, which was established in 1990. ABL is licensed and regulated by the Cayman Islands Monetary Authority to provide investment management, fiduciary and banking services to international clients. ABL has substantial investment management capabilities, both through its own Alexandria Fund and its managed segregated account platform. In 2011, investment management fees improved, as assets under management remained relatively steady due to new client assets offsetting declines in global markets, while banking revenues also improved due to higher transaction activity. In 2012, ABL plans to continue to strengthen its international referral network, while exploring avenues for attracting institutional interest in its banking and foreign exchange services.

Alexandria Trust Corporation ("ATC") is a licensed and regulated domestic trust company based in Barbados. ATC provides fiduciary and corporate administration services to international clients.

Management's Discussion and Analysis

In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited ("Guardian") pertains to the year ended December 31, 2011, with comparatives for the year 2010 and, in some cases, the year 2009. Readers are encouraged to refer to the discussions and analyses contained in the 2010 Annual Report and the First, Second and Third Quarter 2011 Reports. This discussion and analysis has been prepared as of February 22, 2012.

On January 1, 2011, Guardian adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes, using a transition date of January 1, 2010. The financial statements for the year ended December 31, 2011, and all 2011 interim unaudited financial statements, including required comparative information, have been prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, and the interim financial statements were prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Previously, Guardian prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles ("GAAP"). All 2010 comparative information has been prepared in accordance with IFRS.

The adoption of IFRS has not had a significant impact on Guardian's operations, strategic decisions and cash flow. Information on the IFRS adjustments is provided in the Notes to Consolidated Financial Statements for the year ended December 31, 2011.

Additional information relating to Guardian and its business, including Guardian's Annual Information Form, is available on "SEDAR" at www.sedar.com.

Caution Concerning Forward-Looking Statements

Guardian may, from time to time, make "forward-looking statements" in annual and quarterly reports, and in other documents prepared for shareholders or filed with securities regulators. These statements, characterized by such words as "goal", "outlook", "intends", "expects", "plan", "prospects", "are confident", "believe" and "anticipate", are intended to reflect Guardian's objectives, plans, expectations, estimates, beliefs and intentions.

By their nature, forward-looking statements involve risks and uncertainties. There is a risk that these forward-looking statements will not be achieved. Undue reliance should not be placed on these statements, as a number of factors could cause actual results to differ from Guardian's objectives, plans, expectations and estimates reflected in the forward-looking statements.

Overview of Guardian's Business

Guardian is a diversified financial services company, which serves the wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: institutional and private client investment management; financial advisory; and corporate activities and investments. As at December 31, 2011, Guardian had $15.9 billion of assets under management ("AUM") and $8.7 billion of assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities which, together with its investment in Bank of Montreal shares, had a fair value of approximately $364 million at the end of the year.

Material Events

Changes to Board and Executives

During 2011, Guardian announced, with regret, the deaths of two senior members of the Guardian Board of Directors, John Christodoulou and James McCutcheon. Mr. Christodoulou, Guardian's long-serving Chairman and Chief Executive Officer, passed away on July 14, 2011. Mr. McCutcheon, the former Lead Director of the Board who had been appointed Chairman of the Board to replace Mr. Christodoulou, passed away on October 17, 2011. To fill the vacancies caused by these deaths, the Guardian Board of Directors has made the following Board and Executive appointments: Mr. George Mavroudis, a senior executive of Guardian since 2005 and President of Guardian since January, 2009, was appointed President and Chief Executive Officer of Guardian

and a member of the Board of Directors; Mr. James Anas, a long-serving member of the Board, was appointed Chairman of the Board of Directors; and Mr. A. Michael Christodoulou, a Guardian employee since 1993 and Vice-President, Strategic Planning and Development since February, 2009, was appointed a member of the Board of Directors.

Acquisition of Managing General Agency

Effective July 1, 2011, Guardian acquired a 67% ownership in IDC Worldsource Insurance Network Inc. ("IDC WIN"), a life insurance managing general agency ("MGA") formed through the amalgamation of Guardian's existing MGA, Worldsource Insurance Network Inc. ("WIN") and IDC Financial Inc. ("IDC"), to form one of the largest MGAs in Canada. As part of the transaction, in addition to transferring ownership of 33% of WIN to IDC's shareholders, Guardian purchased shares of IDC WIN for approximately $8.5 million, 50% paid on closing and 50% payable over a period of one year. As a result of this transaction, Guardian's life insurance assets under administration ("AUA") have increased by approximately $0.9 billion, and Guardian's MGA business became national in scope, with significant strength in British Columbia and Ontario. IDC WIN has provided significant gross revenue and positive operating earnings in the second half of the year.

Use of Non-IFRS Measures

Guardian's management uses certain measures to evaluate and assess the performance of its business. One of the measures that Guardian uses is not in accordance with IFRS. Non-IFRS measures do not have standardized meanings prescribed by IFRS, and are therefore unlikely to be strictly comparable to similar measures presented by other companies. However, Guardian's management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of this measure in analyzing Guardian's results.

Guardian management measures the performance of Guardian's business by using "Adjusted cash flow from operations available to shareholders", which is disclosed in the table under "Consolidated Financial Results", below. This non-IFRS measure is used by management to indicate the amount of cash either provided by or used in Guardian's operating activities which is available to shareholders, and many companies similar to Guardian use this measure in a similar manner. The most comparable IFRS measure is "Net cash from operating activities", which is disclosed on Guardian's Statements of Cash Flows. The following is a reconciliation of this non-IFRS measure to the IFRS measure:

For the years ended December 31 ($ in thousands)	2011	2010
Net cash from operating activities, as reported	**$ 21,346**	$ 16,674
Net change in non-cash working capital items	**(1,072)**	1,888
Cash flow from operations before changes in non-cash working capital items	**20,274**	18,562
Less: Available to non-controlling interests	**(933)**	(202)
Adjusted cash flow from operations available to shareholders	**$ 19,341**	$ 18,360

Consolidated Financial Results

The comparative financial results of Guardian on a consolidated basis are summarized in the following table:

For the years ended December 31 ($ in thousands, except per share amounts)	2011	2010	% change
Net revenue	$ **74,161**	$ 65,293	+ 14%
Expenses	**57,028**	51,754	+ 10%
Operating earnings	**17,133**	13,539	+ 27%
Net gains on securities	**829**	3,393	- 76%
Earnings before income taxes	**17,962**	16,932	+ 6%
Income tax expense (recovery)	**773**	(159)	- 586%
Net earnings	$ **17,189**	$ 17,091	+ 1%
Net earnings available to shareholders	$ **16,457**	$ 16,983	- 3%
Adjusted cash flow from operations available to shareholders	$ **19,341**	$ 18,360	+ 5%
Diluted per share amounts			
Net earnings available to shareholders	$ **0.50**	$ 0.51	- 2%
Adjusted cash flow from operations available to shareholders	$ **0.59**	$ 0.55	+ 7%

As at December 31 ($ in millions, except per share amounts)			
Assets under management	$ **15,928**	$ 16,266	- 2%
Assets under administration	$ **8,654**	$ 7,783	+ 11%
Value of corporate holders of securities	$ **364**	$ 384	- 5%
Value of corporate holdings of securities per share, diluted	$ **11.17**	$ 11.57	- 3%

Net Revenue was 14% higher in 2011 than in 2010. Increases were recorded in management fee income, commission revenue and dividend and interest income, offset by a small reduction in administrative services income. The resulting increase in operating earnings was offset by a reduction in net gains on securities, and increased income tax expense, resulting in net earnings for the year were $17.2 million, compared to $17.1 million for 2010.

Adjusted cash flow from operations for the year amounted to $19.3 million, compared to $18.4 million in 2010. The differences between earnings per share and cash flow per share arise primarily due to the impact of future income taxes, amortization expenses and stock-based compensation, as well as the exclusion of gains or losses on securities, from the calculation of cash flow from operations.

Revenues and Expenses

Investment Management Revenues

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 assets under management:

Years ended December 31 ($ in millions)	2011	2010
Assets under management, beginning of year	$ **16,266**	$ 13,986
Net additions (reductions) from clients during year	**(57)**	574
Market appreciation (depreciation)	**(281)**	1,706
Assets under management, end of year	$ **15,928**	$ 16,266
Composed of:		
Institutional	$ **14,489**	$ 14,910
Private client	**1,331**	1,229
International	**108**	127
Total	$ **15,928**	$ 16,266

Total AUM at Guardian at the end of 2011 was 2% lower than at the end of 2010. This reduction occurred as a result of the unsettled world stock markets during the year, and a small net reduction from clients, both of which were concentrated in the second half of the year. Management fees, net of referral fees paid, for the year 2011 were $37.9 million, 11% higher than the $34.0 million for 2010. Institutional management fees increased 11% to $29.0 million in 2011 from $26.1 million in 2010 as a result of the continuing conversion to higher-margin AUM. Private client management fees, net of referral fees paid, increased 14% during the year to $6.3 million from $5.5 million in 2010, reflecting the continuing increase in the actual and average AUM in this area. Management fees earned from international clients during the year increased to $2.6 million from $2.4 million a year earlier, although these results were reduced by the increase in value of the Canadian dollar.

Financial Advisory Commission Revenues

Total AUA at Guardian at the end of 2011 amounted to $8.7 billion, 12% higher than the $7.8 billion at the end of 2010. Substantially all of the increase resulted from the IDC purchase referred to above under "Acquisition of Managing General Agency". Net sales commission revenue earned from the financial advisory business is generated from the sale of mutual funds, other securities and insurance, as well as from continuing fees related to AUA, net of commissions paid to advisors. This revenue amounted to $13.8 million in 2011, 37% higher than the $10.1 million in 2010. This increase is largely due to the inclusion of the results of IDC, which provided almost $3.4 million of additional financial advisory revenue in the six-month period.

Administrative Services Income

Administrative services income was composed of $4.2 million of registered plan and other fees earned in the financial advisory area, and $1.0 million of trust and corporate administration fees earned in the international area, for a total of $5.2 million in 2011, compared with $5.4 million in 2010. These fees are not directly impacted by fluctuations in the financial markets.

Dividend and Interest Income

The following is a summary of Guardian's dividend and interest income:

For the years ended December 31 ($ in thousands)	2011	2010	% change
Dividend income	**$ 15,879**	$ 15,286	+ 4 %
Interest income	**1,412**	544	+ 160 %
Total dividend and interest income	**$ 17,291**	$ 15,830	+ 9 %

Dividend income increased by 5.1% in the year over the year 2010, as there was no change in the dividend rate on the Bank of Montreal shares, the largest source of this income, but some additional payments were received from other investments. Interest income increased significantly, as a result of the restructuring of a private investment in the second half of the year, from which Guardian is now receiving quarterly blended repayments of interest and principal.

Net Gains on Securities

Because of the significant fluctuations which occur in the reporting of realized net gains or losses on Guardian's securities portfolio, the net gains or losses are now reported separately from net revenue and operating earnings. Management believes that this disclosure is more informative for the readers of Guardian's financial statements. The net gains reported in 2011 amounted to $0.8 million, compared to $3.4 million recorded in 2010, when there was significant trading by discretionary managers of some of Guardian's corporate investment portfolios, and gains were realized on sales of mutual fund holdings.

Expenses

Guardian's operating expenses, excluding commissions, amortization and interest, were $52.9 million in 2011, compared with $47.8 million in 2010, an increase of 11%. Included in the expenses for 2011 were approximately $2.9 million of additional expenses relating to the inclusion of the IDC results in the second half of the year.

The increase in amortization in 2011, from $2.6 million to $3.0 million, was largely a result of the amortization of the intangible assets acquired as part of the IDC business. Interest expense amounted to $1.4 million in 2011, compared to $1.3 million in 2010, reflecting the slightly higher interest rates in effect during the year.

The net income tax expense recorded in 2011 was $0.8 million, compared with a recovery of $0.2 million in 2010, as a result of a greater concentration of earnings in taxable revenues in 2011.

Liquidity and Capital Resources

The strength of Guardian's balance sheet has enabled Guardian to attract Associates, provide clients with a high comfort level, make appropriate use of borrowings, and develop its businesses. It has also allowed Guardian to maintain the appropriate levels of working capital in each of its areas of operations. The strong cash flow enables Guardian to meet all of its financial commitments, to finance the expansion of its businesses and to purchase the capital assets necessary for the development of those businesses. The payments on the purchase of the MGA business in 2011, amounting to $4.3 million, were financed out of current cash flow.

In 2011, under its Issuer Bid, Guardian purchased and cancelled 0.3 million of its Class A shares, for a total cost of $2.8 million. Guardian's total bank borrowings at the end of the year amounted to $45.5 million, compared with $46.5 million at the end of 2010. The year end borrowings included $28.0 million under Bankers' Acceptances, $2.5 million under an operating line of credit, and $15.0 million through the EPSP Trust. The total credit available under these arrangements amounts to $66.0 million.

We are confident that the strength of Guardian's balance sheet will continue to provide benefits in the future. Guardian's holdings of securities as at December 31, 2011 had a fair value of $364 million, or $11.17 per share, diluted, compared with $383.6 million, or $11.57 per share, diluted, as at December 31, 2010. The reduction in the fair value of the securities holdings was primarily due to the reduction in the market value of the shares of the Bank of Montreal during the year. The following is a summary of Guardian's securities holdings:

Securities Holdings

As at December 31 ($ in thousands, except per share amounts)	2011	2010
Securities at fair value:		
Short-term securities	$ 7,798	$ 9,620
Mutual funds	54,563	51,707
Bank of Montreal shares	276,925	285,109
Other equity securities	22,530	35,124
Total securities at fair value	361,816	381,560
Securities at amortized cost	2,366	2,044
Total securities	$ 364,182	$ 383,604
Total securities per share, diluted	$ 11.17	$ 11.57

Contractual Obligations

Guardian has contractual commitments for the payment of certain obligations over a period of time. A summary of those commitments, including a summary of the periods during which they are payable, is shown in the following table:

		Payments due by period			
As at December 31, 2011 ($ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	$ 45,467	$ 45,467	$ –	$ –	$ –
Client deposits	7,432	7,432	–	–	–
Accounts payable and other	25,778	25,778	–	–	–
Payable to clients	32,044	32,044	–	–	–
Operating lease obligations[1]	2,751	1,347	1,371	33	–
Total contractual obligations	$ 113,472	$ 112,068	$ 1,371	$ 33	$ –

(1) Subsequent to the year end, Guardian entered into agreements to amend and extend the terms of certain of these leases for premises, at market rates.

Guardian's contractual commitments are supported by its strong financial position, including its securities holdings, referred to above under the heading "Liquidity and Capital Resources". The Payable to Clients, in Guardian's securities dealer subsidiary, is offset by the Receivable from Clients and Broker, and the Client Deposits, in the offshore banking subsidiary, are supported by the Interest-Bearing Deposits with Banks and Loans Receivable.

Selected Annual Information

Years ended December 31 ($ in thousands, except per share amounts)	2011	2010	2009[1]
Net revenue	$ 74,161	$ 65,293	$ 61,147
Net earnings available to shareholders	16,457	16,983	14,274
Per share			
Net earnings			
Basic	$ 0.51	$ 0.52	$ 0.41
Diluted	0.50	0.51	0.41
Dividends paid	0.16	0.15	0.15
As at December 31			
Total assets	$ 470,123	$ 468,002	$ 443,591

(1) As reported under Canadian GAAP

The fluctuations in Total Assets over the past two years substantially reflect the changes in the value of the corporate holdings of securities.

Summary of Quarterly Results

The following table summarizes Guardian's financial results for the past eight quarters

Quarters ended ($ in thousands)	Dec.31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010[1]	Sep 30, 2010[1]	Jun 30, 2010[1]	Mar 31, 2010[1]
Net revenue	$ 20,089	$ 18,949	$ 17,500	$ 17,623	$ 17,485	$ 16,051	$ 16,089	$ 15,668
Operating earnings	5,324	4,344	3,316	4,149	4,032	3,303	3,175	3,029
Net gains (losses) on securities	1,613	(1,090)	(478)	784	2,876	854	(1,329)	994
Net earnings available to shareholders	5,547	3,457	2,855	4,598	6,679	4,050	2,121	4,133
Shareholders' equity	322,618	331,718	344,374	351,998	331,856	331,410	312,984	333,291
(in $)								
Per average Class A and Common Share								
Net earnings								
- Basic	0.17	0.11	0.09	$ 0.14	$ 0.20	$ 0.12	$ 0.06	$ 0.12
- Diluted	0.17	0.10	0.09	0.14	0.20	0.12	0.06	0.12
Shareholders' equity								
- Basic	10.12	10.40	10.67	$ 10.85	$ 10.16	$ 10.07	$ 9.54	$ 10.16
- Diluted	9.90	10.18	10.45	10.63	10.01	9.93	9.39	10.01

(1) Certain reclassifications of 2010 amounts have been made, to facilitate comparison with the 2011 amounts.

Management fees earned in the investment management segment are generally not subject to seasonal fluctuations. There is a degree of seasonality in the financial advisory segment, with some concentration of commission revenue in the first quarter of each year, relating to the traditional "RSP season". However, most of the increase in net revenue in the second half of 2011 came about as a result of the additional revenue earned from the IDC WIN subsidiary. With the exception of the effect of this additional net revenue, quarterly operating earnings have been relatively stable over the periods shown above. The quarterly fluctuations in shareholders' equity shown above were largely caused by changes in the value of Guardian's investment in the Bank of Montreal.

Since gains and losses are recorded on disposal of available for sale securities when realized, and on changes in the value of held for trading securities, and such amounts can vary from quarter to quarter, the amounts included in net gains or losses from securities each quarter can fluctuate, as shown in the quarterly results shown above. The significant net gains recorded in the fourth quarter of 2010 were largely responsible for the increase in net earnings attributable to shareholders in that quarter.

Risk Factors

The largest business segment at Guardian is investment management, in which clients look to Guardian to manage risks within their portfolios. Guardian applies many of the same risk management principles to its business as a whole. One of the principles is that risk can pose challenges, as well as provide opportunities, depending upon the effectiveness of the way in which it is managed. Readers are encouraged to refer to note 21 to the Consolidated Financial Statements, contained in Guardian's 2011 Annual Report, for additional information on risk management.

Market Risk

Market fluctuations can have a significant effect on the value of both clients' portfolios and our earnings, since management fees are generally based on market values. Additionally, market fluctuations have a significant impact on the amounts being invested by the clients of our financial advisory businesses, increasing or reducing our commission revenues. We manage the risk of market fluctuations by having a diversified client base with different investment needs, and by having a variety of products and services, which may be attractive in different market environments and which have different correlations to equity and other financial markets and to each other. Guardian's holdings of securities are managed independently of clients' assets, except for those of our assets that are invested in Guardian's pooled funds, or mutual funds for which Guardian is an advisor.

Portfolio Value and Concentration Risk

Guardian's corporate holdings of securities are subject to price fluctuation risk. Guardian manages this risk through professional third-party portfolio managers or in-house expertise, each of whom takes a disciplined approach to investment management. All securities are held by well-known independent custodians chosen by Guardian. With the exception of the investment of $276.9 (2010 - $285.1) million in the Bank of Montreal shares, which is a significant portion of Guardian's securities holdings, the holdings are diversified, from both an asset class and a geographical perspective. Guardian has accepted the concentration risk associated with its holding of Bank of Montreal shares, as the bank is a diversified company, with a history of steady dividend payments.

Foreign Currency Risk

Guardian's investments in its foreign subsidiaries are subject to the risk of foreign currency exchange rate fluctuations. The effects of changes in foreign currency exchange rates on the values of these investments are not included in Net Earnings, but are recorded as changes in the "Foreign Currency Translation Adjustment" in Guardian's Statements of Comprehensive Income, and the cumulative effect is included in Accumulated Other Comprehensive Income in the Shareholders' Equity section of the Consolidated Balance Sheets. This foreign currency exposure is not actively managed, due to the long-term nature of these investments, but is closely monitored by the Company.

Credit Risk

Guardian's credit risk is generally considered to be low. Because of the nature of Guardian's business, its receivables are mainly from large institutions, which are considered to pose a relatively low credit risk, or from individuals, which are secured by marketable securities. In light of the recent economic situation, Guardian reviewed the financial strength of all of its counterparties, and appropriately reduced its exposure to certain counterparties.

Interest Rate Risk

Guardian manages interest rate risk in its international banking operations, through matching the interest rates and maturity dates of client deposit liabilities with the assets, interest-bearing deposits with banks.

Liquidity Risk

Guardian manages liquidity risk through the monitoring and managing of cash flows from various segments of the business, and by establishing sufficient cash borrowing facilities with major Canadian banks, which currently total $66 million through three credit facilities. The maturities of Guardian's contractual commitments are outlined under "Contractual Commitments" in this discussion and analysis. The combination of the cash flows from operations and the borrowing facilities provides sufficient cash resources to manage its liquidity risk.

Regulatory Change Risk

Changes to government regulations, including those related to income taxes, can have an effect on Guardian's business. Examples are the changes in future income tax rates, which have had significant effects on Guardian's income tax expense, and net earnings, in 2006, 2007 and 2009. Because there has been a downward trend in income tax rates, the effects on earnings have been positive, but negative effects could result if tax rates increase in the future. Another area in which regulation affects Guardian's business is in the regulatory requirements of the government and self-regulatory agencies under which our regulated subsidiaries operate. Through a combination of in-house expertise and external advisors, when appropriate, these subsidiaries are able to react to changes in these regulatory requirements.

Performance Risk

Product performance presents another risk. 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 on a continuous basis.

Competition Risk

Another risk is competition. Our ability to compete is enhanced by the high quality of our management team, the substantial depth in personnel and resources and a strong balance sheet, which provide us with the flexibility to make the changes necessary to be competitive. In addition, we manage competition risk by tailoring our product and service offerings to market conditions and client needs.

Adoption of IFRS

Guardian adopted IFRS effective January 1, 2011, with a transition date of January 1, 2010. The adoption of IFRS has not had a material impact on Guardian's operations, strategic decisions and cash flow. Guardian's most significant accounting policies under IFRS are provided in note 2 to the Consolidated Financial Statements, contained in Guardian's 2011 Annual Report. Note 25 to Guardian's 2011 Consolidated Financial Statements presents reconciliations between Guardian's 2010 GAAP results and the 2010 IFRS results, including explanations of the adjustments resulting from the transition to IFRS.

Variations in equity

Certain of the differences between GAAP and IFRS identified in the explanations referred to above cause potentially significant differences between components of equity on Guardian's balance sheet, but do not cause differences in total equity. However, in circumstances under which Guardian acquires an additional non-controlled interest in a subsidiary at a price greater than the current carrying value of the interest acquired, the amount paid will be recorded under IFRS as a charge to retained earnings, rather than as goodwill, thereby reducing equity by that amount. Guardian is not able to predict if these circumstances will occur in the future, nor the amounts involved should they occur.

Variations in net earnings

Certain of the differences between GAAP and IFRS may cause variations in reported net earnings in the future, as follows:

a) There will be differences in the recording of employee compensation and benefits, because of the IFRS requirements for the recording of stock-based compensation and accumulated paid absences, but these differences are not anticipated to be material.

b) The requirements for the recording of changes in fair value of securities held by consolidated mutual funds under IFRS through net earnings, rather than through comprehensive income, may result in the recording of either gains or losses on securities more often, and this is anticipated to introduce more volatility into the recording of gains or losses from securities.

c) Another requirement under IFRS could result in certain income tax assets or liabilities being switched from net earnings to comprehensive income. This change will be effective if there are changes in corporate income tax rates, causing changes in Guardian's future income tax balances. Since Guardian has significant net future income tax liabilities, generally a reduction in tax rates will result in the switch of income tax reductions from net earnings to comprehensive income, and the increase in tax rates will have the opposite effect.

Internal Control Over Financial Reporting and Disclosure Controls

Management is responsible for establishing and maintaining adequate internal controls over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. There have been no changes in Guardian's internal control over financial reporting during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, Guardian's internal control over financial reporting.

Management of Guardian has evaluated the effectiveness of its disclosure controls and procedures and internal controls over financial reporting (as defined under National Instrument 52-109) as of December 31, 2011, under the supervision of the Chief Executive Officer and the Senior Vice-President, Finance, who is the Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the design and operation of those disclosure controls and procedures and internal controls over financial reporting were effective.

Outlook

In these difficult macro-economic times, we have witnessed tremendous volatility in the capital markets, both in equities and credit. Guardian is not immune to the unsettled financial markets, as we are heavily geared toward the capital markets, in particular the equity markets through both our corporate holdings of securities and the operating business units which manage or administer assets on behalf of clients. Although it is difficult to predict the end of these unsettled markets, we do believe that ultimately the capital markets will see better days. During these unsettled markets, we continue to hold the long-term vision to invest in select additions to our human capital, infrastructure and technology, across all of our business platforms. The ability to support these investments during relative weakness in the markets can best position Guardian to achieve management's continuing goal to generate meaningful operating profits from each of our business units, to complement the strong investment income from the corporate holdings of securities.

Ten Year Review

Notes 1, 6	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
($ in millions)										
Assets under management	**15,928**	16,266	13,986	11,764	16,885	17,305	18,444	16,085	13,444	10,031
Assets under administration	**8,654**	7,783	7,074	6,005	6,303	5,677	4,837	3,708	2,731	2,308
($ in thousands)										
Net revenue	**74,161**	65,293	61,147	66,918	69,607	66,247	58,908	49,585	38,323	34,899
Operating expenses[2]	**57,028**	51,754	52,419	58,665	51,617	48,159	44,162	38,930	32,971	29,312
Operating earnings	**17,133**	13,539	8,728	8,253	17,990	18,088	14,746	10,655	5,352	5,587
Net gains (losses) on securities	**829**	3,393	1,217	(4,484)	4,215	4,134	1,597	1,236	(120)	12
Net earnings available to shareholders	**16,457**	16,983	14,274[3]	7,299[4]	26,492[3]	22,959[3]	12,821	10,559	6,653	7,378
Shareholders's equity[5]	**322,618**	331,856	317,784	204,051	334,696	212,016	192,240	196,273	192,332	196,730
Securities holdings (at fair value)	**364,182**	383,604	362,512	241,549	380,433	443,108	407,117	364,318	335,205	271,989
(In dollars)										
Per average common and Class A share Net earnings Net earnings available to shareholders for the year										
Basic	**0.51**	0.52	0.41[3]	0.19[4]	0.69[3]	0.60[3]	0.33	0.27	0.17	0.18
Diluted	**0.50**	0.51	0.41[3]	0.19[4]	0.68[3]	0.58[3]	0.32	0.26	0.17	0.18
Per common and Class A share Dividends paid	**0.16**	0.150	0.150	0.150	0.135	0.120	0.105	0.0875	0.075	0.065
Shareholders' equity[5]										
Basic	**10.12**	10.16	9.37	5.69	8.79	5.48	5.04	4.98	4.86	4.98
Diluted	**9.90**	10.01	9.19	5.65	8.67	5.36	4.87	4.89	4.78	4.92
Share prices										
Common high	**12.75**	9.75	9.97	11.10	15.50	14.00	13.00	11.01	8.00	8.25
low	**9.49**	7.90	4.65	4.26	10.65	11.25	9.63	7.37	5.70	6.00
Class A high	**11.63**	9.00	8.25	11.02	13.50	13.13	12.13	12.00	7.25	6.20
low	**8.70**	7.35	3.00	3.02	10.33	10.12	9.00	6.75	5.15	4.25
(In thousands)										
Year end common and Class A shares outstanding										
Basic	**31,890**	32,652	33,932	35,874	38,095	38,669	38,149	39,552	39,568	39,494
Diluted	**32,604**	33,162	34,563	36,104	38,605	39,576	39,492	40,538	40,284	39,968

NOTES:

1 Comparative figures reflect the May, 2006 2-for-1 stock split.

2 Excluding commissions paid and income taxes.

3 Net earnings reflect a reduction in future income taxes, resulting from the reduced income tax rates enacted during the year, as follows: 2009 - $2.0 million, $0.06 per share diluted; 2007 - $6.6 million, $0.16 per share diluted; 2006 - $3.3 million, $0.08 per share diluted.

4 Net earnings in 2008 reflect a $1.3 million ($0.03 per share) reduction in future income taxes, resulting from the reversal of future income taxes relating to Guardian's foreign subsidiaries, as well as the recording of restructuring costs of $2.3 million ($0.06 per share).

5 Shareholders' equity in 2007 and subsequent years reflects the recording of the corporate holdings of securities at fair value, in accordance with required new accounting policies adopted effective January 1, 2007.

6 Results in 2010 and 2011 are in accordance with IFRS; 2009 and previous years are as reported under previous Canadian GAAP.

Management's Statement on Financial Reporting

'The following financial statements, which consolidate the financial results of Guardian Capital Group Limited, its subsidiaries and other controlled entities, and the Company's proportionate share of a joint venture, and all other information in this annual report, are the responsibility of management.

The financial statements have been prepared in accordance with International Financial Reporting Standards. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized on pages 31 to 35. Management maintains a system of internal controls over the financial reporting process designed to provide reasonable assurance that relevant and reliable financial information is produced. 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 process, internal controls, accounting policies and financial reporting matters. 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. Based on this recommendation, the financial statements and Management's Discussion and Analysis have been approved by the Board of Directors.

George Mavroudis,
President and Chief Executive Officer

C. Verner Christensen,
Senior Vice-President, Finance

February 22, 2012

Auditors' Report to the Shareholders

We have audited the accompanying consolidated financial statements of Guardian Capital Group Limited, which comprise the consolidated balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of operations, comprehensive income, equity and cash flow for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Guardian Capital Group Limited as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Chartered Accountants,
Licensed Public Accountants

Toronto, Canada

February 22, 2012

Consolidated Balance Sheets

As at ($ in thousands)	December 31 2011	December 31 2010	January 1 2010
Assets			
Current Assets:			
Cash	$ 6,360	$ 5,194	$ 8,227
Interest-bearing deposits with banks	8,033	12,356	10,469
Accounts receivable and other	19,234	15,823	15,503
Income taxes receivable	–	–	2,128
Loans receivable	6,410	6,462	3,961
Receivables from clients and broker	32,044	27,676	21,591
Prepaid expenses	1,137	1,142	1,133
	73,218	68,653	63,012
Securities Holdings (note 4)	364,182	383,604	363,559
Other Assets			
Deferred tax assets (note 11d)	3,480	3,105	3,749
Intangible assets (note 5)	15,297	5,521	6,069
Equipment (note 6)	2,068	1,870	1,953
Goodwill (note 7)	11,111	5,249	5,249
Other	767	–	–
	32,723	15,745	17,020
Total Assets	$ 470,123	$ 468,002	$ 443,591
Liabilities			
Current Liabilities:			
Bank loans and borrowings (note 8)	$ 45,467	$ 46,500	$ 46,097
Client deposits	7,432	11,984	10,488
Accounts payable and other	25,006	16,239	14,861
Income taxes payable	772	127	–
Payable to clients	32,044	27,676	21,591
Due on securities sold short	–	664	804
	110,721	103,190	93,841
Other Liabilities			
Deferred tax liabilities (note 11d)	32,394	31,920	31,996
Total Liabilities	143,115	135,110	125,837
Equity			
Shareholders' Equity			
Capital stock (note 12b)	22,717	22,934	24,132
Treasury stock (note13a)	(16,063)	(11,443)	(13,783)
Contributed surplus	7,491	6,549	5,972
Retained earnings	196,729	185,379	186,526
Accumulated other comprehensive income	111,744	128,437	114,821
	322,618	331,856	317,668
Non-Controlling Interests	4,390	1,036	86
Total Equity	327,008	332,892	317,754
Total Liabilities and Equity	$ 470,123	$ 468,002	$ 443,591

See accompanying notes to consolidated financial statements.

On behalf of the Board:

James S. Anas,
Director

George Mavroudis,
Director

Consolidated Statements of Operations

For the years ended December 31 ($ in thousands, except per share amounts)	2011	2010
Revenue		
Gross commission revenue	**$ 67,906**	$ 58,952
Commissions paid to advisors	**(54,086)**	(48,817)
	13,820	10,135
Management fee income, net (note 14)	**37,854**	33,974
Administrative services income	**5,196**	5,354
Dividend and interest income (note 15)	**17,291**	15,830
Net revenue	**74,161**	65,293
Expenses		
Employee compensation and benefits (note 16)	**35,763**	32,259
Amortization	**3,041**	2,614
Interest	**1,432**	1,292
Other expenses	**16,792**	15,589
	57,028	51,754
Operating earnings	**17,133**	13,539
Net gains on securities (note 17)	**829**	3,393
Earnings before income taxes	**17,962**	16,932
Income tax expense (recovery) (note 11a)	**773**	(159)
Net Earnings	**$ 17,189**	$ 17,091
Net earnings available to:		
Shareholders	**$ 16,457**	$ 16,983
Non-controlling interests	**732**	108
Net earnings	**$ 17,189**	$ 17,091
Net earnings available to shareholders per Class A and Common share (note 18):		
Basic	**$ 0.51**	$ 0.52
Diluted	**0.50**	0.51

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 ($ in thousands)	2011	2010
Net earnings	**$ 17,189**	$ 17,091
Other comprehensive income		
Available for sale securities:		
Net change in fair value	**(17,325)**	20,070
Income tax expense on net change	**1,129**	(1,187)
	(16,196)	18,883
Transfer to net earnings of unrealized (gains) upon disposal	**(920)**	(1,314)
Reversal of income taxes	**9**	198
	(911)	(1,116)
	(17,107)	17,767
Changes in foreign currency translation adjustment on foreign subsidiary	**414**	(4,151)
Other comprehensive income	**(16,693)**	13,616
Comprehensive Income	**$ 496**	$ 30,707
Comprehensive income (loss) attributable to:		
Shareholders	**$ (236)**	$ 30,599
Non-controlling interests	**732**	108
Comprehensive income	**$ 496**	$ 30,707

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity

For the years ended December 31 ($ in thousands)	2011	2010
Total equity, beginning of year	**$ 332,892**	$ 317,754
Shareholders' equity, beginning of year	**331,856**	317,668
Capital stock		
Balance, beginning of year	**22,934**	24,132
Acquired and cancelled	**(217)**	(1,198)
Capital stock, end of year	**22,717**	22,934
Treasury stock		
Balance, beginning of year	**(11,443)**	(13,783)
Shares acquired	**(4,620)**	(452)
Shares disposed of	**–**	2,792
Treasury stock, end of year	**(16,063)**	(11,443)
Contributed surplus		
Balance, beginning of year	**6,549**	5,972
Stock-based compensation expense recorded	**942**	762
Equity-based entitlements redeemed	**–**	(29)
Tax effects of intra-group transactions	**–**	(156)
Contributed surplus, end of year	**7,491**	6,549
Retained earnings		
Balance, beginning of year	**185,379**	186,526
Net earnings available to shareholders	**16,457**	16,983
Dividends paid	**(5,202)**	(4,949)
Excess of purchase price over issue price of Company's capital stock acquired (note 12c)	**(2,595)**	(11,173)
Excess of purchase price over carrying value of non-controlling interest in subsidiary acquired	**–**	(1,700)
Excess of fair value over carrying value of interest in subsidiary transferred to non-controlling interests (note 25)	**2,690**	–
Excess of cost of treasury stock over sales proceeds, net of taxes	**–**	(308)
Retained earnings, end of year	**196,729**	185,379
Accumulated other comprehensive income		
Beginning of year	**128,437**	114,821
Unrealized gains on available for sale securities, net of income taxes		
Balance, beginning of year	**132,588**	114,821
Net change during year	**(17,107)**	17,767
Balance, end of year	**115,481**	132,588
Foreign currency translation adjustment on a self-sustaining foreign subsidiary		
Balance, beginning of year	**(4,151)**	–
Net change during year	**414**	(4,151)
Balance, end of year	**(3,737)**	(4,151)
Accumulated other comprehensive income, end of year	**111,744**	128,437
Shareholders' equity, end of year	**322,618**	331,856
Non-controlling interests		
Balance, beginning of year	**1,036**	86
Net earnings available to non-controlling interests	**732**	108
Net subscriptions to mutual fund subsidiaries	**9,243**	842
De-consolidation of mutual fund subsidiaries	**(10,196)**	–
Increase in non-controlling interests due to an acquisition of a subsidiary (note 25)	**3,575**	–
Non-controlling interests, end of year	**4,390**	1,036
Total equity, end of year	**$ 327,008**	$ 332,892

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

For the years ended December 31 ($ in thousands)	2011	2010
Operating activities		
Net earnings	**$ 17,189**	$ 17,091
Adjustments for:		
Income taxes (paid) recovered	**(842)**	1,649
Income tax expense (recovery)	**773**	(159)
Net (gain) on securities	**(829)**	(3,395)
Amortization of intangible assets	**2,449**	2,080
Amortization of equipment	**592**	534
Stock-based compensation	**942**	762
	20,274	18,562
Net change in non-cash working capital items (note 20)	**1,072**	(1,888)
Net cash from operating activities	**21,346**	16,674
Investing activities		
Acquisition of securities	**(136,702)**	(93,088)
Proceeds from sale of securities	**127,476**	90,785
Acquisition of intangible assets	**(1,986)**	(1,582)
Acquisition of equipment	**(297)**	(480)
Proceeds from disposition of intangible assets	**–**	49
Acquisition of subsidiary (note 25)	**(4,271)**	–
Net cash (used in) investing activities	**(15,780)**	(4,316)
Financing activities		
Acquisition of capital stock	**(2,812)**	(12,371)
Dividends paid	**(5,202)**	(4,949)
Disposition (acquisition) of treasury stock	**(4,620)**	2,340
Proceeds (repayment) of bank loans and borrowings	**1,487**	2,340
Tax benefit on disposition of treasury stock	**–**	138
Net subscriptions from non-controlling interests in mutual fund subsidiaries	**9,243**	842
Acquisition of non-controlled interest in subsidiary	**–**	(1,700)
Net cash from (used in) financing activities	**(1,904)**	(18,040)
Foreign exchange		
Net effect of foreign exchange rate on changes on cash balances	**57**	(94)
Net change in cash, net of bank indebtedness	**3,719**	(5,776)
Cash, net of bank indebtedness, beginning of year	**137**	5,913
Cash, net of bank indebtedness, end of year	**$ 3,856**	$ 137
Represented by		
Cash	**$ 6,360**	$ 5,194
Bank indebtedness	**(2,504)**	(5,057)
	$ 3,856	$ 137

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Reporting Entity

These consolidated financial statements include the accounts of Guardian Capital Group Limited and its subsidiaries and other controlled entities (the "Company"), including special purpose entities which the Company is considered to control, and the Company's proportionate share of the assets, liabilities, revenue and expenses of a joint venture. The Company is incorporated under the laws of the Province of Ontario, and its principal business office is located at Suite 3100, 199 Bay Street, Toronto, Ontario. The Company provides investment management and financial advisory services to a wide range of clients in Canada and abroad, and maintains and manages a proprietary investment portfolio.

2. Significant Accounting Policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the Company's first consolidated financial statements prepared in accordance with IFRS, and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 24.

These financial statements were authorized for issuance by the Board of Directors of the Company on February 22, 2012.

(b) Basis of presentation

These consolidated financial statements have been prepared on a going concern basis and the historical cost basis, except for certain financial instruments that have been measured at fair value.

These financial statements are presented in Canadian dollars, which is the Company's functional currency. In these notes, all dollar amounts and numbers of shares are stated in thousands. Per share amounts and option exercise prices are stated in dollars and cents.

(c) Estimates and judgments

The preparation of these consolidated financial statements necessitates the use of judgements, estimates and assumptions, which affect the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Management believes that the significant areas where judgment is necessarily applied are those which relate to the:

(i) Control of special purpose entities;
(ii) Valuation of certain securities that do not have quoted market prices;
(iii) Assessment of goodwill and available for sale securities for impairments;
(iv) Assessment of provisions; and
(v) Measurement of share-based payments.

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

The Company from time to time has seed capital investments in a number of funds where it is in a position to be able to control those funds. These funds are consolidated unless they meet the criteria set out in the accounting policy in respect of non-current assets held for sale to be categorized as being held for sale, in which case they are classified and accounted for in accordance with that policy.

(ii) Special purpose entities ("SPE")

An SPE is an entity created to accomplish a narrow and well-defined objective, whose control is not determined by voting interests. An SPE is consolidated if, based on an evaluation of the substance of the relationship between the Company and the SPE, the Company concludes that it controls the SPE.

(iii) Jointly controlled entities

Jointly controlled entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Company proportionately consolidates the individual assets, liabilities, income and comprehensive income of jointly controlled entities in proportion to the Company's participation in their equity.

(iv) Transactions eliminated on consolidation

All inter-company transactions, balances, income and expenses between the consolidated entities are eliminated on consolidation. Non-controlling interests in the equity of subsidiaries are shown as a component of the equity section of the consolidated balance sheet.

(e) Foreign currency translation

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

(i) Foreign currency denominated monetary items and non-monetary items measured at fair value are translated at the reporting date exchange rates, and purchases and sales of securities and revenues and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains and losses, if any, resulting from the foregoing, are included in the statements of operations.
(ii) The accounts of certain subsidiaries of the Company are maintained in foreign currencies. Assets and liabilities have been translated into Canadian dollars at exchange rates prevailing at the reporting date and revenues and expenses at average monthly rates. Adjustments resulting from the exchange gains and losses on the translation of balance sheets of the Company's foreign operations are recorded as a foreign currency translation adjustment in the statements of comprehensive income (loss), and the cumulative balance is included in accumulated other comprehensive income (loss) in the shareholders' equity section of the consolidated balance sheets.

(f) Financial instruments

The Company's financial assets may be classified as held-for-trading ("Held for Trading"), available for sale ("Available for Sale") or loans and receivables (Loans & Receivables"). Financial liabilities are classified as either Held for Trading or other financial liabilities ("Other Financial Liabilities").
(i) Measurement of financial instruments
All of the Company's financial instruments are initially measured at fair value. Subsequent to initial recognition, financial instruments classified as Held for Trading or Available for Sale are measured:

a. at fair value using quoted market prices in an active market;
b. where there is no active market, but the fair value can be reliably measured, the fair value is determined using valuation techniques; or
c. otherwise, they are measured at cost.

(ii) Changes in fair value
During each reporting period, changes in the fair value of financial assets classified as Available for Sale are reflected in other comprehensive income, and changes in fair value of financial assets classified as Held for Trading, are reflected in net earnings. All other financial instruments, which include Loans & Receivables and Other Financial Liabilities, are measured at amortized cost using the effective interest rate method.
(iii) Classification of the Company's financial instruments
The Company's financial instruments are classified as follows:

a. Interest-bearing deposits with banks, accounts receivable and other, loans receivable, receivables from clients and broker and securities at amortized cost are classified as Loans & Receivables.
b. Substantially all of the securities holdings are classified as Available for Sale.
c. Cash, equity and debt securities held by mutual funds which are consolidated, due on securities sold short by consolidated mutual funds, and derivative contracts, if any, held directly by the Company, are classified as Held for Trading.
d. Bank loans and borrowings, client deposits, accounts payable and other, and payable to clients are classified as Other Financial Liabilities.

(iv) Fair value hierarchy
Financial assets and liabilities measured at fair value are classed using a fair value hierarchy which reflects the significance of the inputs used in making the fair value measurements. The fair value hierarchy is as follows:

a. Level 1 – Quoted market prices: financial instruments with quoted prices for identical instruments in active markets.
b. Level 2 – Valuation technique using observable inputs: financial instruments with quoted prices or similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
c. Level 3 – Valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

(v) Offsetting financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(g) Impairment of securities and other financial assets

For securities and other financial assets other than those classified as Held for Trading, an assessment is made each period by management as to whether there is any objective evidence of impairment. Factors considered in determining whether an objective evidence of impairment exists include the length of time and the extent of unrealized loss, the financial condition and near-term prospects of the issuer and the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. If it is determined that the security is impaired, the carrying value of the security is written down to its fair value, and any cumulative loss amount recognized in other comprehensive income is reclassified to net income.

For securities and other financial assets carried at amortized cost, if, in subsequent periods, the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the loss is reversed in the income statement. The reversal is limited to what the amortized amount of the security or financial asset would have been if no impairment loss was recognized in a prior period.

(h) Intangible assets

Intangible assets represent new business costs (costs pertaining to new advisors and branches joining the Company's mutual fund dealer and securities dealer subsidiaries, and account transfer costs), computer software and the Company's rights to future revenues (substantially in the Company's life insurance managing general agency subsidiary). Intangibles are carried at cost less accumulated amortization and accumulated impairment losses. They are amortized over their estimated useful lives, as outlined below:
(i) New business costs – Where there is a commitment by advisors to stay with the Company for a specified number of years, they are amortized over that number of years, which is generally three to five years;
(ii) Computer software – The initial cost of the main computer processing system used by the mutual fund dealer subsidiary is amortized on a straight-line basis over ten years, with subsequent improvements to this system being amortized over five years, and other computer software being amortized over three to five years; and
(iii) Rights to future revenues – These are amortized over fifteen years.

Amortization methods and useful lives of the intangible assets are reviewed annually and adjusted, if appropriate. Intangible assets are derecognized upon disposal or when they are fully amortized and no longer in use.

(i) Equipment

Equipment is carried at cost less accumulated amortization, and accumulated impairment losses, and is amortized over its expected useful life, as outlined below:
(i) Computer hardware – The majority of computer hardware is amortized on a straight-line basis over three years;
(ii) Furniture and equipment – The majority of furniture and equipment is amortized on a diminishing balance basis at a rate of 20% per annum, and works of art included within furniture and equipment are not amortized; and
(iii) Leasehold improvements – Leasehold improvements are amortized on a straight-line basis over the remaining terms of the leases.

Amortization rates and the useful life of equipment is reviewed annually and adjusted, if appropriate. Equipment is derecognized upon disposal or when it no longer has any residual value.

(j) Goodwill

Goodwill represents the excess of the cost of acquisition of a consolidated entity over the fair value of the net identifiable tangible and intangible assets of the subsidiary at the date of acquisition. Goodwill is not amortized, but is carried at cost less accumulated impairment losses. Goodwill is allocated to the appropriate cash-generating units for the purpose of impairment testing.

(k) Impairment of non-financial assets

The Company reviews non-financial assets, including intangible assets, equipment and goodwill, annually for impairment. If the net carrying amount of an asset which is considered impaired exceeds the estimated recoverable amount, the excess is charged to the statement of operations as an impairment loss.

Management also assesses annually whether there is any indication that an impairment loss recognized in a prior period may no longer exist or may have decreased. If such indication exists, the estimated recoverable amount is compared to the carrying amount and, if the recoverable amount exceeds the carrying amount, the prior impairment loss is reversed, to bring the carrying amount to a maximum of the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized in a prior period.

(l) Bank loans and borrowings

(i) Bank indebtedness
Bank indebtedness is a financial liability owed on lines of credit to banks. Bank indebtedness may also consist of bank indebtedness net of cash in bank, when the Company has a legal right of offset and intends to settle on a net basis or realize the asset and settle the liability simultaneously.
(ii) Bank loan and bankers acceptances payable
Bank loan and bankers acceptances are financial liabilities and are initially recorded at fair value and subsequently at amortized cost, which approximates fair value.

(m) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the obligation at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Where some or all of the expenditure is expected to be reimbursed by insurance or some other party, and it is virtually certain, the reimbursement is recognized as a separate asset on the balance sheet, and the net amount is recorded in the statements of operations. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed.

(n) Treasury stock

The Company provides stock-based entitlements to certain senior employees through an Employee Profit Sharing Plan Trust (the "EPSP Trust"). The EPSP Trust purchases shares of the Company, which are allocated to senior employees and are financed by a bank loan facility with a major chartered bank, which is secured by the shares held by the EPSP Trust and guaranteed by the Company. The EPSP Trust is considered to be an SPE, which the Company is considered to control. The Company consolidates the EPSP Trust in these financial statements, and accounts for the shares owned by the EPSP Trust as treasury stock.

(o) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The various types of revenues and the associated accounting policies adopted by the Company are as follows:

(i) Gross commission revenue earned and commissions paid to advisors are recorded on a trade date basis.

(ii) Management fees – The Company provides investment management and investment advisory services to clients, in consideration for management fees, which are generally calculated based on the fair value of the assets managed, in accordance with the agreements with the clients. The fees are earned over the time during which the assets are managed or advised on by the Company. Certain clients also pay performance fees, if the performance of such clients' assets under management exceeds that of certain performance benchmarks by an agreed level over a stated time period. Such fees are recorded when the services have been provided, the amount of the fees can be reliably measured, and it is probable that the fees will be received. Management fees are presented net of referral fees paid to third party agents.

(iii) Administrative services income – The Company earns income from certain clients, associated with the maintenance of accounts with the Company, and the provision of general corporate or trust services to other clients. Such income is recognized, on an accrual basis, as the services continue to be performed on an ongoing basis, all as based on agreements with the clients. When the Company holds assets or liabilities on a fiduciary basis in providing these services, those assets and liabilities and the income and expenses associated with them are excluded from these consolidated financial statements.

(iv) Dividend and interest income are recorded as follows:

a. Dividends are recognized when the Company's right to receive payment is established.

b. Interest is recorded as earned over the period of time during which the interest-paying investment is held, on an effective yield basis.

(p) Employee compensation and benefits

Wages, salaries, profit sharing, bonuses, payroll taxes and levies and paid annual leaves are accrued in the year in which the associated services are rendered by employees and when a reliable estimate of the obligation can be made.

(q) Stock-based compensation

Stock-based compensation is accounted for under the fair value method, under which compensation cost is measured at the fair value of equity instruments granted and is expensed over the vesting period of the equity instruments. Fair value is determined on the grant date using appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted.

Vesting conditions are not taken into account in the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognized for services received as consideration for the equity instruments granted is based on the estimated number of equity instruments that eventually vest.

Where a grant has been modified, as a minimum the expense of the original grant continues to be recognized as if it had not been modified. Where the effect of the modification is to increase the fair value of a grant or increase the number of equity instruments, the incremental fair value of the grant or incremental fair value of the additional equity instruments is recognized in addition to the value of the original grant, measured at the date of the modification, over the modified vesting period.

(r) Interest expense

Interest expense comprises interest payable on borrowings recognized using the effective interest rate method.

(s) Pensions

The Company operates a defined contribution pension plan and a group registered retirement savings plan. Payments to the plans are charged as expenses as they fall due. The Company has no legal or constructive obligation to pay further contributions if the plans do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(t) Net gains or losses on securities

Gains on losses include any gains or losses related to changes in the fair value of Held for Trading securities, or on disposal of Available for Sale securities, and adjustments to record any impairment in value, recognized on a trade date basis.

(u) Income tax

Income tax on net earnings for the year comprises current tax and deferred tax. Income tax is recognized in the statement of operations, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is also recognized in other comprehensive income or directly in equity.

Current tax is the tax expected to be payable on the taxable net earnings for the year, calculated using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right of offset exists.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using the tax rates expected to apply in the periods in which assets will be realized or the liabilities settled. Deferred tax assets and liabilities are offset when they arise in the same tax reporting entities, relate to income taxes levied by the same taxation authority and a legal right to set off exists.

(v) Earnings per share

The calculation of basic earnings per share is based on the weighted average of Class A and common shares outstanding during the year and on earnings available to the holders of the Class A and common shares. Diluted earnings per share are calculated by adjusting for the effect of outstanding dilutive instruments, such as stock options or stock-based entitlements, using the treasury stock method.

(w) Related parties

For the purposes of these financial statements, a party is considered related to the Company if such party or the Company has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Company and such party are subject to common significant influence. Related parties may be individuals or other entities. All material transactions with related parties are recorded at fair value.

3. Changes In Accounting Policies

A number of new standards, and amendments to existing standards, have been issued by IASB, which are effective for the Company's consolidated financial statements either in the current year or in certain future periods. The following is a description of these new standards and amendments, with indications of how they may affect the Company's consolidated financial statements.

(a) Current changes in accounting policies:

(i) Related party disclosures

On November 4, 2009, IASB issued a revised version of IAS 24, Related Party Disclosures ("IAS 24"). IAS 24 requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. The revisions to IAS 24 have simplified the definition of a related party and removed certain of the disclosures currently required. The revised standard became effective for annual periods beginning on or after January 1, 2011. The Company has incorporated the requirements as a result of the changes to IAS 24 in its annual disclosures in these financial statements.

(b) Future changes in accounting policies:

(i) Financial instruments

The initial installments of IFRS 9, Financial Instruments, ("IFRS 9") were issued by IASB in November, 2009 and October, 2010. These installments represent the first phase in IASB's planned phased replacement of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") with an improved standard for financial instruments that is principle-based and less complex.

The main changes to the requirements of IAS 39 that may have an effect on the Company's consolidated financial statements are as follows:

- All financial assets that are currently within the scope of IAS 39 will be classified as either amortized cost or fair value. The Available for Sale and Loans & Receivables categories will no longer exist.
- The above classification will be based on an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Reclassifications between amortized cost and fair value will be prohibited, unless there is a change in the entity's business model.
- Changes in the fair value of financial assets classified at fair value are recorded in net earnings, except that an entity may choose to designate certain equity securities at fair value to be recorded in other comprehensive income. If this option is chosen, all subsequent changes in those securities must be recorded in other comprehensive income, and no transfer to net earnings of gains or losses on disposal will be permitted. Dividend income on those securities would continue to be recorded in net earnings.

The next phases in IASB's project is expected to address the impairment of financial assets measured at amortized cost, and hedge accounting.

IFRS 9 is expected to be effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements, particularly with regard to the recording of its securities holdings.

(ii) Consolidated financial statements

IFRS 10, Consolidated Financial Statements ("IFRS 10") was issued by IASB on May 12, 2011, replacing the current consolidation standards in IAS 27, Consolidated and Separate Financial Statements ("IAS 27") and SIC 12, Consolidation – Special Purpose Entities ("SIC 12"). IFRS 10 will

introduce a single consolidation model applicable to all investees and indicate that an investor must consolidate an investee when the investor has the ability to influence decisions affecting returns of the investee, has exposure to variability in those returns and there is a linkage between the two. IFRS 10 also will introduce the concepts of principal versus agent and de facto control, which may have an affect on the consolidation of the Company's investments in mutual funds. IFRS 10 will be effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

(iii) Joint arrangements

IFRS 11, Joint Arrangements ("IFRS 11") was issued by IASB on May 12, 2011 replacing IAS 31, Interests in Joint Ventures ("IAS 31"). IFRS 11 defines joint arrangements in largely the same manner as under IAS 31, but it sub-categorizes them into either joint operations or joint ventures, and establishes the appropriate accounting method for each type of joint arrangement. The primary difference between IFRS 11 and IAS 31 is that IFRS 11 requires that joint ventures be accounted for using the equity method, whereas IAS 31 allowed management a choice between the equity method and proportionate consolidation. IFRS 11 will be effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its consolidated financial statements.

(iv) Disclosure of interests in other entities

IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12") was issued by IASB on May 12, 2011, and combines in a single standard the disclosure requirements for interests in subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. IFRS 12 will be effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 12 on the disclosures in its consolidated financial statements.

(v) Fair value measurement

IFRS 13, Fair Value Measurement ("IFRS 13") was issued by IASB on May 12, 2011. IFRS 13 establishes a framework for measuring fair value and sets out related disclosure requirements when fair value measurement is required or permitted under other standards. IFRS 13 will be effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 13 on the fair value measurements in its consolidated financial statements.

4. Securities Holdings

An analysis of the Company's securities holdings is as follows:

As at December 31	2011	2010
Available for sale securities		
Short-term securities (a)	**$ 7,798**	$ 9,620
Mutual funds	**54,563**	51,707
Bank of Montreal	**276,925**	285,109
Other equity securities	**16,980**	20,197
	356,266	366,633
Held for trading securities		
Equity securities (b)	**5,550**	14,927
Total Securities at fair value (c)	**361,816**	381,560
Securities at amortized cost (d)	**2,366**	2,044
Total securities holdings	**$ 364,182**	$ 383,604

(a) Short-term securities shown above include securities of non-controlled mutual funds that hold short-term securities, as well as directly held short-term securities that are continually reinvested by the Company and therefore are included in securities holdings.

(b) Held for trading equity securities consist of securities held by consolidated mutual funds which meet the criteria for this classification. Changes in fair value are included in net gains on securities.

(c) The Company's securities holdings and due on securities sold short have been categorized based upon a fair value hierarchy, as follows:

As at December 31	2011 Level 1	2011 Level 2	2011 Level 3	2011 Total	2010 Level 1	2010 Level 2	2010 Level 3	2010 Total
Securities holdings	**$358,439**	**$ –**	**$ 3,377**	**$ 361,816**	$ 377,608	$ –	$ 3,952	$ 381,560
Due on securities sold short	**–**	**–**	**–**	**–**	(664)	–	–	(664)
Net	**$358,439**	**$ –**	**$ 3,377**	**$ 361,816**	$376,944	$ –	$ 3,952	$380,896

An analysis of the movement in Level 3 securities is as follows:

For the years ended	2011	2010
Level 3 securities, beginning of year	**$ 3,952**	$ 1,384
Additions	**107**	–
Impairments	**–**	(31)
Increase (decrease) in value, recognized in other comprehensive income	**(682)**	2,599
Level 3 securities, end of year	**$ 3,377**	$ 3,952

During 2011 and 2010, there have been no transfers between Levels 1 and 3 securities.

(d) During 2011, the securities at amortized cost were restructured, resulting in the derecognition of the existing debt securities and the recording of promissory notes. The Company valued the promissory notes received at $2,775, and recognized a gain of $731 on the restructuring. As at December 31, 2011, the promissory notes have a face value of $3,766, an interest rate of 10.25% per annum, and are repayable in 11 blended installments of principal and interest. The estimated fair value of the securities carried at amortized cost amounted to $2,370 at December 31, 2011 (2010 - $2,970).

5. Intangible Assets

For the years ended December 31	2011 New business costs	2011 Computer software	2011 Rights to future revenue	2011 Total	2010 New business costs	2010 Computer software	2010 Rights to future revenue	2010 Total
Cost								
Balance, beginning of year	**$ 7,798**	**$ 2,095**	**$ 2,257**	**$12,150**	$ 6,928	$ 2,710	$ 2,257	$ 11,895
Purchases	**964**	**768**	**254**	**1,986**	1,170	412	–	1,582
Arising on aquisition of a subsidiary (note 25)	**–**	**–**	**10,238**	**10,238**	–	–	–	–
Reclassifications (a)	**(1,283)**	**–**	**1,283**	**–**	–	–	–	–
Disposals	**–**	**–**	**–**	**–**	(300)	(1,023)	–	(1,323)
Foreign exchange translation adjustments	**–**	**2**	**–**	**2**	–	(4)	–	(4)
Balance, end of year	**7,479**	**2,865**	**14,032**	**24,376**	7,798	2,095	2,257	12,150
Accumulated Amortization								
Balance, beginning of year	**4,119**	**1,198**	**1,312**	**6,629**	2,734	1,939	1,153	5,826
Amortization for the year	**1,417**	**280**	**752**	**2,449**	1,637	284	159	2,080
Reclassifications (a)	**(825)**	**–**	**825**	**–**	–	–	–	–
Disposals	**–**	**–**	**–**	**–**	(252)	(1,023)	–	(1,275)
Foreign exchange translation adjustments	**–**	**1**	**–**	**1**	–	(2)	–	(2)
Balance, end of year	**4,711**	**1,479**	**2,889**	**9,079**	4,119	1,198	1,312	6,629
Carrying value, end of year	**$ 2,768**	**$ 1,386**	**$ 11,143**	**$15,297**	$ 3,679	$ 897	$ 945	$ 5,521

(a) In conjunction with the acquisition of the Managing General Agency subsidiary described in note 25, the Company reassessed certain new business costs held by that subsidiary. As a result of this reassessment, it was determined that these costs qualify as rights to future revenues, and their cost and accumulated amortization were therefore reclassified accordingly, as of the date of the acquisition. As a result of this reclassification, reduced amortization expenses of $131 were recorded in 2011, and reduced expense is expected to be recorded in 2012 and 2013, in the amounts of $186 and $49, respectively.

6. Equipment

For the years ended December 31	2011			2010		
	Office equipment and computers	**Leasehold improvements**	**Total**	Office equipment and computers	Leasehold improvements	Total
Cost						
Balance, beginning of year	**$ 4,569**	**$ 1,274**	**$ 5,843**	$ 5,134	$ 1,231	$ 6,365
Purchases	**197**	**100**	**297**	434	46	480
Arising on acquisition of subsidiary	**191**	**292**	**483**	–	–	–
Disposals	–	–	–	(954)	–	(954)
Foreign exchange translation adjustments	**17**	**2**	**19**	(45)	(3)	(48)
Cost, end of year	**4,974**	**1,668**	**6,642**	4,569	1,274	5,843
Accumulated Amortization						
Balance, beginning of year,	**2,952**	**1,021**	**3,973**	3,504	908	4,412
Amortization for the year	**400**	**192**	**592**	418	116	534
Disposals	**–**	**–**	**–**	(954)	–	(954)
Foreign exchange translation adjustments	**7**	**2**	**9**	(16)	(3)	(19)
Balance, end of year	**3,359**	**1,215**	**4,574**	2,952	1,021	3,973
Carrying value, end of year	**$ 1,615**	**$ 453**	**$ 2,068**	$ 1,617	$ 253	$ 1,870

7. Goodwill

For the years ended December 31		**2011**		2010
Balance, beginning of year	**$**	**5,249**	$	5,249
Arising on acquisition of subsidiary (note 25)		**5,862**		–
Balance, end of year	**$**	**11,111**	$	5,249

Goodwill acquired in a business acquisition is allocated to the cash generating units ("CGUs") that are expected to benefit from that business acquisition.

The carrying amount of goodwill has been allocated to the relevant CGUs as follows:

		2011		2010
Financial Advisory				
Mutual Fund Distributor	**$**	**4,227**	$	4,227
Life Insurance Managing General Agent		**6,884**		1,022
	$	**11,111**	$	5,249

Goodwill is not amortized, but is subject to annual impairment testing, as described below.

Impairment tests were performed upon the goodwill associated with each CGU in 2011 and 2010, in each year based upon each of the CGU's estimated fair value, less estimated costs to sell. Management used a multi-factor model to determine fair value, with the principal assumptions being values assigned as multiples of key business analytics pertaining to each CGU. Management considers that the key business analytics are client assets under administration in both CGUs and annual net service fees and net first year commissions in the Life Insurance Managing General Agent CGU. It is management's opinion that estimating fair value based on these analytics is in accordance with established industry practice, and that the multiples used are consistent with market transactions. Based on the results of this testing, there were no indications that the goodwill was impaired in 2011 or 2010.

Option-like entitlements provided during the year had a fair value of $1,697 (2010 - $ Nil). Because these entitlements have option-like characteristics, they are accounted for as options and valued using the Black-Scholes option pricing model. The value of the entitlements provided is recorded as compensation cost over the vesting period of the entitlements, and is credited to contributed surplus. On exercise of an entitlement, treasury stock is reduced for the value of the entitlement exercised. The following are the key assumptions used in the valuation of the entitlements granted during the year:

For the year ended December 31		2011
Average purchase price per share	$	**9.71**
Vesting period in years		**5.00**
Average expected term to exercise in years		**10.00**
Risk-free interest rate		**3.41%**
Expected price volatility		**26.09%**
Expected dividends per share, per annum	$	**0.16**

The following table summarizes information about option-like entitlements outstanding.

Range of purchase prices	Number of shares outstanding	Weighted average purchase price	Number of shares vested	Weighted average purchase price
As at December 31, 2011				
$2.51 - $5.00	**20**	**2.62**	**20**	**2.62**
$5.01 - $7.50	**355**	**6.15**	**334**	**6.19**
$7.51 - $10.00	**764**	**9.24**	**253**	**8.71**
$10.01 - $12.50	**264**	**11.36**	**226**	**11.25**
	1,402	**8.76**	**833**	**8.24**
As at December 31, 2010				
$2.51 - $5.00	20	2.62	20	2.62
$5.01 - $7.50	355	6.15	329	6.20
$7.51 - $10.00	315	8.57	222	8.73
$10.01 - $12.50	264	11.36	180	11.18
	954	8.32	751	8.04

ii) Equity-based entitlements

Equity-based entitlements allow the employees to purchase shares from the EPSP Trust at zero cost, subject to predetermined vesting arrangements and other conditions. When such purchases by employees occur, the Company pays to the EPSP Trust the amount of the bank loan attributable to the shares purchased. Due to the nature of these entitlements and the conditions attached to them, the contractual life of the entitlement is indeterminable.

A summary of the changes in the number of shares under equity-based entitlements is as follows:

For the year ended December 31	2011	2010
	Number of shares	
Equity-based entitlements, beginning of the year	**525**	486
Entitlements provided	**27**	55
Entitlements exercised	**–**	(9)
Entitlements cancelled	**–**	(7)
Equity based entJitlements, end of year	**552**	525

Equity-based entitlements are valued at the fair market value of the shares purchased by the EPSP Trust on the date of the provision of the entitlement. This value is recorded by the Company as compensation cost over the vesting period, and is credited to contributed surplus. On exercise of an entitlement, treasury stock and contributed surplus are reduced for the value of the entitlement exercised.

Equity-based entitlements provided during the year ended December 31, 2011 had a fair value of $266 (2010 - $452).

14. Management Fee Income, Net

Management fee income is presented net of referral fees which are paid to referring agents, amounting to $1,695 for the year ended December 31, 2011 (2010 - $1,766).

15. Dividend and Interest Income

Dividend and interest income is composed of the following:

For the year ended December 31	2011	2010
Dividend income	$ 15,879	$ 15,286
Interest income	1,412	544
Total Dividend and interest income	$ 17,291	$ 15,830

16. Employee Compensation and Benefits

Employee compensation and benefits are composed of the following:

For the year ended December 31	2011	2010
Salaries and other compensation, payroll taxes and benefits	$ 34,421	$ 31,138
Contributions to defined contribution pension plans	400	359
Stock-based compensation	942	762
	$ 35,763	$ 32,259

17. Net Gains on Securities

Net gains (losses) on securities are composed of the following:

For the year ended December 31	2011	2010
Held for trading securities (a)	$ (305)	$ 1,318
Available for sale securities	403	1,641
Securities at amortized cost (Note 4)	731	434
Net gains (losses) on securities	$ 829	$ 3,393

(a) Net gains on held for trading securities include net gains on securities both owned and sold short by consolidated mutual funds.

18. Average Number of Shares Outstanding

Weighted average number of Class A and Common shares outstanding (in thousands)

For the year ended December 31	2011	2010
Basic	32,278	32,908
Effect of outstanding entitlements and options from stock based compensation plans	682	489
Diluted	32,960	33,397

The effects of 1,106 (2010 – 1,393) entitlements and options from the Company's stock based compensation arrangements were excluded from the diluted number of share calculation of shares as those entitlements and options were anti-dilutive.

19. Business Segments

The Company operates in the following three main business segments: a) the investment management segment, which involves the earning of management fees relating to investment management services provided to clients; b) the financial advisory segment which relates to the earning of sales commissions and administrative services revenue from assets under administration; and c) the corporate activities and investments segment, which relates substantially to the investment of the Company's securities holdings, as well as corporate management and development activities. The allocation of costs to individual business segments is undertaken to provide management information on the cost of providing services and a tool to manage and control expenditures. The Company's business segments do not have any material intra-segment revenues. The following table discloses certain information about these segments:

	Investment Management		Financial Advisory		Corporate Activities and Investments		Consolidated	
Years ended December 31	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Gross commission revenue	**$ –**	$ –	**$ 67,906**	$ 58,952	**$ –**	$ –	**$ 67,906**	$ 58,952
Commissions paid to advisors	**–**	–	**(54,086)**	(48,817)	**–**	–	**(54,086)**	(48,817)
	–	–	**13,820**	10,135	**–**	–	**13,820**	10,135
Management fee income, net	**37,854**	33,974	**–**	–	**–**	–	**37,854**	33,974
Administrative services income	**1,195**	997	**4,001**	4,357	**–**	–	**5,196**	5,354
Dividend and interest income	**357**	248	**482**	269	**16,452**	15,313	**17,291**	15,830
Net revenue	**39,406**	35,219	**18,303**	14,761	**16,452**	15,313	**74,161**	65,293
Expenses								
Employee compensation and benefits	**18,651**	18,122	**9,821**	7,658	**7,291**	6,479	**35,763**	32,259
Amortization	**275**	160	**2,610**	2,250	**156**	204	**3,041**	2,614
Interest	**207**	152	**69**	40	**1,156**	1,100	**1,432**	1,292
Other expenses	**10,564**	10,256	**8,821**	7,637	**(2,593)**	(2,304)	**16,792**	15,589
	29,697	28,690	**21,321**	17,585	**6,010**	5,479	**57,028**	51,754
Operating earnings	**9,709**	6,529	**(3,018)**	(2,824)	**10,442**	9,834	**17,133**	13,531
Net gains on securities	**–**	–	–	–	**829**	3,393	**829**	3,393
Earnings before taxes	**9,709**	6,529	**(3,018)**	(2,824)	**11,271**	13,227	**17,962**	16,932
Income tax expense (recovery)	**2,302**	1,486	**(476)**	(650)	**(1,053)**	(995)	**773**	(159)
Net earnings	**$ 7,407**	$ 5,043	**$ (2,542)**	$ (2,174)	**$ 12,324**	$ 14,222	**$ 17,189**	$ 17,091
Net earnings attributable to:								
Shareholders	**$ 7,407**	$ 5,043	**$ (2,635)**	$ (2,174)	**$ 11,685**	$ 14,114	**$ 16,457**	$ 16,983
Non-controlling interests	**–**	–	**93**	–	**639**	108	**732**	108
	$ 7,407	$ 5,043	**$ (2,542)**	$ (2,174)	**$ 12,324**	$ 14,222	**$ 17,189**	$ 17,091
Capital expenditures on segment assets:								
Intangible assets	**$ 418**	$ 245	**$ 11,806**	$ 1,191	**$ –**	$ 146	**$ 12,224**	$ 1,582
Equipment	**47**	69	**582**	118	**151**	293	**780**	480
Goodwill	–	–	**5,862**	–	**–**	–	**5,862**	–
As at December 31, Segment assets and liabilities								
Assets	**$30,643**	$ 30,924	**$ 76,319**	$ 50,819	**$ 363,161**	$ 386,259	**$ 470,123**	$468,002
Liabilities	**28,394**	18,294	**39,579**	30,406	**75,142**	86,410	**143,115**	135,110

The following table discloses certain information about the Company's activities, segmented geographically

	Canada		Rest of the World		Consolidated	
Years ended December 31	**2011**	2010	**2011**	2010	**2011**	2010
Net revenue	$ 68,948	$ 60,818	$ 5,213	$ 4,475	$ 74,161	$65,293
As at December 31,						
Segment non-current assets						
Intangible assets	$ 15,269	$ 5,491	$ 28	$ 30	$ 15,297	$ 5,521
Equipment	1,567	1,353	501	517	2,068	1,870
Goodwill	11,111	5,249	–	–	11,111	5,249

20. Net Change in Non-Cash Working Capital Items

For the year ended December 31	**2011**	2010
Decrease (increase) in interest-bearing deposits with banks	**$ 4,121**	$ (2,415)
(Increase) decrease in accounts receivable and other	**(3,392)**	(585)
Decrease (increase) in loans receivable	**205**	(2,786)
(Increase) in receivables from clients and broker	**(4,367)**	(6,085)
Decrease (increase) in prepaid expenses	**10**	(15)
(Decrease) increase in client deposits	**(4,357)**	2,019
Increase in accounts payable and other	**4,485**	1,894
Increase in payable to clients	**4,367**	6,085
Net change	**$ 1,072**	$ (1,888)

21. Financial Risks Management

The Company's goal in managing financial risk is to evaluate the risks being taken against the benefits that are targeted to be achieved and, where those risks are deemed acceptable, to mitigate those risks, where practicable. A discussion on the Company's risk management practices is included under the heading "Risk Factors" in the Management's Discussion and Analysis, on pages 21 and 22 of the Company's 2011 Annual Report. The following are the more significant risks associated with financial instruments to which the Company is subject:

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

(i) Currency Risk

The Company's main direct exposure to currency risk is on its investments in its foreign subsidiaries, amounting to $72,598 US ($73,832 Canadian) as at December 31, 2011 (2010 - $78,963 US; $78,945 Canadian). Changes in the value of these investments caused by changes in the US dollar exchange rate are reflected in the Consolidated Statement of Comprehensive Income in the period in which the change occurs. A strengthening of the Canadian dollar against the US dollar by 10%, with all other factors remaining unchanged, would result in a loss of $7,260 Canadian at December 31, 2011 (2010 - $7,896 Canadian) being recorded in other comprehensive income in the Consolidated Statement of Comprehensive Income. A weakening of the Canadian dollar against the US dollar would have an equal but opposite effect.

(ii) Interest Rate Risk

The Company is exposed to interest rate risk in its international banking operations, through the assets interest-bearing deposits with banks of $8,033 (2010 - $12,356) and loans receivable of $6,410 (2010 - $6,462), and the client deposits liability of $7,432 (2010 – $11,984). This risk is managed through the matching of interest rates and maturities on these balances.

(iii) Price Risk

The Company is exposed to price risk with its securities holdings, and the amounts due on securities sold short. Unrealized changes in the values of its securities holdings are recorded as unrealized gains or losses in the Consolidated Statements of Comprehensive Income (for available for sale securities) and as gains or losses in the Consolidated Statements of Operations (for held for trading securities and securities sold short). This risk is managed through the use of professional in-house portfolio management expertise, each of which takes a disciplined approach to investment management. The long and short securities holdings, excluding the Bank of Montreal shares, are also diversified by asset class and, as shown in the chart below, by geographical region. The chart also indicates the realized or unrealized gain or loss which would be recorded as a result of a 10% change in the market prices in each region:

As at December 31	2011		2010	
	Fair value of marketable investments excluding Bank of Montreal shares and short-term investments, net of securities sold short	**Unrealized gain or loss from 10% market change in region**	Fair value of marketable investments excluding Bank of Montreal shares and short-term investments, net of securities sold short	Unrealized gain or loss from 10% market change in region
Canada	**$ 29,337**	**±$ 2,934**	$ 32,271	±$ 3,227
United States	**9,263**	**± 926**	8,943	± 894
Rest of the World	**46,293**	**± 4,629**	54,576	± 5,458
Total	**$ 84,893**	**±$ 8,489**	$ 95,790	±$ 9,579

(b) Concentration Risk

The Company is exposed to concentration risk associated with the $276,925 (2010 - $285,109) investment in the Bank of Montreal shares, which is a significant portion of the Company's securities holdings. The Company monitors the investment in the Bank of Montreal shares on a continuous basis. A change in the price of the Bank of Montreal shares by 10% would result in an unrealized gain or loss of $27,693 (2010 - $28,511) being recorded in the Consolidated Statement of Comprehensive Income.

(c) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's total credit risk exposure, without consideration of any collateral or other credit enhancements, is as outlined below:

As at December 31	2011	2010
Cash	**$ 6,360**	$ 5,194
Interest-bearing deposits with banks	**8,033**	12,356
Accounts receivable and other	**19,234**	15,823
Loans receivable	**6,410**	6,462
Receivable from clients and broker	**32,044**	27,676
Securities at amortized cost	**2,366**	2,044
Loan guarantees	**482**	482
Total, before collateral and credit enhancements	**$ 74,929**	$ 70,037

The Company considers its credit risk to be low. The interest-bearing deposits with banks and the majority of the accounts receivable are due from major institutions. The Company reviews the credit worthiness of any banks with which it places deposits, and does not deal with a bank if it is not satisfied with the bank's financial strength. The credit exposure on receivables from clients and loans receivable is offset with securities, which are held in the client margin accounts of the securities dealer subsidiary, and by the offshore bank subsidiary, respectively. There are controls on the amounts that these clients may borrow, depending upon the securities that are pledged. The operations and results of the issuer of the promissory notes are closely monitored, and the interest rate on the notes reflects the issuer's credit quality. Offsetting the credit exposure on the loan guarantees are marketable securities pledged by the borrowers, the market values of which the Company actively monitors on a continuous basis.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages this financial risk by maintaining a portfolio of securities holdings, and by arranging for significant borrowing facilities with major Canadian banks.

22. Capital Management

The Company considers the following to be its capital: capital stock, contributed surplus, retained earnings, accumulated other comprehensive income and bankers' acceptances payable. The Company's objectives in managing its capital are to:

(a) maintain a strong capital base to provide investor, creditor, regulator and client confidence; and

(b) provide returns to shareholders by the payment of dividends, the repurchase of the Company's shares, and the enhancement of long-term value.

The allocation of capital to, and the return from, the Company's businesses are monitored by senior management. Certain of the Company's operating subsidiaries are subject to various types of capital requirements imposed by the regulatory authorities to which they report. During the year, and at year end, the subsidiaries complied with those requirements. As at December 31, 2011, the Company's regulated businesses had total regulatory capital amounting to $64,823 (2010 - $85,526). These amounts are, in all cases, in excess of the regulatory requirements, and are adjusted by the Company as necessary from time to time. The Company's borrowing facility, through which bankers' acceptances are issued, is subject to certain terms and conditions. During the year, and at year end, the Company complied with those terms and conditions.

23. Related Parties

(a) Entities with significant influence over the Company

As at December 31, 2011, Minic Investments Limited ("Minic") beneficially owned 48.2% (2010 – 47.9%) of the Company's outstanding common shares. In 2011 and 2010, there were no transactions between Minic and the Company.

(b) Key management personnel

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly. The Company has determined that its key management personnel include the Board of Directors of the Company and certain senior executives of the Company. The following summarizes transactions with key management personnel:

For the years ended December 31	2011	2010
Short-term employment benefits	$ 2,969	$ 3,367
Post-employment benefits	10	14
Termination benefits	–	300
Stock-based compensation	280	199
	$ 3,259	$ 3,880

During 2010, the Company purchased, for a total purchase price of $1,700, the remaining non-controlling interest in a subsidiary, from a company controlled by a proposed director of the Company.

The Company provides investment management services to key management personnel at reduced fee rates, which are available to all employees of the Company. The following is a summary of the fees paid for these services.

For the years ended December 31	2011	2010
Investment management services	$ 41	$ 43

(c) Subsidiaries, joint ventures and entities subject to significant influence

Transactions and balances with subsidiaries and joint ventures have been eliminated on consolidation.

The Company manages a number of collective investment vehicles, which are deemed to be related parties by virtue of the investment management agreements in place between the Company and these vehicles. In a number of these relationships, the Company does not receive a fee for these investment management services, but is paid for by the shareholders for such investment management services. Investment Management fee income included $1,187 (2010 - $1,196) of fees earned from these vehicles.

(d) The Company's significant subsidiaries are as follows:

As at December 31		2011	2010
	Country of Organization	Ownership Interest	
Guardian Capital LP	Canada	**100%**	100%
Guardian Capital Advisors LP	Canada	**100%**	100%
Guardian Capital Enterprises Ltd	Canada	**100%**	100%
Worldsource Wealth Management Inc.	Canada	**100%**	100%
Worldsource Financial Management Inc.	Canada	**100%**	100%
Worldsource Securities Inc.	Canada	**100%**	100%
IDC Worldsource Insurance Network Inc. (1)	Canada	**67%**	–
Worldsource Insurance Network Inc. (1)	Canada	**–**	100%
Guardian Capital International Ltd.	Bermuda	**100%**	100%
Alexandria Bancorp Ltd	Cayman Islands	**100%**	100%
Alexandria Global Investment Management Ltd.	Cayman Islands	**100%**	100%
Alexandria Trust Corporation	Barbados	**100%**	100%
Guardian Capital Group Limited Employee Profit Sharing Plan(2)	Canada	**–**	–
Guardian Canadian Value Equity Fund	Canada	**87%**	91%
Guardian Global 130/30 Equity Fund (3)	Canada	**–**	94%
Guardian Global Dividend Growth Fund (4)	Canada	**40%**	94%

(1) On July 1, 2011, Worldsource Insurance Network Inc. amalgamated with IDC Financial Inc., to form IDC Worldsource Insurance Network Inc., with the Company holding a 67% ownership in the combined entity.
(2) The Company does not hold any ownership interest in Guardian Capital Group Limited Employee Profit Sharing Plan (the "EPSP Trust"). However, the EPSP Trust is consolidated, because the activities of the EPSP Trust are conducted on behalf of the Company, and the Company remains exposed to the risks of the EPSP Trust.
(3) Guardian Global 130/30 Equity Fund ceased operations in July, 2011.
(4) Effective December 31, 2011, the Company ceased to consolidate Guardian Global Dividend Growth Fund.

(e) The Company's significant joint ventures are as follows

As at December 31		**2011**	2010
	Country of Organization	Ownership Interest	
Guardian Ethical Management Inc.	Canada	**50%**	50%

The Company uses the proportionate consolidation method to account for its interest in this joint venture. The Company's proportionate interests in the joint venture that have been included in the consolidated financial statements are summarized below:

As at December 31	**2011**	2010
Current assets	**$ 1,216**	$ 1,086
Other assets	**–**	1
Current liabilities	**616**	523

For the years ended December 31	**2011**	2010
Management fee income	**$ 1,397**	$ 1,389
Expenses	**848**	877

24. Transition to IFRS

The Company adopted IFRS effective January 1, 2011, with a transition date of January 1, 2010. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with then-existing Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). These consolidated financial statements are the Company's first annual financial statements that comply with IFRS. The Company has prepared its opening balance sheet as at January 1, 2010 and financial statements for 2010 and 2011 by applying existing IFRS with an effective date of December 31, 2011 or prior.

(a) Elected exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), the Company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described as follows:
(i) Business combinations – The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3 Business Combinations retrospectively to past business combinations. Accordingly, The Company has not restated business combinations that took place prior to the transition date.
(ii) Stock-based payment transactions – The Company has elected to not apply IFRS 2, Share-based payments to equity instruments issued on or before November 7, 2002 or those which vested before the transition date.
(iii) Equipment and intangible assets – The Company has elected to use the Canadian GAAP carrying values as the deemed cost for all equipment and intangible assets for its transition date balance sheet under IFRS.
(iv) Cumulative foreign currency translation – The Company has elected to set the cumulative foreign currency translation differences to zero and reclassify to retained earnings the balance under Canadian GAAP at the date of transition.

(b) Mandatory exemption from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, the Company has applied certain mandatory exemptions from full retrospective application of IFRS. The mandatory exemptions applied from full retrospective application of IFRS are described as follows:
(i) Estimates – Hindsight was not used to create or revise estimates and, accordingly, the estimates made by the Company under Canadian GAAP are consistent with their application under IFRS.
(ii) The Company prospectively applied the requirements of IAS 27, Consolidated and Separate Financial Statements, regarding losses in a subsidiary attributable to non-controlling interests in excess of the non-controlling interests' equity.

(c) Reconciliation of equity

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS:

As at	See note (f)	December 31 2010	January 1 2010
Shareholders' equity and total equity			
Balance under Canadian GAAP		$ 330,588	$ 317,784
Differences increasing (decreasing) reported shareholders' equity:			
Accumulated currency translation adjustment	(i)	–	–
Changes in substantively enacted tax rates	(ii)	–	–
Fair value of securities	(iv)	3,633	1,026
Reclassification of securities	(v)	614	–
Intra-group transactions	(vi)	(1,052)	(896)
Employee compensation and benefits	(vii)	(227)	(246)
Acquisition of subsidiary	(viii)	(1,700)	–
		1,268	(116)
Shareholders' equity under IFRS		331,856	317,668
Non-controlling interests			
Balance under Canadian GAAP		–	–
Differences increasing (decreasing) reported non-controlling interests:			
Reclassification from liabilities	(iii)	1,036	86
Non-controlling interests under IFRS		1,036	86
Total equity under IFRS		$ 332,892	$ 317,754

(d) Reconciliation of net earnings

The following is a reconciliation of the Company's net earnings reported in accordance with Canadian GAAP to those reported under IFRS for the year ended December 31, 2010:

For the periods	See note (f)	Year ended December 31, 2010
Net earnings under Canadian GAAP		$ 15,075
Differences increasing (decreasing) reported net earnings:		
Reclassification of non-controlling interests from liabilities	(iii)	27
Reclassification of securities	(v)	1,734
Employee compensation and benefits	(vii)	255
		2,016
Net earnings under IFRS		$ 17,091

(e) Reconciliation of comprehensive income

The following is a reconciliation of the Company's comprehensive income reported in accordance with Canadian GAAP to that reported under IFRS for the year ended December 31, 2010:

For the periods	See note (f)	Year ended December 31, 2010
Comprehensive income under Canadian GAAP		$ 27,123
Differences increasing (decreasing) reported comprehensive income:		
Differences in net earnings		2,016
Fair value of securities	(iv)	2,607
Reclassification of securities	(v)	(1,039)
		3,584
Comprehensive income under IFRS		$ 30,707

(f) Notes to the explanation of the transition to IFRS

(i) Accumulated currency translation adjustment

The Company elected, in accordance with the provisions of IFRS 1, to reset its accumulated foreign currency translation adjustment to zero on January 1, 2010, and to transfer the debit balance at that date to retained earnings. This transition adjustment results in no net change to the Company's equity.

(ii) Changes in substantively enacted tax rates

Under IFRS, the tax effects of items recognized outside net earnings (in comprehensive income) are recorded outside net earnings. This differs from Canadian GAAP, which allowed the tax effects of certain items recognized outside net earnings to be recognized within net earnings. When substantively enacted tax rates decreased in 2007 and 2009, the Company recognized tax expense reductions within net earnings in respect of items which were recognized outside net earnings. The transfer of these amounts from retained earnings to accumulated other comprehensive income upon transition to IFRS resulted in no net change to the Company's equity.

(iii) Reclassification of non-controlling interests from liabilities

Under IFRS, non-controlling interests in subsidiaries are presented in the statements of financial position within the equity section. In addition, the net earnings and comprehensive income of the Company are divided between the amounts attributed to the shareholders of the Company and to the non-controlling interests. This differs from Canadian GAAP, where non-controlling interests are shown as a liability in the statement of financial position, and as an expense in the statement of operations and the statement of comprehensive income. The reclassification of non-controlling interests under IFRS resulted in a non-controlling interests component in the Company's equity.

(iv) Fair value of securities

Under IFRS, available for sale securities, including securities which do not have a quoted market price in an active market, must be carried at fair value, unless the fair value of such security cannot be reliably measured, in which case it may be carried at cost. This differs from Canadian GAAP, in that available for sale securities which did not have a quoted market price in an active market were carried at cost, less any writedown for impairment. The recording of the fair value of certain securities without a quoted market price under IFRS increased the Company's equity,

(v) Reclassification of securities

On transition to IFRS, effective January 1, 2010, the Company has reclassified certain securities held in controlled mutual funds from available for sale to held for trading, where they are treated as "fair value through net earnings". This reclassification, which must be applied on a retrospective basis, has the effect that the Company will record all subsequent changes in fair value of the securities held in these controlled mutual funds through net earnings rather than through other comprehensive income. In addition, on transition to IFRS, the Company has reclassified certain securities without a quoted market value from available for sale to loans and receivables. This reclassification, which must be applied on a retrospective basis, has the effect that the Company will value these securities at amortized cost rather than actual cost, with subsequent changes being recorded through other comprehensive income. In the fourth quarter of 2010, the Company determined that a previously written-down debt security's recoverable amount exceeded the current carrying value. As a result, this excess was recorded as a gain on securities. The reclassification of these securities under IFRS affected the Company's equity, net earnings and other comprehensive income.

(vi) Intra-group transactions

Under IFRS, the effects of intra-group transaction are eliminated, except for the tax effects of the transactions, because the tax effects create real assets or liabilities from the point of view of the Company. Under Canadian GAAP, the effects of intra-group transactions were eliminated in their entirety, including tax consequences. Certain intra-group transactions were carried out prior to January 1, 2010, and others in the fourth quarter of 2010. The cumulative adjustments from recognizing the tax effects of these intra-group transactions decreased the Company's equity.

(vii) Employee compensation and benefits

(a) Stock-based compensation

Under IFRS, stock-based compensation awards with graded vesting are considered to be a series of individual awards, and each award must be expensed separately over its vesting term. This differs from Canadian GAAP, which allowed awards with graded vesting to be pooled and expensed as one award on a straight-line basis over the vesting period of the pool. Adjusting for the accelerated recording of stock-based compensation awards under IFRS resulted in changes in net earnings and shareholders' equity.

(b) Accumulated paid absences

From time to time, employees of the Company have accumulated paid absences (vacations) which, by their terms, are not "vested". Under IFRS, the Company must accrue all such accumulated paid absences. This differs from Canadian GAAP, which did not require an accrual for unvested accumulated paid absences. Adjusting for the recognition of the liability for accumulated paid absences under IFRS resulted in changes in net earnings and shareholders' equity.

(viii) Acquisition of subsidiary

Under IFRS, if an entity acquires the remaining non-controlled interest in a subsidiary, the transaction is accounted for as an equity transaction between shareholders. To the extent that the consideration paid exceeds the carrying value of the non-controlling interests acquired, such an amount is charged directly to the equity accounts of the shareholders of the Company. This differs from Canadian GAAP, where the acquisition of non-controlling interests in a subsidiary was accounted for as a business combination and could result in the recording of additional goodwill. During the second quarter of 2010, the Company purchased the remaining non-controlling interest in the Company's financial advisory subsidiary. Under Canadian GAAP, this amount was recorded as an addition to goodwill, but under IFRS, it has been recorded as a reduction in retained earnings.

25. Acquisition of Subsidiary

On July 1, 2011, the Company acquired a 67% interest in IDC Worldsource Insurance Network Inc. ("IDC WIN"), a life insurance managing general agency (an "MGA"), formed through the amalgamation of the company's MGA subsidiary, Worldsource Insurance Network Inc. ("WIN") and IDC Financial Inc. ("IDC"). In addition to transferring 33% of the ownership of WIN to the vendors, the Company paid $8,558, $4,271 on closing and the balance due over a period of one year after closing.

The 67% ownership of IDC WIN is expected to increase the operating leverage of, and create a national presence for, the Company's MGA business.

Goodwill, which is not expected to be deductible for income tax purposes, represents expectations that IDC WIN will be able to maximize the value of the contracts with major insurance carriers, and that synergies will be able to be achieved, to maximize the profitability of the combined entity.

The accounting for the consideration paid for the acquisition is as follows:

Fair value of consideration paid		
Cash on closing	$	4,271
Cash to be paid over a period of one year after closing		4,287
Ownership of WIN transferred		3,308
Total consideration paid		11,866
Fair value of identifiable net assets acquired:		
Intangible assets, rights to future revenue		10,238
Accounts receivable and other		1,671
Equipment		483
Accounts payable and other liabilities		(1,140)
Bank loans and borrowings		(33)
Deferred tax liability		(2,258)
		8,961
Less: Fair value of identifiable net assets retained by non-controlling interests		(2,957)
Net value of net assets acquired		6,004
Goodwill	$	5,862

The non-controlling interests in IDC WIN are measured at their proportionate share of the fair value of the net identifiable assets of the acquired business. In addition, the carrying value of the 33% interest in WIN which was transferred to the vendors was credited to non-controlling interests. As a result, non-controlling interests in the Company's subsidiaries changed as follows:

Ownership interest in fair value of IDC retained by non-controlling interests	$	2,957
Ownership interest in carrying value of WIN transferred to non-controlling interests		618
Increase in non-controlling interests due to the acquisition of IDC	$	3,575

As a result of this transaction, the Company's retained earnings were increased as follows:

Fair value of ownership interest in WIN transferred to non-controlling interests	$	3,308
Less: Carrying value of ownership interests transferred		(618)
Excess of fair value over carrying value, credited to retained earnings	$	2,690

Since its acquisition, IDC has contributed net revenue of $3,383 and net earnings of $280 to the Company's results. If the acquisition had occurred on January 1, 2011, management estimates that IDC would have earned net revenue of $6,366 and net earnings of $446 and, as a result, the Company's reported net revenue and net earnings for the year ended December 31, 2011 would have been approximately $77,522 and $17,355 respectively. In determining these amounts, management has assumed that the fair value adjustments determined above, which arose on the date of acquisition, would have been the same if the acquisition had occurred on January 1, 2011.

Officers' Certificates

I, George Mavroudis, President and Chief Executive Officer of Guardian Capital Group Limited (the "Company"), certify the following:

1. Review: I have reviewed the AIF, if any, annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference in the AIF (together the annual filings) of the Company for the financial year ended December 31, 2011.

2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date and for the periods presented in the annual filings.

4. Responsibility: The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") , as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for the Company.

5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the Company's other certifying officer and I have, as at the financial year end:

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

(i) material information relating to the Company is made known to us by others, particularly during the period in which the annual filings are being prepared; and

(ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

5.1 Control framework: : The control framework the Company's other certifying officer and I used to design the Company's ICFR is Internal Control Over Financial Reporting – Guidance for Smaller Public Companies issued by COSO.

5.2 ICFR – material weakness relating to design: Not applicable.

5.3 Limitation on scope of design: Not applicable.

6. Evaluation: The Company's other certifying officer and I have:

(a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the Company's DC&P at the financial year end and the Company has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on such evaluation; and

(b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the Company's ICFR at the financial year end and the Company has disclosed in its annual MD&A:

(i) our conclusions about the effectiveness of ICFR at the financial year end based on such evaluation;

(ii) Not applicable.

7. Reporting changes in ICFR; The Company has disclosed in its annual MD&A any change in the Company's ICFR that occurred during the period beginning on October 1, 2011 and ended on December 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

8. Reporting to the Company's auditors and board of directors or audit committee: The Company's other certifying officer and I have disclosed, based on our most recent evaluation of ICFR, to the Company's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the Company's ICFR.

George Mavroudis,
President and Chief Executive Officer

February 22, 2012

I, C. Verner Christensen, Senior Vice-President, Finance of Guardian Capital Group Limited (the "Company"), in the capacity of the Chief Financial Officer, certify the following:

1. Review: I have reviewed the AIF, if any, annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference in the AIF (together the annual filings) of the Company for the financial year ended December 31, 2011.

2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date and for the periods presented in the annual filings.

4. Responsibility: The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") , as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for the Company.

5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the Company's other certifying officer and I have, as at the financial year end:

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

(i) material information relating to the Company is made known to us by others, particularly during the period in which the annual filings are being prepared; and

(ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

5.1 Control framework: The control framework the Company's other certifying officer and I used to design the Company's ICFR is Internal Control Over Financial Reporting – Guidance for Smaller Public Companies issued by COSO.

5.2 ICFR – material weakness relating to design: Not applicable.

5.3 Limitation on scope of design: Not applicable.

6. Evaluation: The Company's other certifying officer and I have:

(a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the Company's DC&P at the financial year end and the Company has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on such evaluation; and

(b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the Company's ICFR at the financial year end and the Company has disclosed in its annual MD&A:

(i) our conclusions about the effectiveness of ICFR at the financial year end based on such evaluation;

(ii) Not applicable.

7. Reporting changes in ICFR; The Company has disclosed in its annual MD&A any change in the Company's ICFR that occurred during the period beginning on October 1, 2011 and ended on December 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

8. Reporting to the Company's auditors and board of directors or audit committee: The Company's other certifying officer and I have disclosed, based on our most recent evaluation of ICFR, to the Company's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the Company's ICFR.

C. Verner Christensen,
Senior Vice-President, Finance

February 22, 2012

Directors

Board of Directors

James S. Anas •*
A. Michael Christodoulou
Harold W. Hillier •
George Mavroudis
Barry J. Myers •
Michel Sales •
Peter Stormonth Darling •

Committees

Governance
Barry J. Myers •
A. Michael Christodoulou
Michel Sales •*

Compensation
James S. Anas •
Harold W. Hillier •*
Michel Sales •

Audit
James S. Anas •*
Harold W. Hillier •
Barry J. Myers •

** Chairman*
• Unrelated Directors

James W. McCutcheon 1936 – 2011

Guardian Capital mourned the death on October 17, 2011 of the Chairman of Guardian's Board of Directors, James McCutcheon. During his fourteen years on the Board, Jim served with diligence and extraordinary competence, first as a Board and Committee member, and later as Guardian's Lead Director and ultimately as Chairman of the Board.

Jim was a valued contributor to the development and the maturity of Guardian's governance structure. His wise counsel, his persuasive intellect, and his remarkable sense of humour, will be sadly missed.

Principal Executives

Guardian Capital Group Limited

George Mavroudis
President and Chief Executive Officer

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

Matthew D. Turner
Senior Vice-President and Chief Compliance Officer

A. Michael Christodoulou
Senior Vice-President, Strategic Planning and Development

Leslie Lee
Vice-President, Human Resources

Donald Yi
Risk Management Officer

Ernest B. Dunphy
Controller

Guardian Capital LP

George Mavroudis
Chief Executive Officer

C. Verner Christensen
Senior Vice-President and Secretary

Robert G. Broley
Senior Vice-President, Investment Services

Brian P. Holland
Senior Vice-President, Client Service

Hugh M. MacFarlane
Senior Vice-President, Investment Services

Spyro Carayannis
Vice-President, Investment Services

Greg Chai
Vice-President, Client Service

Joyce Hum
Vice-President, Consultant Relations

Patrick Milot-Daignault
Vice-President, Investment Services

Patrick Poulin
Vice-President, Investment Services

Rocco Vessio
Vice-President, Investment Services

Chris Winchell
Vice-President, Investment Services

Darryl M. Workman
Vice-President, Operations and Administration

Matthew D. Turner
Chief Compliance Officer

Ernest B. Dunphy
Controller

Portfolio Managers:

Denis Larose
Chief Investment Officer

Gary M. Chapman
Managing Director

Robert K. Hammill
Managing Director

Peter A. Hargrove
Managing Director

Stephen D. Kearns
Managing Director

D. Edward Macklin
Managing Director

John G. Priestman
Managing Director

Michael P. Weir
Managing Director

Kevin R. Hall
Managing Director

Srikanth G. Iyer
Managing Director

Michele J. Robitaille
Managing Director

Guardian Capital Advisors LP

JJ Woolverton
Chairman

A. Michael Christodoulou
Managing Director

C. Verner Christensen
Vice-President
and Secretary

Simon Bowers
Vice-President,
Private Client Trading

Steven W. Thode
Vice-President,
Private Client Services

Darryl M. Workman
Vice-President,
Operations and
Administration

Matthew D. Turner
Chief Compliance Officer

Ernest B. Dunphy
Controller

Private Client Portfolio Managers:

Michael E. Barkley
Senior Vice-President

George E. Crowder
Senior Vice-President

Douglas G. Farley
Senior Vice-President

Michael G. Frisby
Senior Vice-President

Matthew Baker
Vice-President

Thierry Di Nallo
Vice-President

Christie F. Rose
Vice-President

Worldsource Wealth Management Inc.

Paul Brown
Managing Director

John T. Hunt
Managing Director

Andy Mitchell
Managing Director

Linda Kenny
Chief Financial Officer

Paige Wadden
Head of Compliance

Areef Samji
Controller

Alexandria Bancorp Limited

Robert F. Madden
General Manager

Alexandria Trust Corporation

Robert F. Madden
Director

Corporate Information

Corporate Offices

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Investor Relations

George Mavroudis
email: info@guardiancapital.com

Auditors

KPMG LLP

Bankers

Canadian Imperial Bank of Commerce
Bank of Montreal

Toronto Stock Exchange Listing

Shares	*Symbol*
Common	*GCG*
Class A	*GCG.A*

Annual Meeting

May 24, 2012
11:00 a.m.
King Gallery,
The Suites at One King West
1 King Street West
Toronto, Ontario

Custodian and Fund Administrator

RBC Dexia Investor Services Trust

Registrar and Transfer Agent

Computershare Investor Services Inc.

GUARDIAN CAPITAL