GUARDIAN
CAPITAL

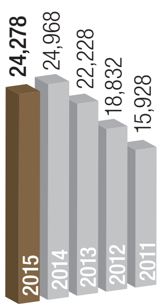
2015 Annual Report

Guardian Capital Group Limited

Financial Highlights

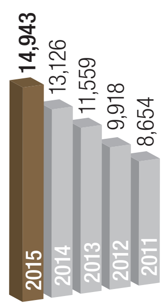
"In 2015, your management team led the company to another year of record revenues and earnings..."

James Anas, Chairman of the Board



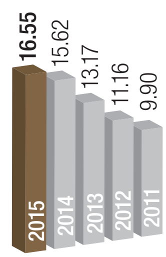
Assets Under Management
As at December 31
($ in millions)

Assets Under Management decreased by 3% in 2015, as a result of a combination of the overall negative market performance and net outflow of client assets.



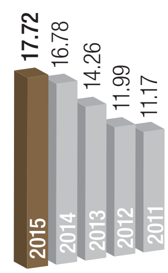
Assets Under Administration
As at December 31
($ in millions)

Assets Under Administration increased 14% in 2015, as a result of the acquisition completed by the insurance MGA subsidiary, the recruitment of new advisors, and additional net assets contributed by clients.



Shareholders' Equity
(per share, diluted)
As at December 31 (in $)

The Company's Shareholders' Equity per share increased 6% in 2015, reflecting the growth in the Company's net assets, including the increase in the value of its Securities Holdings, the profitable operations, net of amounts returned to shareholders during the year, and the effects of share buybacks.

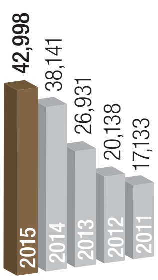


Value of the Company's Corporate Holdings of Securities,
(per share, diluted)
As at December 31 (in $)

The fair Value of the Company's Corporate Holdings of Securities per share increased 6% in 2015, reflecting the increase in the value of the Company's investments and the effects of share buybacks.

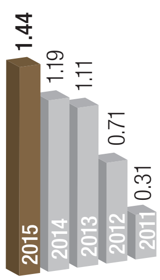
"Amidst ongoing global market volatility and an overall challenging economic environment Guardian produced solid financial results in 2015..."

George Mavroudis, President and Chief Executive Officer



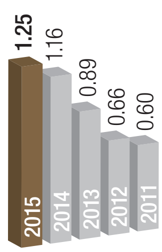
Operating Earnings
For the years ended December 31
($ in thousands)

Operating Earnings increased 13% in 2015, reflecting the growth in both the Company's operating businesses and the Corporate and Investing segment.



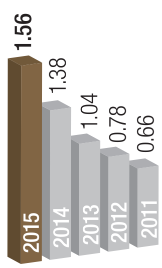
Net Earnings Available to Shareholders
(per share, diluted)
For the years ended December 31 (in $)

Net Earnings Available to Shareholders increased 21% in 2015, reflecting the improved Operating Earnings, the increased Net Gains on the sale of securities and the effects of share buybacks.



Adjusted Cash Flow from Operations
(per share, diluted)
For the years ended December 31 (in $)

Adjusted Cash flow from Operations increased 8% in 2015, reflecting the growth in Operating Earnings and the effects of share buybacks.



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

EBITDA increased 13% in 2015, reflecting the growth in Operating Earnings and the effects of share buybacks.

From the Chairman of the Board

Dear Fellow Shareholders,

I am pleased to report to you, on behalf of your Board of Directors, that Guardian experienced another successful year in 2015. As a consequence, our shareholders enjoyed another year of increasing value. In 2015, your management team led the company to another year of record revenues and earnings, reinforcing our confidence in our strategic direction.

During 2015, Guardian returned to its shareholders $23 million, made up of dividends of $8.6 million and share purchases of $14.4 million. In the previous year, Guardian returned to its shareholders $12.9 million, bringing the total return to shareholders in these two years of $35.9 million. In April, 2015, your Board increased Guardian's quarterly dividend by 15%, to 7.5 cents, and payments have been made at that rate for each of the past four quarters. With the growth in earnings in 2015, your Board has declared a quarterly dividend of $0.085 per share, an increase of 13%, payable on April 18, 2016, to the shareholders of record on April 11, 2016.

Guardian's leadership and strategy continues to be validated. We believe that the measured and focused approach to growth which has been shown in our businesses will continue to provide the high level of demonstrated performance.

Again, on behalf of your board, I wish to recognize the dedicated efforts of Guardian's associates across all of our businesses, who have contributed to our successes. We congratulate all of them for their outstanding efforts, commitment and contributions.

Throughout the years the members of your Board of Directors continued to provide their wise counsel and support to our management team and for that I thank each of them.

I thank you, our shareholders, for your ongoing support and trust. We look forward to reviewing our progress further with you at the Annual Meeting.

Respectfully,

James Anas,
Chairman of the Board

February 24, 2016

From the President and Chief Executive Officer

Dear Shareholders,

Amidst ongoing global market volatility and an overall challenging economic environment, Guardian produced solid financial results in 2015. Guardian's strategic goal to achieve sustainable profitable growth through a balance of diversified investment and financial advisory wealth management businesses, underpinned by the financial strength of its balance sheet, delivered relatively strong operating results despite a domestic market that faced significant headwinds in 2015. Guardian once again set new historic highs for such key financial metrics as assets under administration, shareholders' equity, operating earnings and adjusted cash flow from operations. One of the key financial metrics, assets under management, was only slightly down year over year, as the growth in our global equity assets under management and the relatively stable returns of our fixed income and private client segments offset the overall negative market performance of the domestic equity assets under management. This annual report highlights key financial results, and provides evidence of the many areas in which we have achieved success throughout the year.

Stability at Guardian continues to be a major driver of the group's overall success. In 2015, we continued to service a stable and growing client base, while retaining and adding to our exceptionally talented teams which is positioned to deliver even greater successes in the years ahead. Several of our client relationships have evolved into long term trusted advisor relationships, which offers us the privileged opportunity to expand our services with these clients and, more importantly, gives the client the confidence and trust to work with us through full economic cycles.

The growth in operating earnings in 2015 was the result of a combination of continued improved earnings in our financial advisory segment and higher investment income from our corporate securities portfolio, slightly offset by lower operating earnings from our investment management segment. Although the investment management business segment operating earnings were lower this past year the overall core business delivered consistent results. The decrease in operating earnings was largely due to a deficit sustained in the growth stage of building a high quality investment team in our subsidiary, GuardCap, in the UK, focused on delivering emerging market and global equity fundamental concentrated equity solutions. With the patience of time, we expect this initiative to deliver strong future growth in earnings, much like the success we had in organically building a Systematic Global Equity team which currently manages in excess of $3.3 billion in non-domestic equities and is a positive contributor to operating earnings for the segment. The Systematic Global Equity team and GuardCap complement each other and provide a broader set of global equity solutions to investors. We believe both teams will be core growth drivers to operating earnings in the investment management segment for years to come, and will meet our stated objective to diversify from our concentrated exposure to Canadian equities. Another diversifier of operating earnings for our investment management segment is Guardian's private wealth investment counseling business, which is largely focused on preserving its clients' wealth. Preservation of capital, as an investment objective, tends to be less equity benchmark focused with client portfolios prudently balanced between equities and fixed income securities. Guardian's private wealth business continues to deliver steady growth in assets under management as it attracts new high net worth clients, maintaining and growing assets under management and positively contributing to operating earnings. With increased regulatory pressure across the industry, we feel that Guardian's private wealth business has scale to succeed in what is a more difficult operating environment for many competitors. Management is determined to allocate the resources necessary to guide this operating unit to the next level of success.

Worldsource, our financial advisory business segment, which serves independent financial advisors across Canada, had another very successful year of growth in operating earnings. The growth in this business segment was attributable to both our Dealers and our Managing General Agency, which supports independent life insurance agents'

continued ···➝

production in life insurance and related sales. The financial advisory business segment contributed over $10 million in operating earnings to the group, representing roughly a quarter of total operating earnings. Our independent advisor distribution platforms are much sought after in an increasingly shrinking market of independents and, as such, we believe that our scale presents a competitive advantage in future growth in the recruitment and retention of advisors. We also continue to identify consolidation opportunities with smaller regional managing general agencies much like the successful acquisition of First Prairie this past year, and we believe we can selectively add to our platform through targeted tuck-in acquisitions.

We continue to balance the need to invest in both the current infrastructure and new initiatives to sustain current earnings and deliver future growth, versus the pursuit of maximizing earnings in the short term. Aside from the day to day running of the business units, management is regularly exploring new initiatives, including acquisitions, but have maintained our discipline and remain very selective in our approach. Clearly, any new initiative must provide us the confidence that it will be financially worthwhile; additionally, it must deliver on one or more of our three key strategic objectives: 1) providing an opportunity to develop a sustainable business; 2) diversifying from our concentrated exposure to Canadian equities; and 3) building a global footprint. In order to achieve some of our strategic objectives, we have prioritized certain tactical initiatives including: 1) the importance of dedicating greater resources toward new business development efforts or distribution partnerships for our investment management services; and 2) increased technology application investments to upgrade our current systems which support and grow our financial advisory business segment. These initiatives will be multi-year efforts towards improving the long-term operating business unit's profitability.

As we deliver improved financial results, we plan to share the rewards with our shareholders, in the form of sustainable and growing dividend payments and, where market conditions permit, an active share buyback program. This past year, we returned more than $23 million to shareholders through dividends and share repurchases, including raising the dividend by 15% to $0.075 per share per quarter.

We are always thankful to the many clients who have entrusted us with the responsibility to manage or administer their assets, and never assume this privilege lightly. Shareholders have our assurance that the entire management and associates of Guardian are completely dedicated to making Guardian a successful, independent and diversified financial services company. Our values of Trustworthiness, Integrity and Stability are embodied by all who serve, with the best intentions, our clients and shareholders, and we thank them all for their dedication.

Warmest regards,

George Mavroudis,
President and Chief Executive Officer

February 24, 2016

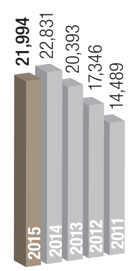
Review of Operations

Institutional Investment Management

Guardian's Institutional investment management services are provided by Guardian Capital LP ("GCLP"), GuardCap Asset Management Limited ("GuardCap") and Guardian Capital Real Estate Inc. ("GCREI"), with GCLP being, by far, the largest. GCLP serves pension plan sponsors, broker dealer third-party platforms, closed-end funds, Exchange Traded Funds and mutual funds, endowment funds, and foundations. GCLP's capabilities span a range of asset classes, geographic regions, and specialty mandates. One of the largest independent investment management firms in Canada, GCLP is the successor to our investment management business, which was founded in 1962.

Guardian's institutional assets under management ("AUM") were $22.0 billion at the end of 2015, 3.5% down from $22.8 billion at the end of 2014. Considering that the S&P/TSX Composite benchmark, in which a majority of our assets under management are invested, retreated 8.3% in 2015, we believe that the relatively smaller decrease in AUM in 2015 shows resilience in more challenging times. We also witnessed significant headwinds in 2015 from retail investors reducing their Canadian equity allocations in reaction to significant drops in the prices of key commodities and broad concerns about deterioration of the economic landscape in Canada. This effect, along with the market decline, were the main reasons for the decrease in the Canadian strategies AUM to $11.7 billion at the end of 2015, compared to $13.7 billion at the end of 2014. This trend also benefited us to some extent, as it resulted in a growth of our AUM in foreign equity strategies by 38% in 2015, to $3.4 billion at the end of the year. Foreign equity strategies now account for approximately 15% of our total AUM and is our fastest area of growth. The fixed income strategies also benefited from investors reducing their Canadian equities allocations. The AUM at the end of 2015 was $6.9 billion, compared to $6.7 billion at the end of 2014, despite a large net outflow of assets related to a sub-advised mandate which underwent a fund re-organization. We continue to be a valued sub-advisor to this client. As always, continued stability in the investment team and organization, and strong client service and business development efforts, supported the business effectively in this difficult year for Canadian investors.

$22.0B



Institutional Assets Under Management
as at Dec. 31 ($ mil)

Canadian Equity

In 2015, our Canadian equity strategies performed relatively well. All of our main Canadian equity strategies beat their respective benchmarks, although they generated net negative returns overall. Down markets are generally supportive of our conservative investment management style and that was the case again in 2015. It should be noted that we were not invested in Valeant Pharmaceuticals, as the company did not meet our quality standards and that conviction was validated in the second half of the year. We believe we may have witnessed near bottom prices of commodity stocks in Canada in 2015, and 2016 may benefit from recovery tailwinds. Strategies with a bias toward income generation (a hallmark of Guardian's competencies) witnessed harsher market conditions in 2015 compared to the broad market. We also believe that this strategy will benefit from tailwinds, especially considering that dividend yields significantly exceed bond yields, and will likely continue to do so for a few more years. We launched a new Canadian focused strategy in 2015, and it was the strongest alpha generator of our Canadian lineup. This approach aligns with the concentrated strategies managed by GuardCap, our London, UK-based investment management firm, to meet the increased demand for such products from large institutional investors worldwide. We believe this offering to be unique and we are excited about the significant opportunities it presents us in the coming years. Guardian has one of the deepest Canadian Equity investment teams in the industry, with eleven investment professionals who have an average of 25 years of experience overseeing a total of approximately $11.7 billion in assets under management.

Global Equity

Guardian has two non-domestic equity strategy teams. The Toronto-based team follows mainly a systematic approach, while our London-based team follows a fundamental approach, and offers highly concentrated strategies. We believe these strategies complement each other and provide a broader set of choices to investors.

The Systematic Global Equity team experienced solid performances in 2015, especially in the Global Dividend Equity strategy. In a year that was challenging for dividend payers, our dividend strategies generally outperformed broad market indices. The recent and longer-term performance history of this strategy has been instrumental in placing us on several key retail intermediary platforms over the past few years. In addition, a couple of years ago, we secured a significant retail distribution relationship in the U.S., using this strategy. This acquired shelf space, along with a demand by retail investors for strategies with a bias toward income generation and lower volatility, continued to provide us with strong cash inflow momentum in 2015. The success of this strategy was a large contributor to the growth in AUM for the Systematic Global Equity team this past year. As a result of these strong cash inflows into the Global Dividend Equity strategy, the team reported total AUM of $3.3 billion at the end of 2015, representing growth of over 38% during the year. We believe that the appetite of retail investors for income-generating equities will continue for some time and support further growth in this strategy.

GuardCap, our UK subsidiary acquired in 2014, which manages Fundamental Emerging Markets and Fundamental Global Equities strategies, experienced very strong performances in 2015, continuing a long history of success for these professionals dating back beyond their short tenure at Guardian. We are optimistic that the highly experienced investment team with a long history of solid performances will be recognized by the institutional market in the near future. Despite the challenges that come with building a new team, the marketing efforts are starting to bear fruit, with a few modest appointments won in the Fundamental Global Equities strategy toward the end of the year. Investor interest in concentrated strategies, especially by large institutional investors, appear to be growing, and we are hopeful that we will continue to build on the initial successes in 2015, and 2016 will bring a number of new appointments. We expect to continue to build the team in London and to add additional resources in 2016 to complement the current team of eight investment professionals.

Fixed Income

After a difficult year in 2014, our conservative management approach, which focuses on higher-quality securities, paid off in 2015. Our consistent conservative style of management continues to appeal to investors seeking safety in their bond allocations, as evidenced by the growth experienced in our Liability Duration Investing ("LDI") strategies. Our approach to LDI is to construct portfolios tied to the liability structures of our clients, while seeking to add modest value above the rate of growth in underlying liabilities.

The ongoing investor appetite for higher-yielding securities supported continued growth in our high-yield bond strategies. However, we expect bond yields to rise eventually, and therefore the prospects of adding significant absolute returns from core bond investments will be limited. This will be a challenging environment for many strategies that have performed well over the last 20 to 30 years. As a result, we have initiated new strategies over the past several years, including a short-duration bond strategy focusing on high-quality corporate issues, and a variation on this strategy incorporating an allocation to high-yield bonds. We also launched a more benchmark-free fixed income product, with a focus on producing a reliable and sustained income stream, while attempting to preserve capital in a changing rate environment by allowing the portfolio manager to roam between high-yield, investment-grade and government bonds, having the ability to both lever and short any of these credits. This strategy has so far generated aggregate returns in excess of its target payout through some difficult bond markets. We intend to be well-prepared to meet investor needs in a changing fixed income landscape.

Balanced

Balanced or multi-asset class strategies have historically been a relatively small component of our AUM, but have witnessed increased momentum over the past few years. Investors have started recognizing Guardian's ability to customize balanced funds, by selecting strategies from its wide range of Canadian and foreign equity solutions, combined with a solid fixed income offering. In 2015, we refined our tactical asset allocation capabilities and combined them with our full suite of mutual funds, resulting in a comprehensive retail offering. These are distributed as standalone portfolios as well as under an insurance umbrella, in the form of sub-advised segregated funds. The retail industry has witnessed a strong trend toward multi-asset solutions in recent years and we believe our offering is very competitive in that space.

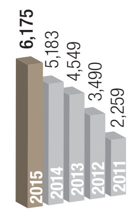
Real Estate

In recent years Guardian has set about creating a new line of business, direct investment in real estate properties. GCREI, our real estate subsidiary, currently manages one fund, the Guardian Capital Real Estate Fund ("GCREF"). GCREF is primarily intended to focus on yield generation real estate assets for institutional and private investors. To date the fund has raised just under $100 million of capital commitments from clients and purchased approximately $150 million in real estate assets. The intent of the fund is to provide gross yields between 6-8% by investing in well located, functional assets below their replacement cost and rents at or below market. While GCREI currently does not meaningfully contribute to Guardian's results, it is an important asset class for our clients and over the next few years we plan to continue to expand our capabilities and grow our assets under management in the real estate space.

Investment Client Distribution

The composition of our client base remains broadly diversified, with approximately 50% of assets from institutional, corporate and pension accounts, and 50% from retail intermediary clients. Retail intermediary includes sub-advisory relationships with mutual funds, Exchange Traded Funds and closed-end funds, and our leading position in the separately-managed wrap account programs with the top broker-dealers in the country. The separately-managed wrap account assets continued to deliver growth in net new assets during the 2015 calendar year, as we finished the year with over $6 billion in AUM in this channel. This is commendable, when faced with negative returns on Canadian equities and a retail shift away from Canadian equity exposure. Many of our existing broker-dealer partners, in particular the big six Canadian banks, consider us as a preferred provider of core investment solutions on their managed account platforms. Our independence as a wholesaler of diversified investment solutions that deliver consistent returns and our strong investment team continuity, coupled with our excellence in servicing the advisors in these large broker-dealer distribution channels, positions us as a strong partner for their fast-growing managed fee-based programs.

$6.2B



Wrap Assets Under Management as at Dec. 31 ($ mil)

Over the past two years, we received fewer requests for proposals from institutional investors or their advisors, partly attributable to a general trend experienced by the overall market and partly because searches that were in demand were in areas that we currently do not serve, such as a host of private assets in equity and infrastructure. Much of our inflow of institutional corporate and pension assets over the past year came from existing clients, who continue to add net new inflows to their existing mandates with us. We anticipate that weak returns in Canadian equities in 2015, as well as persistent poor performance of some high-profile money management firms, will translate into increased search activity in 2016. We remain committed to serving the institutional pension market and their consultants, as this channel requires a constant connection with the key decision-makers, so that when certain needs arise, we are a familiar alternative to meet them. Our broad strength in relative performance for our domestic equities is an area where we continue to be respected as a top manager, for consideration by the consultant community. Global equity searches continue to be an area where we can see overall market demand and growth. The recent strong performances of our systematic equity strategies and the concentrated fundamental equity strategies offered by GuardCap positions us well to take advantage of this trend.

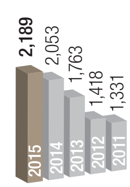
In 2015, our new product development efforts covered many fronts. In Canadian equities, we launched a focused (15 to 20 stocks), benchmark agnostic strategy. We believe sophisticated investors will continue to grow their appetite for these types of strategies and our Canadian offering complements the existing strategies at GuardCap. Our Systematic Global team in Toronto launched a US dividend equity strategy, as well as a levered global dividend strategy. We believe that investor appetite for income will continue to grow due in part to persistent low interest rates and also to favorable demographics. Finally, we launched three multi-asset strategies for retail investors, combining a tactical asset approach to a wide range of Guardian and Guardcap-managed strategies. These new initiatives are evidence of our desire to expand our client base, either directly or through partnerships, with solutions that have wide appeal to a large and diverse investor universe.

Fostering a stable investment environment for professionals to meet their value-added targets over full cycles is of paramount importance. We shall complement this effort with our ongoing search to deepen our investment teams and diversify our strategies, so as to meet our goal of building a stable but growing pool of assets and revenues.

Private Wealth Management

Guardian Capital Advisors LP ("GCA") provides investment management services to private wealth clients, foundations and endowments within Canada and abroad. As the trusted advisor to our private clients, we tailor tax-efficient, fully-discretionary segregated or investment fund portfolios consistent with their long term investment objectives. Our investment service combines the depth of proprietary research from Guardian's institutional investment management teams with the experience of dedicated private wealth client portfolio managers. Our collaborative work with our clients' financial, legal, accounting, insurance and other advisors, ensures a holistic and integrated approach to wealth management. Through offices in Vancouver, Calgary and Toronto, clients and their advisors have local direct access to experienced investment professionals, supported by the vast intellectual resources of the firm, to construct custom-designed solutions for each client. A strong administrative and support team ensures that client requirements are met in a timely manner.

$2.2B



Private Wealth Assets Under Management as at Dec. 31 ($ mil)

Despite challenging markets in Canada and globally, assets under management and supervision grew to $2.2 billion at the end of 2015, compared to $2.1 billion at the end of 2014. We believe that a focus on risk management, as well as on enhanced returns over the long term, will continue to provide our clients with long-term growth, tax-efficient cash flows and protection against short-term volatility. GCA continues to attract new clients, both directly and through referrals from financial advisors. The majority of our client base is domestic, and most of our growth in the past several years has come from Western Canada which now accounts for almost two thirds of our domestic assets. Our business development efforts will continue to focus on promoting awareness in the legal, accounting, family office and financial advisory communities.

International Private Banking

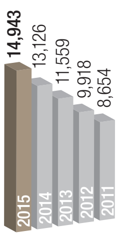
As an extension of our Private Wealth Management business, our International Private Banking subsidiaries service the wealth management needs of our international clients.

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.

Alexandria Trust Corporation ("ATC") is a licensed and regulated domestic trust company based in Barbados, which provides fiduciary and corporate administration services to international clients. The acquisition made in 2013 continues to enhance our presence on the island and has solidified our offerings to existing and new clients.

At the end of 2015, our deposit base was the highest in our history. Our capital adequacy is well above regulatory minimums, which provides significant comfort to our existing and potential clients, we have had net additions to assets under management, and we are seeing a notable increase in requests for proposal for banking, trust and corporate services.

$14.9B



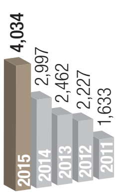
Total Assets
Under Administration
as at Dec. 31 ($ mil)

Financial Advisory

Worldsource Wealth Management Inc. ("Worldsource") is an integrated financial advisory platform, with independent financial advisors offering mutual funds, securities and life insurance products to Canadians from coast to coast. Total assets under administration ("AUA") in Worldsource were $14.9 billion at December 31, 2015, compared to $13.1 billion at the end of 2014. The operating earnings from the Financial Advisory segment for 2015 were $10.1 million, a $3.7 million increase from 2014. This segment now represents approximately one quarter of Guardian's total operating earnings.

Worldsource operates two businesses within the Financial Advisory segment. Insurance advisory services are provided through IDC Worldsource Insurance Network Inc. ("IDC WIN") and the financial planning and advisory services are provided to retail clients through Worldsource Financial Management Inc., the mutual fund dealer, and Worldsource Securities Inc., the securities dealer (together the "Dealers"). Worldsource promotes an open architecture, and thus provides advisors with the independence to choose the best available solutions for their clients. The advisors are further supported with quality reporting and administration, and a professional approach to sales compliance and product suitability.

$4.0B

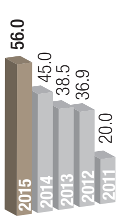


Insurance Assets
Under Administration
as at Dec. 31 ($ mil)

IDC WIN is a national insurance Managing General Agency ("MGA"), which is 79% owned by Worldsource and provides sales, marketing and administrative support to licensed insurance advisors. IDC WIN is a leader in the MGA market in Canada, and has a significant competitive advantage for meaningful growth and profitability, as the industry continues to consolidate. IDC WIN had another successful year, with strong growth in many key metrics, and the successful completion of another acquisition in 2015. On June 1st, IDC WIN acquired First Prairie Financial Inc. ("First Prairie"), a leading regional MGA in Alberta, for a purchase price of $7.3 million. This further strengthens IDC WIN's presence in the Prairie region. In 2015, the annual premiums on insurance policies sold ("Annual Premiums Sold") were $56 million, compared to $45 million in 2014, a 24% increase. Segregated fund and accumulation annuity AUA was $4 billion as at December 31, 2015, up from $3 billion as at the end of 2014, a 33% increase. Led by the growth in Annual Premiums Sold, strong segregated fund sales and the contribution from the First Prairie business acquired in 2015, IDC WIN has generated net commission revenue of $22.1 million, compared to $17.1 million in 2014. Included in the 2015 net commission revenue are annual service fees of $8.3 million, which grew by $1.9 million from 2014. Each dollar of Annual Premiums Sold generates sales commission at the time of the sale and adds continuing annual service fee revenue 12 months after the sale, for the duration of the policies.

The Dealers completed another successful year in 2015, ending the year with $10.9 billion in AUA, an 8% increase compared to $10.1 billion in 2014, and were a significant contributor to the growth in operating earnings of this segment. The increases in AUA and operating earnings were attributable to successful recruiting programs, improved margins and improved cost management. Due to the volatility in the equity markets, advisors and their clients remain cautious, as they continue to allocate a significant amount of their investments into balanced and fixed income strategies.

$56M



Annual Premiums on
Insurance Policies Sold
for the years ended Dec. 31 ($ mil)

During 2015, the Dealers worked more closely with Guardian's Institutional Investment Management division to create an investment solutions program tailored for their advisors and branches resulting in Guardian launching two new multi-asset class funds during the year. In addition, we continued to see some success in the Dealers' advisors choosing to invest their client assets in Guardian solutions. At the end of 2015, the AUA in Guardian solutions were $453 million, compared to $397 million in 2014, with our Private Wealth business being the main beneficiary of these assets.

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, 2015, with comparatives for the year 2014. Readers are encouraged to refer to the discussions and analyses contained in the 2014 Annual Report and the First, Second and Third Quarter 2015 Reports. This discussion and analysis has been prepared as of February 24, 2016.

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 wealth investment management; financial advisory, which includes an insurance managing general agency ("MGA"), a mutual fund dealer, and a securities dealer (together, the "Dealers"); and corporate activities and investments. In 2014, Guardian expanded its institutional investment management capabilities by purchasing a boutique emerging markets equities investment firm and establishing a fundamental global equities investment management business in London, UK. As at December 31, 2015, Guardian had $24 billion of assets under management ("AUM") and $15 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 $540 million at the end of the year.

2015 Highlights

Guardian had a successful 2015, reaching another historic high in operating earnings of $43.0 million compared to $38.1 million in 2014, a 13% increase. The growth was achieved despite the challenges in the equity markets and while continuing to invest in the buildout of our UK operations.

In 2015, Guardian benefited from the efforts in prior years to diversify the sources of operating earnings. The largest contributor to the growth in operating earnings was the financial advisory segment, delivering over 50% growth compared to 2014 and now representing approximately one quarter of Guardian's operating earnings. In the investment management segment, the Systematic Global Equity strategy AUM grew to $3.3 billion at the end of 2015 from $2.4 billion at the end of 2014, benefiting from continued net inflow of assets and the effects of the devaluation of the Canadian dollar.

Guardian ended 2015 with AUM at $24.3 billion and AUA at $14.9 billion. The annual premiums on life insurance policies sold ("Annual Premiums Sold") in our MGA business, IDC Worldsource Insurance Network Inc. ("IDC WIN") reached $56 million in 2015, a historic high.

Guardian continued to add scale to IDC WIN which, on June 1, 2015, completed the acquisition of an Edmonton-based MGA, First Prairie Financial Inc. ("First Prairie") at a purchase price of $7.3 million, of which 50% was paid on closing, 25% paid in the fourth quarter, and the remaining amount to be paid 12 months from closing.

Guardian was active in managing its corporate securities portfolio during the year. It sold 204,000 Bank of Montreal shares and invested the proceeds into a Global Fundamental UCITS fund managed by its UK subsidiary. The transaction improved the diversification of the portfolio and increased its non-Canadian equity market exposure to 26%, compared to 16% in the prior year.

Use of Non-IFRS Measures

Guardian's management uses certain measures to evaluate and assess the performance of its business. Two of the measures that Guardian uses, EBITDA and adjusted cash flow from operations, are not defined within International Financial Reporting Standards ("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 these measures in analyzing Guardian's results.

EBITDA

Guardian defines EBITDA as net earnings before interest, income tax, amortization, stock-based compensation, and any net gains or losses, less amounts attributable to non-controlling interests. Guardian believes this is an important measure, as it allows management to assess the operating profitability of our business and to compare it with other investment management companies, without the distortion caused by the impact of non-core business items, different financing methods, levels of income taxes, the amounts of net earnings available to non-controlling interests and the level of capital expenditures. The most comparable IFRS measure is "Net earnings", which is disclosed in Guardian's Consolidated Statements of Operations.

The following is a reconciliation of the IFRS measure to this non-IFRS measure:

For the years ended December 31 ($ in thousands)	**2015**	2014
Net earnings, as reported	**$ 44,977**	$ 37,613
Add (deduct):		
Net (gains) on securities held for sale	**–**	(386)
Income tax expense	**9,061**	7,614
Net (gains)	**(11,040)**	(6,700)
Stock-based compensation	**1,506**	1,348
Interest expense	**868**	981
Amortization	**4,063**	3,591
Non-controlling interests	**(1,609)**	(1,169)
EBITDA	**$ 47,826**	$ 42,892

Adjusted Cash Flow From Operations

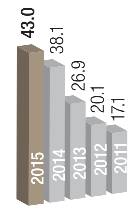
Adjusted cash flow from operations is used by management to indicate the amount of cash either provided by or used in Guardian's operating activities available to shareholders, without the distortions caused by fluctuations in its working capital. Many companies similar to Guardian use a similar measure in this manner. The most comparable IFRS measure is "Net cash from operating activities", which is disclosed in Guardian's Consolidated Statements of Cash Flow.

The following is a reconciliation of the IFRS measure to this non-IFRS measure:

For the years ended December 31 ($ in thousands)	**2015**	2014
Net cash from operating activities, as reported	**$ 33,777**	$ 38,083
Add (deduct):		
Net change in non-cash working capital items	**5,679**	(1,004)
Non-controlling interests	**(1,109)**	(854)
Adjusted cash flow from operations	**$ 38,347**	$ 36,225

Consolidated Financial Results

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



Operating Earnings for the years ended Dec. 31 ($ mil)

For the years ended December 31 ($ in thousands, except per share amounts)	2015	2014	% change
Net revenue	$ **132,911**	$ 119,275	11%
Expenses	**89,913**	81,134	11%
Operating earnings	**42,998**	38,141	13%
Net gains	**11,040**	6,700	65%
Earnings before income taxes and net gains on securities held for sale	**54,038**	44,841	21%
Income tax expense	**9,061**	7,614	19%
Net earnings before net gains on securities held for sale	**44,977**	37,227	21%
Net gains on securities held for sale	**–**	386	-100%
Net earnings	$ **44,977**	$ 37,613	20%
Available to shareholders			
Net earnings	$ **44,105**	$ 37,017	19%
EBITDA	**47,826**	42,892	12%
Adjusted cash flow from operations	**38,347**	36,225	6%
Available to shareholders, per share, diluted			
Net earnings	$ **1.44**	$ 1.19	21%
EBITDA	**1.56**	1.38	13%
Adjusted cash flow from operations	**1.25**	1.16	8%
As at December 31 ($ in millions, except per share amounts)			
Assets under management	$ **24,278**	$ 24,968	-3%
Assets under administration	**14,943**	13,126	14%
Shareholders' equity	**504**	489	3%
Value of corporate holdings of securities	**540**	525	3%
Per share, diluted			
Shareholders' equity	$ **16.55**	$ 15.62	6%
Value of corporate holdings of securities	**17.72**	16.78	6%
For the years ended December 31 ($ in millions)			
Annual premiums on insurance policies sold	$ **56.0**	$ 45.0	24%

Guardian reached another historic high in its operating earnings in 2015 of $43.0 million compared to $38.1 million in 2014, a 13% increase. This was achieved despite the challenges in the equity markets, especially the Canadian equity market to which Guardian's AUM is over 50% exposed. During the year, Guardian benefited from the growth in operating earnings from sources less correlated to the Canadian equity markets. The Financial Advisory segment delivered $10.1 million in operating earnings during the year, representing approximately one quarter of Guardian's operating earnings, compared to $6.4 million in 2014. In addition, the Systematic Global Equity unit grew its AUM to $3.4 billion at the end of 2015, compared to $2.5 billion at the end of 2014 and significantly increased its operating earnings contribution. It benefited from solid performances, the benefits of the increase in the value of foreign currencies against the Canadian dollar and the net inflow of assets as investors increased their asset allocations into non-domestic strategies. The Corporate Activities and Investments segment's operating earnings grew by $2.3 million in 2015 compared to the prior year, due to increased distribution income earned from Guardian's investment in the real estate fund managed by its subsidiary, increased dividend income from securities denominated in foreign currencies, benefiting from the appreciation of foreign currencies against the Canadian dollar, and the increased dividend rates on the Bank of Montreal shares.

The growth in Guardian's operating earnings was achieved while continuing to invest in the UK operations and the real estate investment management businesses, which had operating losses of $3.5 million in 2015, compared to $1.5 million in 2014.

The net gains for the year were $11.0 million, an increase of $4.3 million from 2014. The largest increase was due to the increased gains recognized within the consolidated mutual funds, in which we have more significant investment in 2015, than in the prior year. In addition, increased gains were recognized on the sale of other equity securities, including the sale of 204,000 of the Bank of Montreal shares in the fourth quarter of 2015, compared to 65,000 shares sold in 2014.

Higher income tax expense in 2015 was the result of higher operating earning and net gains during the year, compared to 2014.

Net earnings available to shareholders for 2015 were $44.1 million, compared to $37.0 million in 2014, a 20% increase. EBITDA for 2015 was $47.8 million, compared to $42.9 in 2014, a 12% increase. The increases in both of these measures were caused by the improvements in operating results as described above.

Adjusted cash flow from operations for the year amounted to $38.3 million, compared to $36.2 million in 2014, a 6% increase. The differences between net earnings and adjusted cash flow from operations arise primarily due to the impact of future income taxes, amortization expense and stock-based compensation, as well as the exclusion of gains or losses from the calculation of cash flow from operations.

The per share amounts in net earnings, EBITDA, and adjusted cash flow from operations, shareholders' equity and value of corporate holdings of securities, increased as a result of the continued improvements in operations, the increase in the fair value of securities and the benefits of 817,000 shares bought back in 2015.

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 client 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)	2015	2014
Assets under management, beginning of year	**$ 24,968**	$ 22,228
Net additions (reductions) from clients during year	**(775)**	1,046
Market appreciation	**85**	1,694
Assets under management, end of year	**$ 24,278**	$ 24,968
Composed of:		
Institutional	**$ 21,994**	$ 22,831
Private wealth and international private banking	**2,284**	2,137
Total	**$ 24,278**	$ 24,968
Institutional AUM is composed of:		
Canadian equities	**$ 11,715**	$ 13,695
Global equities	**3,389**	2,460
Fixed Income	**6,890**	6,676
Total institutional AUM	**$ 21,994**	$ 22,831

Guardian's total AUM was $24.3 billion at December 31, compared to $25.0 billion at the end of the prior year, a 3% decrease. The decrease in AUM was the result of a combination of negative market performance in the Canadian equity market, net outflows from Canadian equity mutual funds to which Guardian is a sub-advisor, and a net outflow from a fixed income sub-advised mandate that underwent a fund reorganization. These negative impacts on AUM were partially offset by the positive performance and net inflow of assets into our non-domestic strategies, the Systematic Global Equity in particular. These new assets gathered in 2015 were higher fee-generating assets than those lost during the year, dampening the effects of the lost AUM on the management fee revenue in 2015.

Management fees, net of referral fees paid, for the year 2015 were $65.4 million, 7% higher than the $61.3 million for 2014. Institutional management fees increased 5% to $51.6 million in 2015 from $49.0 million in 2014, as a result of higher average AUM in 2015 compared to the prior year and the continuing growth in higher-fee AUM. Private wealth management fees, net of referral fees paid, increased 12% during the year to $11.1 million from $9.9 million in 2014, reflecting the continuing increase in AUM in this area. Management fees earned from international private banking were $2.7 million in 2015, $0.3 million higher than in 2014, largely resulting from the benefits of the devaluation of the Canadian dollar.

Financial Advisory Commission Revenues

Net commission revenue earned from the financial advisory business is generated from the sale of life insurance products, mutual funds and other securities, as well as from continuing fees related to AUA and in force life insurance policies, net of commissions paid to advisors.

Total AUA at Guardian at the end of 2015 amounted to $14.9 billion, 14% higher than the $13.1 billion at the end of 2014. The increase in AUA was due to new assets acquired as part of the First Prairie acquisition by the MGA subsidiary, net new sales, and the net recruitment of new advisors during the year.

The Annual Premiums Sold in 2015 by the MGA subsidiary were $56 million, compared to $45 million in 2014, a 24% increase. The Annual Premiums Sold generate sales commissions in the year they are sold, and add continuing annual service fee revenue in subsequent years. This continuing stream of service fee revenue was $8.3 million in 2015 and $6.4 million in 2014.

Net commission revenue from the financial advisory business amounted to $33.9 million in 2015, 21% higher than the $28.0 million in 2014. This increase was due to the increase in continuing service fees as described above, the increase in trailer revenues from the increased mutual fund AUA, $1.6 million in net commission revenue from the acquired First Prairie business and new revenues from successful recruitment efforts.

Administrative Services Income

Administrative services income in 2015 was comprised of $7.4 million of registered plan and other fees earned in the financial advisory area, $3.3 million in fund administration revenue earned from Guardian's proprietary mutual funds and other fees earned in the domestic investment management area and $2.0 million of trust, corporate administration and other fees earned mainly in the international private banking area, for a total of $12.7 million, compared with $11.2 million in 2014. The increase resulted from growth in the number of client accounts in both the financial advisory area and the international private banking areas, and in the AUM of our mutual funds.

Dividend and Interest Income

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

For the years ended December 31 ($ in thousands)	**2015**	2014
Dividend on Bank of Montreal shares	**$ 15,175**	$ 14,634
Other dividends	**4,506**	3,031
Dividend income	**19,681**	$ 17,665
Interest income	**1,257**	1,107
Total dividend and interest income	**$ 20,938**	$ 18,772

Dividend and interest income increased by 12% in the year, largely due to the increased distribution income from the investment in the real estate fund, the positive effects of the Canadian dollar devaluation on non-Canadian dollar denominated dividends and the increase in dividend rates on the Bank of Montreal shares, offset by the lower number of shares held in the fourth quarter of 2015.

Expenses

Guardian's operating expenses, excluding commissions, referral fees, amortization and interest, were $85.0 million in 2015, compared with $76.6 million in 2014, an increase of 11%. Included in the increased expenses for 2015 were $2.0 million of additional expenses due to the full year inclusion of GuardCap's expenses in 2015 and the continued build-out of the Fundamental Global and Emerging Markets Equity investment management team, inclusion of $1.0 million in expenses related to the First Prairie business acquired in 2015, and increased expenses to support the growth of the remaining businesses, including additional resources to further strengthen our business development capabilities in both our investment management and financial advisory segments and additional resources to strengthen our administration to support our growing businesses.

The increase in amortization in 2015, from $3.6 million to $4.1 million, was largely as a result of the amortization of intangible assets associated with the First Prairie acquisition and the ongoing recruitment of advisors in the financial advisory segment.

Net Gains and Net Gains on Securities Held for Sale

For the years ended December 31 ($ in thousands)	**2015**	2014
Net gains (losses) in consolidated mutual funds	**$ 2,823**	$ (39)
Net gains on securities directly held	**8,709**	7,548
Net gains on securities	**11,532**	7,509
Net foreign exchange (losses)	**(1,223)**	(1,071)
Net gains on disposal of intangible assets	**731**	262
Impairment of intangible assets	**(695)**	–
Gain on other liability	**695**	–
Net gains	**$ 11,040**	$ 6,700
Net gains on securities held for sale	**$ –**	$ 386

Net gains in 2015 increased compared to 2014, largely due to the increased gains recognized within the consolidated mutual funds, in which we have more significant investments in 2015. In addition, increased gains were recognized on the sale of available for sale securities, including the sale of 204,000 shares of the Bank of Montreal in 2015, compared to only 65,000 shares in 2014. The net losses on foreign exchange relate mainly to exchange losses on Canadian dollars held by an international subsidiary whose functional currency is the US dollar. On translation of this subsidiary's results to Canadian dollars upon consolidation, Guardian recorded equal but offsetting gains in other comprehensive income. During the year, Guardian evaluated the intangible assets it acquired as part of the 2014 acquisition of GuardCap for impairment due to the redemptions in 2015 from an emerging markets fund managed by GuardCap. It was determined the intangible assets were impaired and as a result it was written down by $695,000 and a loss was recorded in net gains. However, as a result of the lower AUM in the fund, Guardian also revised its best estimate of the present value of the deferred payment arising from the acquisition and wrote it down by the same amount and recorded an offsetting amount in net gains.

Liquidity and Capital Resources

The strength of Guardian's balance sheet has enabled Guardian to attract associates, provide clients with a high comfort level, maintain the appropriate levels of working capital in each of its areas of operation, make the necessary capital expenditures to develop its businesses and make appropriate use of borrowings, including financing the expansion of its businesses. Guardian's shareholders' equity as at December 31, 2015 amounted to $504 million, or $16.55 per share, diluted, compared to $489 million, or $15.62 per share, diluted, as at December 31, 2014. Guardian's holdings of securities as at December 31, 2015 had a fair value of $540 million, or $17.52 per share, diluted, compared with $525 million, or $16.78 per share, diluted, as at December 31, 2014.

Guardian's total bank borrowings at December 31, 2015 amounted to $54.8 million, compared with $51.3 million at December 31, 2014. The total credit available, under various borrowing arrangements, amounts to $103 million. Guardian generated Adjusted cash flow from operations of $38.3 million in 2015, an increase of $2.1 million or 6% from $36.2 million in 2014.

Using a combination of its cash flow, debt and redeployment of its holdings in securities, Guardian invested $55 million into its investment funds to support the expansion of the investment management business, including the Fundamental Global Equity UCITS fund managed by its UK subsidiary, paid $5.4 million in the initial payments on the acquisition of the First Prairies MGA business, and returned $23.0 million to the shareholders in the form of dividends and share purchases in 2015.

Included in the redeployment of its holdings in securities discussed above was $15.4 million raised from the sale of 204,000 of the Bank of Montreal shares during the year, which was used to fund part of the investment into the UCITS. In the process of reallocation of its holdings in securities, Guardian further diversified its portfolio by decreasing the Bank of Montreal holdings and its exposure to Canadian equity market and increasing its exposure to global equity markets in 2015. By the end of 2015, the non-Canadian equity exposure of its holdings of securities increased to 26%, compared to 16% at the end of 2014.

We are confident that the strength of Guardian's balance sheet will continue to provide benefits in the future.

Securities Holdings

As at December 31 ($ in thousands, except per share amounts)	**2015**	2014
Securities at fair value:		
Short-term securities	**$ 2,058**	$ 5,373
Bonds	**1,102**	1,077
Fixed income mutual funds	**8,139**	7,735
Equity mutual funds	**47,949**	41, 410
Bank of Montreal common shares	**353,790**	388,944
Other equity securities	**110,249**	59,928
Real estate funds	**22,284**	22,239
	$ 545,571	$ 526,706
Less amounts attributable to third party investors in consolidated mutual funds	**(5,651)**	(1,354)
Total securities	**$ 539,920**	$ 525,352
Total securities per share, diluted	**$ 17.72**	$ 16.78

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:

As at December 31, 2015 ($ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	$ 54,755	$ 54,755	$ –	$ –	$ –
Client deposits	112,687	112,687	–	–	–
Accounts payable and other liabilities	31,785	31,119	–	666	–
Payable to clients	49,125	49,125	–	–	–
Investment commitment – real estate fund	3,512	3,512	–	–	–
Operating lease obligations	18,376	2,077	3,902	3,782	8,615
Total contractual obligations	$ 270,240	$ 253,275	$ 3,902	$ 4,448	$ 8,615

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". Client deposits, in the offshore banking subsidiary, are supported by interest-bearing deposits with banks. The Payable to clients, in Guardian's securities dealer subsidiary, which can fluctuate with client activities, is offset by the Receivable from clients and broker. Guardian has committed to invest $25 million into a real estate limited partnership which is managed by a subsidiary, of which $21.5 million has been invested as at December 31, 2015. The balance is expected to be invested as appropriate real estate product becomes available to the limited partnership, at which time Guardian's management will decide on the appropriate strategy for funding this commitment.

Selected Annual Information

Years ended December 31 ($ in thousands, except per share amounts)	**2015**	2014	2013
Net revenue	**$ 132,911**	$ 119,275	$ 101,278
Net earnings available to shareholders	**44,105**	37,017	34,432
Per share			
Net earnings			
Basic	**$ 1.50**	$ 1.23	$ 1.13
Diluted	**1.44**	1.19	1.11
Dividends paid	**0.29**	0.24	0.30
As at December 31			
Total assets	**$ 804,598**	$ 736,757	$ 645,060

The increases in total assets over the past two years substantially reflect the changes in the value of the corporate holdings of securities, increases in interest-bearing deposits and receivables from clients and brokers.

Summary of Quarterly Results

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

Quarters ended ($ in thousands)	**Dec 31, 2015**	**Sep 30, 2015**	**Jun 30, 2015**	**Mar 31, 2015**	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
Net revenue	**$ 34,353**	**$ 33,188**	**$ 33,066**	**$ 32,304**	$ 31,490	$ 30,806	$ 29,257	$27,722
Operating earnings	**10,256**	**10,876**	**11,390**	**10,476**	10,335	10,051	9,199	8,556
Net gains (losses)	**9,658**	**(2,407)**	**602**	**3,187**	288	(194)	2,959	3,647
Net earnings before net gains on securities held for sale	**17,362**	**6,278**	**9,786**	**11,551**	8,438	7,877	10,288	10,624
Net gains on securities held for sale	**–**	**–**	**–**	**–**	–	–	–	386
Net earnings available to shareholders	**17,138**	**6,053**	**9,604**	**11,310**	8,223	7,715	10,163	10,916
Shareholders' equity	**504,255**	**470,533**	**473,944**	**477,901**	488,835	482,242	463,306	438,363

Summary of Quarterly Results continued

Quarters ended ($ in thousands)	**Dec 31, 2015**	**Sep 30, 2015**	**Jun 30, 2015**	**Mar 31, 2015**	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
Net earnings available to shareholders								
- Basic	**$ 0.59**	**$ 0.21**	**$ 0.33**	**$ 0.38**	$ 0.27	$ 0.26	$ 0.34	$ 0.36
- Diluted	**0.56**	**0.20**	**0.31**	**0.37**	0.27	0.25	0.33	0.35
Shareholders' equity per Class A and Common share								
- Basic	**$ 17.37**	**$ 15.96**	**$ 16.08**	**$ 16.15**	$ 16.33	$ 16.08	$ 15.34	$ 14.49
- Diluted	**16.55**	**15.23**	**15.32**	**15.42**	15.62	15.39	14.72	13.93

Management fees earned in the investment management segment are highly correlated to the change in AUM. Guardian may also earn performance management fees on certain accounts, which are determined on an annual and a quarterly basis, and these may be significant. The seasonality which in the past existed in the financial advisory segment, with some concentration of commissions in the traditional "RSP season" in the first quarter of each year, has now largely dissipated. This change is due to the overriding influence of worldwide market movements, which can affect client and advisor behavior throughout the year, the continuing move toward "trailer" fees and away from "front-load" sales commissions, and the increasing significance of commissions from the life insurance MGA, which are less influenced by the "RSP season" and the financial market movements. Some seasonality in the commission revenues is now beginning to occur in the MGA business, where the last quarter of the year sees an increase in revenues from "volume bonuses" earned from the life insurance companies. These volume bonuses are increasing each year and are becoming more significant as the business continues to grow. We are also now starting to see a trend developing in the dividend income, with the second quarter and the fourth quarter of each year seeing increases in revenue, due largely to dividends from foreign equities which pay semi-annual dividends during those periods.

The steady increase in net revenue during the periods shown above have generally resulted from two influences. Firstly, reflecting the growth in average AUM, management fees in the investment management business have increased steadily throughout 2015 and 2014. Secondly, there has been significant growth in commissions earned in the financial advisory business as a result of the continued business growth, organically, through recruitment of advisors, and through acquisitions.

Since gains and losses are recorded on disposal of available for sale securities or other assets, on changes in the value of held for trading and held for sale securities, and on changes in the value of foreign currency balances held, and such amounts can vary from quarter to quarter, the amounts included in "Net gains" and "Net gains on securities held for sale" each quarter have fluctuated, as shown in the quarterly results above. The significant net gains recorded in the first and second quarters of 2014, and the first and fourth quarters of 2015, contributed significantly to the increases in "Net earnings available to shareholders" in those quarters, and the net loss on securities held for trading in the third quarter of 2015 contributed to the reduction in "Net earnings available to shareholders" in that quarter.

The quarterly fluctuations in shareholders' equity shown above have been caused largely by the changes in the value of Guardian's securities holdings, less the provision for deferred income taxes thereon.

Risk Factors

Guardian applies many of the same risk management principles to its business as a whole, as it does to the management of risks on behalf of its clients. 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 22 to the Consolidated Financial Statements, contained in Guardian's 2015 Annual Report, for additional information on financial 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 can impact 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 investment funds.

Portfolio Value and Concentration Risk

Guardian's corporate holdings of securities are subject to price fluctuation risk. Guardian manages this risk through professional in-house investment management expertise, which 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 $354 (2014 – $389) 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. At the end of 2015, the securities holdings were made up of 72% (2014 – 83%) Canadian equities, consisting mainly of the Bank of Montreal shares, 26% (2014 – 16%) non-Canadian equities and 2% (2014 – 1%) fixed income securities. 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 management. From time to time, the foreign subsidiaries hold unhedged Canadian dollars, which can result in foreign exchange gains or losses being recorded by the subsidiaries. Upon translation of their results on consolidation, Guardian recognizes equal and offsetting gains or losses in "Other comprehensive income". This is not considered to be a currency risk as there is no economic risk to Guardian.

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. Guardian periodically reviews the financial strength of all of its counterparties, and if the circumstances warrant it Guardian takes appropriate action to reduce its exposure to certain counterparties. The credit risk associated with Guardian's investment in fixed-income mutual funds is managed by monitoring the activities of the portfolio manager who, through diversification and credit quality reviews of the funds' investments, manage the funds' credit risk

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. The interest rate risk associated with Guardian's investment in fixed-income mutual funds is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments.

Liquidity Risk

Guardian manages liquidity risk through the monitoring and managing of cash flows from various segments of the business, and by establishing sufficient borrowing facilities with major Canadian banks, which currently total $103 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, borrowing facilities and the holding of securities provides sufficient resources to manage its liquidity risk.

Regulatory Risk

Compliance with and changes to government regulations, including those related to income and other 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 prior years. Any future changes in income tax rates could have an impact on net earnings of Guardian. 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, including the non-domestic jurisdictions in which Guardian operates. Through a combination of in-house expertise and external advisors, when appropriate, Guardian and its subsidiaries are able to comply with these regulatory requirements and adapt to changes in them.

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.

Financial Advisory Risk

Because of the number of agents who publicly represent each of the Worldsource operating entities, there are risks associated in their dealings with their clients. These risks are mitigated by the strong compliance and product review capabilities of the Worldsource organization, significant management oversight and insurance coverage carried by both Worldsource and the agents.

Competition Risk

Another risk is competition. Our ability to compete is enhanced by the high quality of our management team, substantial depth in personnel and resources and a strong balance sheet, which provides 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.

As a result of this risk related to its clients, Guardian has the risk of a reduction in its revenue due to the possible loss of clients, including the possible loss of Worldsource advisors, who could bring their clients to another mutual fund or securities dealer. This risk is managed by having strong marketing efforts to replace lost revenue with new client revenues, and by continuing to offer competitive benefits to advisors.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets, liabilities, contingencies, revenues and expenses. These estimates and assumptions are listed in note 2 (c) to Guardian's 2015 Consolidated Financial Statements. The most significant accounting estimates are related to the impairment assessment of goodwill and the determination of fair value of securities classified as level 3 within the fair value hierarchy.

The impairment assessment of goodwill includes a comparison of the carrying value and the recoverable amount of each business unit to verify that the recoverable amount of the business unit is greater than its carrying value. In 2015 and 2014, the recoverable amounts were estimated using the fair value less cost to sell method for each of the business units. Guardian used valuation approaches to determine fair value based on a multiple of AUM, AUA, annual service fee revenues and first year's commissions. These multiples are developed by management based on recent transactions and research reports by independent research analysts. These valuation approaches are most sensitive to the levels of AUM, AUA and annual service fees.

A financial instrument is classified as level 3 when the fair value of the instrument is determined using valuation techniques based on inputs which are not observable in the market. The fair values of securities classified as level 3 in note 4 (c) to Guardian's 2015 Consolidated Financial Statements were based on a valuation approach using a multiple of AUM and further corroborated by a multiple of EBITDA observed in market transactions. The multiple was developed based on prior tender offers and recent research reports by independent research analysts for similar types of business. This valuation approach is most sensitive to the level of AUM and the EBITDA generated by these entities.

Future Changes In Accounting Policies

A number of new standards, and amendments to existing standards, have been issued by the International Accounting Standards Board ("IASB"), which are effective for Guardian's consolidated financial statements in future periods. The following is a description of these new standards and amendments.

Financial Instruments

On July 24, 2014, IASB issued its fourth and final version of IFRS 9 Financial Instruments ("IFRS 9"), which is to replace IAS 39 Financial Instruments: Recognition and Measurement with revised guidance on classification and measurement of financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Guardian is currently evaluating the impact IFRS 9 will have on its consolidated financial statements.

Revenue

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"), which establishes a new framework for the recognition of revenue from contracts with customers and replaces several other standards and interpretations. The core principle of IFRS 15 is that an entity recognizes revenue upon the transfer of services to customers that reflects the payments to which it expects to be entitled. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. Guardian is currently evaluating the impact IFRS 15 will have on its consolidated financial statements.

Leases

On January 13, 2016, the IASB issued IFRS 16 Leases ("IFRS 16"), which is to replace IAS 17 Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Guardian is currently evaluating the impact IFRS 16 will have on its consolidated financial statements.

Internal Control Over Financial Reporting and Disclosure Control

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 IFRS. There have been no changes in Guardian's internal control over financial reporting during the quarter ended December 31, 2015 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, 2015, under the supervision of the Chief Executive Officer and 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 last year's annual report, we commented on our expectations that 2015 will likely be positive for the global equity markets, as central bankers across the globe were likely to remain accommodative with monetary policy, including the US Fed, who clearly messaged a patient approach to raising its benchmark lending rate from a range of zero to 0.25% (where it has been since December 2008). We also felt that, although Canadian economic conditions left plenty of room for debate and handwringing, on a relative basis things were moving in a positive direction, and that the resource side of markets was already depressed and likely for a rebound.

Overall, we were a bit too optimistic for global equity returns in their base currencies but, against the Canadian dollar, we had significantly better returns for those who chose not to hedge the currency. The S&P 500 returned only 1.4% in US dollars and the MSCI World -1% in US dollars; however in Canadian dollars, the S&P 500 was up 21% and the MSCI World was up 18% for the calendar year. We were also correct to interpret an accommodative monetary policy, as the Fed delayed a rate increase until December 16, 2015 with a 0.25% hike to its benchmark rate.

Unfortunately we didn't have any currency gains to assist us with the struggling S&P/TSX Composite which had a total negative return for the year of 8.3% in Canadian dollars. The depressed price of oil continued to weigh on the overall Canadian equity market. In 2015, Canada's economy also felt the negative effect of falling commodity prices, particularly crude oil, and the Canadian dollar depreciated by 16.0% relative to the U.S. dollar. The country experienced a technical recession in the first half of the year, before starting to rebound in the second half, as the effect of lower oil prices aided the non-resource sectors of the economy. The Bank of Canada cut its benchmark overnight rate by 0.25% on two occasions during the year, to provide monetary stimulus to the Canadian economy. The year was also punctuated by two major political changes: the centre-left Liberal party won the Federal election in October and formed a majority government, replacing the long-standing centre-right Conservative party; and in May, in the energy-producing province of Alberta, the left-leaning NDP party won a majority government, also supplanting the long-standing Progressive Conservative party in the province.

Looking forward into 2016, we believe the U.S. economy will continue to pick up incremental momentum. After six years of a sluggish but improving economic recovery, which continued through 2015, the U.S. should grow at a more typical post-recovery level in 2016. We see no signs of overheating; and expect the Fed to tighten gently for fear of truncating this recovery. For the first time since the financial crisis, private sector non-financial credit growth has grown faster than nominal U.S. GDP growth; perhaps this is the beginning of a pickup in the velocity of money. China, though appearing to continue to slip away, will nevertheless have a soft landing. China has the fiscal and monetary firepower to offset the imbalances in the economy that might otherwise send it into a downward spiral (China has been utilizing monetary and fiscal action in a measured way for some time now). While this view has not stopped a commodity bear market, we do not believe China will engage in a currency depreciation war that will derail the recovery in the U.S. We anticipate that the non-energy producing states in the U.S. (and provinces in Canada) will more than pick up the slack from the impact of lower energy prices in the energy producing states (and provinces), although the positive impacts will lag the immediacy of the energy sector cut-backs.

Despite a challenging start to the New Year, we believe the stock market has reasonably favourable valuation metrics to support an upward move. While the S&P/TSX is priced modestly below historic medians and means, and the U.S. market is trading modestly above its historic means and averages, both markets are still priced cheaply relative to interest rates. Interest rates remain favourable, with lots of leeway to rise before impacting valuations. While calling the bottom in the resource sector of the market is always difficult, and in this case may remain dependent on sentiment changing about the Chinese economy and/or the U.S. dollar, the depth of damage to many of the resource stocks gives us pause to think that perhaps the bottom is near.

As we look into 2016, Guardian is highly geared toward the equity markets, across its main business segments and its corporate investment portfolio. An environment that supports trends of a growing global economy, and monetary policy that stimulates investors to invest the large sums of cash on the sidelines, will be positive for Guardian's overall performance, as our largest revenue sources, management fees and commission revenue, are aligned toward higher levels of AUM and AUA. Guardian's AUM decreased slightly over the year to $24.3 billion which is approximately $0.7 billion less than at the prior year end. The decline in AUM was due largely to the negative market performance of the Canadian S&P/TSX equity market, and the velocity with which retail investors allocate assets from Canadian equity to non-domestic strategies. Guardian's efforts over the last few years to diversify from its concentrated exposure to domestic assets served it well, by offsetting some of these negative domestic trends, with its increasing success in building global equity assets under management. The strong global equity markets in Canadian dollars, along with the continued success in obtaining net additions from clients for this asset class has grown its exposure to global equities to more than 15% of total assets under management.

In 2016, we feel that our strong retail intermediary flows from the broker dealer wrap programs, and our select retail mutual fund and exchange traded fund partners, will return Guardian to strong net additions from clients. We do bear some degree of risk of loss of client assets due to re-balancing occurring at the client portfolio level, or internalization of mandates. However, the increased diversity of both our client base and the firm's strategies allows for opportunities to mitigate such losses. We see limited concern for loss of clients for performance reasons, as the relative performance of our strategies has, on balance, been good in delivering against our clients' objectives. We believe growth in net additions from clients will continue to be led in the near term by our strength in the performance of the systematic suite of strategies and, more specifically, the strong relative results of the Global Dividend strategy. We also expect that, with strong relative returns from our more nascent fundamental global equity team, we will build on the early momentum to attract net additions from clients to this strategy throughout the year. Velocity of new assets for this strategy will be tempered for as long as the strategy is perceived to have limited assets under management; however, with continued strong relative performance and our plans to pursue the development of this business one client at a time, we, in due course, expect to experience an inflection point of significant growth.

Guardian's financial advisory business, through its subsidiary Worldsource Wealth Management, reported significantly improved operating earnings in 2015 over the prior year, with operating earnings of $10.1 million, compared to $6.4 million in 2014. The operating improvement in this segment is even more significant when compared to a loss of $3 million in 2011. Our patient building of these businesses has resulted in improved operating earnings as a consequence of continued strong commission growth from new life insurance sales in its Managing General Agency, and multi-year efforts to improve revenue growth and expense management in its Mutual Fund and Securities dealerships. The total AUA at Worldsource was $14.9 billion at 31 December 2015, compared to $13.1 billion at the end of 2014. A large part of the growth in AUA was due to the successful recruitment of new advisors, the acquisition of First Prairie and strong gross sales of segregated funds in our Managing General Agency. In 2016, we expect improving operating earnings from our financial advisory business, with the continued delivery of strong life insurance sales and the recruitment of additional independent advisors across our Worldsource platform. With a dealership advisory platform that has achieved a base of profitable business, we are focused on leveraging our relationships with advisors and related industry partners to deliver investment solutions managed by Guardian, in order to expand the Worldsource AUA into including some Guardian AUM on the same platform. To date, we have approximately $453 million of AUM that is directly related to the AUA from our Financial Advisory segment. Furthermore, we continue to look at consolidation opportunities involving smaller competitors, to accelerate growth beyond organic recruitment and gain greater scale for all of our financial advisory segments. Integration ease, economies of scale and valuation metrics are more likely to favour such growth by acquisition in our MGA.

We are pleased with the growth, year over year, in operating earnings, while at the same time continuing to invest in new initiatives, which is a constant trade-off by management of some current earnings for expected greater future earnings. We plan to continue to invest in the development of several of our new initiatives commenced over the past couple of years and, as such, some of these new initiatives will likely have expenses outpacing revenues in the near term, but we shall remain disciplined in managing the progress of these initiatives. It is important, with the stronger operating platform that Guardian has achieved over the past few years, that we leverage our positive momentum to attract new talent and capabilities in areas where we expect client demand to be strong in the future. Finally, in keeping with its strategic objectives, management continues to review opportunities to deploy capital into new and existing operating businesses, with a goal to diversify the current investment portfolio held by the Company. As in the past, a component of the management team's review in deploying capital will also include, if market conditions permit, active participation in our normal course issuer bid.

Ten Year Review

Notes (f)	**2015**	2014	2013	2012	2011	2010	2009	2008	2007	2006
($ in millions)										
Assets under management	**$ 24,278**	$ 24,968	$ 22,228	$ 18,832	$15,928	$ 16,266	$ 13,986	$11,764	$ 16,885	$17,305
Assets under administration	**14,943**	13,126	11,559	9,918	8,654	7,783	7,074	6,005	6,303	5,677
($ in thousands)										
Net revenue	**$ 132,911**	$119,275	$101,278	$ 86,360	$ 73,693	$ 64,928	$ 61,147	$ 66,918	$ 69,607	$ 66,247
Operating expenses[a]	**89,913**	81,134	74,347	66,222	56,560	51,389	52,419	58,665	51,617	48,159
Operating earnings	**42,998**	38,141	26,931	20,138	17,133	13,539	8,728	8,253	17,990	18,088
Net gains (losses)	**11,040**	6,700	11,637	1,337	(131)	2,982	1,217	(4,484)	4,215	4,134
Net gains (losses) on securities held for sale	**–**	386	(58)	4,559	(5,493)	6,443	–	–	–	–
Net earnings available to shareholders	**44,105**	37,017	34,432	22,556[e]	10,003	23,015	14,274[b]	7,299[c]	26,492[b]	22,959[b]
Shareholders' equity[d]	**504,255**	488,835	414,985	353,756	322,618	331,856	317,784	204,051	334,696	212,016
Securities holdings, (at fair value)	**539,920**	525,352	449,179	379,956	364,182	383,604	362,512	241,549	380,433	443,108
(In dollars)										
Per average common and Class A share										
Net earnings available to shareholders for the year										
Basic	**$ 1.50**	$ 1.23	$ 1.13	$ 0.72[e]	$ 0.31	$ 0.70	$ 0.41[b]	$ 0.19[c]	$ 0.69[b]	$ 0.60[b]
Diluted	**1.44**	1.19	1.11	0.71[e]	0.31	0.69	0.41[c]	0.19[d]	0.68[c]	0.58[c]
Per common and Class A share										
Dividends paid	**0.290**	0.240	0.300	0.170	0.160	0.150	0.150	0.150	0.135	0.120
Shareholders' equity[d]										
Basic	**17.37**	16.33	13.68	11.44	10.12	10.16	9.37	5.69	8.79	5.48
Diluted	**16.55**	15.62	13.17	11.16	9.90	10.01	9.19	5.65	8.67	5.36
Share prices										
Common high	**24.61**	21.45	18.00	11.65	12.75	9.75	9.97	11.10	15.50	14.00
low	**16.55**	15.30	11.50	9.41	9.49	7.90	4.65	4.26	10.65	11.25
Class A high	**19.25**	18.85	16.82	10.55	11.63	9.00	8.25	11.02	13.50	13.13
low	**15.50**	15.10	10.40	9.00	8.70	7.35	3.00	3.02	10.33	10.12
(In thousands)										
Year end common and Class A shares outstanding										
Basic	**29,029**	29,940	30,333	30,917	31,890	32,652	33,932	35,874	38,095	38,669
Diluted	**30,472**	31,300	31,510	31,696	32,604	33,162	34,563	36,104	38,605	39,576

NOTES:

(a) Excluding commissions paid, referral fees and income taxes.

(b) Net earnings available to shareholders 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.

(c) Net earnings available to shareholders 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).

(d) 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.

(e) Net earnings available to shareholders in 2012 reflect a $1.1 million ($0.03 per share) increase in future income taxes, resulting from increased income tax rates enacted during the year.

(f) Results in 2010 to 2015 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 interest in 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

Donald Yi,
Chief Financial Officer

February 24, 2016

Independent Auditors' Report

To the Shareholders of Guardian Capital Group Limited

We have audited the accompanying consolidated financial statements of Guardian Capital Group Limited, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014, the consolidated statements of operations, comprehensive income, equity and cash flow for the years then ended, 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' Responibility

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, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flow for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants,
Licensed Public Accountants,
Toronto, Canada

February 24, 2016

Consolidated Balance Sheets

As at December 31 ($ in thousands)	2015	2014
Assets		
Current assets		
Cash	**$ 22,276**	$ 29,230
Interest-bearing deposits with banks	**112,636**	61,729
Accounts receivable and other	**28,961**	29,293
Receivables from clients and broker	**49,125**	46,160
Prepaid expenses	**2,044**	1,854
	215,042	168,266
Securities (note 4)	**539,920**	525,352
Other assets		
Deferred tax assets (note 11c)	**1,854**	3,060
Intangible assets (note 5)	**28,376**	23,791
Equipment (note 6)	**4,059**	3,656
Goodwill (note 7)	**15,014**	12,299
Investment in associate (note 24d)	**333**	333
	49,636	43,139
Total assets	**$ 804,598**	$ 736,757
Liabilities		
Current liabilities		
Bank loans and borrowings (note 8)	**$ 54,755**	$ 51,312
Client deposits	**112,687**	61,747
Accounts payable and other	**30,251**	31,688
Income taxes payable	**868**	2,276
Payable to clients	**49,125**	46,160
	247,686	193,183
Other liabilities	**666**	1,097
Deferred tax liabilities (note 11c)	**47,720**	50,243
Total liabilities	**296,072**	244,523
Equity		
Shareholders' equity		
Capital stock (note 12a and 12b)	**20,929**	21,434
Treasury stock (note 13a)	**(21,563)**	(19,890)
Contributed surplus	**12,280**	10,841
Retained earnings	**291,317**	269,752
Accumulated other comprehensive income	**201,292**	206,698
	504,255	488,835
Non-controlling interests	**4,271**	3,399
Total equity	**508,526**	492,234
Total liabilities and equity	**$ 804,598**	$ 736,757

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Barry J. Myers,
Director

George Mavroudis,
Director

Consolidated Statements of Operations

For the years ended December 31 ($ in thousands, except per share amounts)	2015	2014
Revenue		
Gross commission revenue	**$ 115,015**	$ 100,802
Commissions paid to advisors	**(81,153)**	(72,780)
	33,862	28,022
Management fee income, net (note 14)	**65,434**	61,322
Administrative services income	**12,677**	11,159
Dividend and interest income (note 15)	**20,938**	18,772
Net revenue	**132,911**	119,275
Expenses		
Employee compensation and benefits (note 16)	**56,291**	51,430
Amortization	**4,063**	3,591
Interest	**868**	981
Other expenses	**28,691**	25,132
	89,913	81,134
Operating earnings	**42,998**	38,141
Net gains (note 17a)	**11,040**	6,700
Earnings before income taxes and net gains on securities held for sale	**54,038**	44,841
Income tax expense (note 11a and 11b)	**9,061**	7,614
Net earnings before net gains on securities held for sale	**44,977**	37,227
Net gains on securities held for sale (note 17b)	**–**	386
Net earnings	**$ 44,977**	$ 37,613
Net earnings available to:		
Shareholders (notes 18)	**$ 44,105**	$ 37,017
Non-controlling interests	**872**	596
Net earnings	**$ 44,977**	$ 37,613
Net earnings available to shareholders per Class A and Common share (note 19):		
Basic	**$ 1.50**	$ 1.23
Diluted	**1.44**	1.19

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 ($ in thousands)	2015	2014
Net earnings	**$ 44,977**	$ 37,613
Other comprehensive (loss) income		
Available for sale securities, net of taxes:		
Net change in fair value	**(22,391)**	55,405
Income tax (recovery) provision	**(2,866)**	7,244
	(19,525)	48,161
Transfer to net earnings of unrealized (gains) upon disposal	**(8,063)**	(7,208)
Reversal of income taxes	**386**	384
	(7,677)	(6,824)
Net change in available for sale securities, net of taxes	**(27,202)**	41,337
Net change in foreign currency translation adjustment on foreign subsidiaries	**21,796**	8,899
Other comprehensive (loss) income	**(5,406)**	50,236
Comprehensive income	**$ 39,571**	$ 87,849
Comprehensive income available to:		
Shareholders	**$ 38,699**	$ 87,253
Non-controlling interests	**872**	596
Comprehensive income	**$ 39,571**	$ 87,849

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity

For the years ended December 31 ($ in thousands)	2015	2014
Total equity, beginning of year	**$ 492,234**	$ 417,788
Shareholders' equity, beginning of year	**488,835**	414,985
Capital stock		
Balance, beginning of year	**21,434**	21,679
Acquired and cancelled (note 12c)	**(505)**	(245)
Capital stock, end of year	**20,929**	21,434
Treasury stock		
Balance, beginning of year	**(19,890)**	(18,700)
Acquired (note 13a)	**(1,740)**	(1,285)
Disposed of (note 13a)	**67**	95
Treasury stock, end of year	**(21,563)**	(19,890)
Contributed surplus		
Balance, beginning of year	**10,841**	9,583
Stock-based compensation expense	**1,506**	1,348
Equity-based entitlements redeemed	**(67)**	(90)
Contributed surplus, end of year	**12,280**	10,841
Retained earnings		
Balance, beginning of year	**269,752**	245,961
Net earnings available to shareholders	**44,105**	37,017
Dividends declared and paid (note 12d)	**(8,648)**	(7,246)
Capital stock acquired and cancelled (note 12c)	**(13,892)**	(5,412)
Acquisition of non-controlling interests (note 26)	**–**	(640)
Other	**–**	72
Retained earnings, end of year	**291,317**	269,752
Accumulated other comprehensive income		
Balance, beginning of year	**206,698**	156,462
Unrealized gains on available for sale securities, net of income taxes		
Balance, beginning of year	**196,948**	155,611
Net change during year	**(27,202)**	41,337
Balance, end of year	**169,746**	196,948
Foreign currency translation adjustment on foreign subsidiaries		
Balance, beginning of year	**9,750**	851
Net change during year	**21,796**	8,899
Balance, end of year	**31,546**	9,750
Accumulated other comprehensive income, end of year	**201,292**	206,698
Shareholders' equity, end of year	**504,255**	488,835
Non-controlling interests		
Balance, beginning of year	**3,399**	2,803
Net earnings available to non-controlling interests	**872**	596
Non-controlling interests, end of year	**4,271**	3,399
Total equity, end of year	**$ 508,526**	$ 492,234

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

For the years ended December 31 ($ in thousands)	2015	2014
Operating activities		
Net earnings	$ 44,977	$ 37,613
Adjustments for:		
Income taxes paid	(9,855)	(6,232)
Income tax expense	9,061	7,614
Net gains	(11,040)	(6,700)
Net gains on securities held for sale	–	(132)
Amortization of intangible assets	3,336	2,890
Amortization of equipment	727	701
Stock-based compensation	1,506	1,348
Other non-cash expenses	744	(23)
	39,456	37,079
Net change in non-cash working capital items (note 21)	(5,679)	1,004
Net cash from operating activities	33,777	38,083
Investing activities		
Net acquisition of securities	(19,350)	(14,551)
Acquisition of intangible assets	(3,126)	(3,684)
Proceeds from disposition of intangible assets	1,502	832
Acquisition of equipment	(901)	(556)
Business acquisitions (note 25)	(3,548)	(1,231)
Net cash used in investing activities	(25,423)	(19,190)
Financing activities		
Dividends	(8,648)	(7,246)
Acquisition of capital stock	(14,397)	(5,657)
Acquisition of treasury stock	(1,740)	(1,285)
Disposition of treasury stock	67	95
Net proceeds (repayment) of bank loans and borrowings	3,303	(5,351)
Acquisition of non-controlling interest (note 26)	–	(1,271)
Net funds from third party investors in consolidated mutual funds	4,077	1,354
Net cash used in financing activities	(17,338)	(19,361)
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	1,890	519
Net change in net cash	(7,094)	51
Net cash, beginning of year	27,768	27,717
Net cash, end of year	$ 20,674	$ 27,768
Net cash represented by:		
Cash	$ 22,276	$ 29,230
Net bank indebtedness	(1,602)	(1,462)
	$ 20,674	$ 27,768

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Reporting Entity

Guardian Capital Group Limited ("Guardian") is a publicly traded company with its common and class A shares listed on the Toronto Stock Exchange. Guardian 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. Guardian, through its subsidiaries, 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) Basis of preparation
These consolidated financial statements include the accounts of Guardian, its subsidiaries, and its proportionate interest in joint ventures (together, the "Company") and have been prepared under International Financial Reporting Standards ("IFRS"). 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 consolidated financial statements were authorized for issuance by the Board of Directors of Guardian on February 24, 2016

(b) Basis of presentation
These consolidated financial statements are presented in Canadian dollars, which is Guardian'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.

Certain reclassifications have been made to the 2014 comparative financial information in order to conform to the current period's presentation

(c) Estimates and judgments
The preparation of these consolidated financial statements necessitates the use of judgments, 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) Determination of when control of another entity exists;
(ii) Valuation of certain securities that do not have quoted market prices;
(iii) Assessment of goodwill, intangible assets 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 other entity so as to obtain benefits from its activities. 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 considers several factors in determining whether it has power over another entity which it will be able to use to obtain benefits.

a. When voting rights are relevant in determining power over an entity, the Company considers its: existing voting rights; potential voting rights that are currently exercisable and have no substantive barriers to exercise; agreements with other vote holders; rights from other contractual arrangements; economic interests; or a combination of the foregoing. Offsetting these factors, the Company considers matters which prevent it from the exercise of power.

b. When voting rights are not relevant in determining power over an entity, the Company considers: evidence of its practical ability to direct the activities of the entity for the Company's benefit; indications of a special relationship between it and the entity; and whether it has a significant exposure to variability of returns. In evaluating these three factors, the Company gives greater weight to evidence of its ability to direct the activities of the entity.

The Company, from time to time, has invested in a number of funds where it controls 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) 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 sheets.

(e) Joint ventures
Joint ventures are those entities over which the Company has joint control, established by contractual agreement and requiring unanimous consent for

strategic financial and operating decisions. Joint ventures are accounted for using the equity method. The investments are carried in the balance sheets at cost as adjusted by post-acquisition changes in the Company's share of the net assets of the joint venture.

(f) 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 net gains 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, and the cumulative balance is included in accumulated other comprehensive income in the shareholders' equity section of the consolidated balance sheets.

(g) 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 bid 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 classified 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 of 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 sheets 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.

(h) Non-current assets held for sale
Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale or deemed sale transaction, rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The Company must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification, except for circumstances beyond management's control. Non-current assets are classified as held for sale and measured at the lower of their carrying value and fair value less costs to sell.

(i) 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 statement of operations. The reversal is limited to what the amortized amount of the security or financial asset would have been if no impairment loss had been recognized in a prior period.

(j) Intangible assets
Intangible assets represent new business costs (costs substantially pertaining mainly to new advisors and branches joining the Company's mutual fund dealer and securities dealer subsidiaries), computer software and the Company's rights to future revenues (substantially in the Company's life insurance managing general agency subsidiary). Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. They are amortized on a straight-line basis over their estimated useful lives, as outlined below:

(i) New business costs – They are amortized over a number of years, ranging from three to fifteen years;
(ii) Computer software – The initial cost of the main computer processing system used by the mutual fund dealer subsidiary is amortized 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 – They 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.

(k) 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 to five 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.

(l) Goodwill
Goodwill represents the excess of the cost of acquisition of an aquired business 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.

(m) Impairment of non-financial assets
The Company annually reviews its indefinite-life, non-financial assets, which includes goodwill, for impairment. If the net carrying amount of an asset exceeds its estimated recoverable amount, the asset is considered impaired and the excess amount is charged to net gains as an impairment loss.

The Company annually reviews its finite-life, non-financial assets, including intangible assets and equipment, whether there are any indications an asset may be impaired. If such indication exists, its carrying amount is compared to the estimated recoverable amount and any excess of the carrying amount over recoverable amount is charged to net gains as an impairment loss.

Recoverable amount is considered to be the higher of the estimated fair value of asset, less the estimated cost to sell and the net present value of future cash flow expected from the use of the asset.

(n) 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.

(o) 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 sheets, 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.

(p) 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 Company consolidates the EPSP Trust in these financial statements, and accounts for the shares owned by the EPSP Trust as treasury stock.

(q) 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 and advisors, associated with the maintenance of accounts with the Company, and the provision of general corporate, trust or other services. Such income is recognized, on an accrual basis, as the services continue to be performed on an ongoing basis, based on agreements with the clients or advisors. 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 is 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.

(r) 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.

(s) 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, 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 will 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.

(t) Interest expense

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

(u) Pensions

The Company operates a defined contribution pension plan, payments to the plan are charged as expenses as they are incurred. The Company has no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(v) Net gains or losses

Gains or 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 or other assets, and adjustments to record any impairment in value, recognized on a trade date basis.

(w) Income tax

Income tax on net earnings for the year comprises current tax and deferred tax. Income tax is recognized in the statements 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 sheets 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.

(x) 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 out...standing dilutive instruments, such as stock options or stock-based entitlements, using the treasury stock method.

(y) 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.

(z) Future changes in accounting policies
A number of new standards, and amendments to existing standards, have been issued by the IASB, which are effective for the Company's consolidated financial statements in certain future periods. The following is a description of these new standards and amendments.

(i) Financial instruments
On July 24, 2014, the IASB issued its fourth and final version of IFRS 9 Financial Instruments ("IFRS 9"), which is to replace IAS 39 Financial Instruments: Recognition and Measurement, with revised guidance on classification and measurement of financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact IFRS 9 will have on its consolidated financial statements.

(ii) Revenue
On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"), which establishes a new framework for the recognition of revenue from contracts with customers and replaces several other standards and interpretations. The core principle of IFRS 15 is that an entity recognizes revenue upon the transfer of services to customers that reflects the payments to which it expects to be entitled. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact IFRS 15 will have on its consolidated financial statements

(iii) Leases
On January 13, 2016, the IASB issued IFRS 16 Leases ("IFRS 16"), which is to replace IAS 17 Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact IFRS 16 will have on its consolidated financial statements.

3. Reclassification of Securities Held for Sale

During the year, the Company reclassified on a retrospective basis its interest in certain mutual funds from held for sale to held for trading. These mutual funds are deemed to be controlled by the Company, and were initially classified into the held for sale category with the intention of disposing of its control within a twelve month period. The Company now anticipates that this process will take longer than twelve months and, as a result, the securities have been reclassified to held for trading. The following is a summary of the changes to the current and prior period's balances and results:

As at December 31	**2015**	2014
Increase in securities	**$ –**	$ 25,385
Decrease in securities held for sale	**–**	(25,385)
Net change	**$ –**	$ –

For the years ended December 31	**2015**	2014
Increase (decrease) in net gains	**$ –**	$ (75)
Increase (decrease) in income tax expense	**–**	(49)
Increase (decrease) in net gains on securities held for sale	**–**	26
Net change in net earnings	**$ –**	$ –

4. Securities

(a) Classification of securities
An analysis of the Company's securities by the available for sale and held for trading classifications and by the type of security is as follows:

As at December 31	**2015**	2014
Available for sale securities		
Short-term securities (i)	**$ 2,058**	$ 5,373
Bonds	**1,102**	1,077
Fixed income mutual funds	**8,139**	7,735
Equity mutual funds	**47,949**	41,410
Bank of Montreal common shares	**353,790**	388,944
Other equity securities	**20,949**	31,882
Real estate funds (ii)	**22,284**	22,239
	456,271	498,660
Held for trading securities (iii)		
Equity securities	**89,300**	28,046
Less: amounts attributable to third party investors in the consolidated mutual funds	**(5,651)**	(1,354)
	83,649	26,692
Securities	**$ 539,920**	$ 525,352

(i) Short-term securities shown above include non-controlled mutual funds that hold short-term securities, as well as directly held short-term securities.
(ii) The Company made a commitment to invest $25,000 in real estate through a real estate limited partnership managed by a subsidiary of the Company. As at December 31, 2015, the Company had invested $21,488 (2014 - $21,488).
(iii) Held for trading securities consist of the securities held by mutual funds which the Company controls and consolidates. These securities are shown net of amounts attributable to third party investors in the consolidated mutual funds. Changes in fair value are included in net gains.

Notes to Consolidated Financial Statements

(b) Fair value hierachy
The Company's securities have been categorized based upon a fair value hierarchy as follows:

As at December 31	2015	2014
Level 1	$ 449,953	$ 456,220
Level 2 (i)	77,049	63,159
Level 3 (ii)	12,918	5,973
Securities	$ 539,920	$ 525,352

(i) Level 2 securities, investments in certain mutual funds and a real estate fund, are valued using the net asset value of each fund.
(ii) Level 3 securities are substantially comprised of one security, which is valued based on a multiple of 4% (2014 – 2%) of assets managed by that company. The change in the multiple used to value the investment was corroborated by an observed market transaction during 2015 and an EBITDA multiple, which the Company believes others would use to value similar companies.
(iii) During 2015 and 2014, there have been no transfers of securities between Levels.

(c) Changes in Level 3 securities
An analysis of the movement in Level 3 securities is as follows:

For the years ended December 31	2015	2014
Level 3 securities, beginning of year	$ 5,973	$ 5,910
Increase in estimated fair value, recognized in other comprehensive income	6,945	368
Disposals	–	(305)
Level 3 securities, end of year	$ 12,918	$ 5,973

5. Intangible Assets

A summary of the composition of and changes in the Company's intangible assets is as follows:

For the years ended December 31	2015				2014			
	New business costs	Computer software	Rights to future revenue	Total	New business costs	Computer software	Rights to future revenue	Total
Cost:								
Balance, beginning of year	$ 12,047	$ 3,702	$ 25,537	$ 41,286	$ 10,549	$ 3,659	$ 20,794	$ 35,002
Purchases	564	196	2,366	3,126	263	38	3,383	3,684
Arising on acquisition	–	–	6,113	6,113	1,159	–	–	1,159
Reclassification	–	–	–	–	–	–	2,049	2,049
Disposals	–	–	(902)	(902)	–	–	(689)	(689)
Foreign exchange translation adjustments	189	13	–	202	76	5	–	81
Balance, end of year	12,800	3,911	33,114	49,825	12,047	3,702	25,537	41,286
Accumulated amortization:								
Balance, beginning of year	8,340	2,806	6,349	17,495	7,383	2,373	4,635	14,391
Amortization expense	978	409	1,949	3,336	947	428	1,515	2,890
Reclassification	–	–	–	–	–	–	318	318
Disposals	–	–	(131)	(131)	–	–	(119)	(119)
Impairment	695	–	–	695	–	–	–	–
Foreign exchange translation adjustments	42	12	–	54	10	5	–	15
Balance, end of year	10,055	3,227	8,167	21,449	8,340	2,806	6,349	17,495
Carrying value, end of year	$ 2,745	$ 684	$ 24,947	$ 28,376	$ 3,707	$ 896	$ 19,188	$ 23,791

6. Equipment

A summary of the composition of and changes in the Company's equipment is as follows:

For the years ended December 31	2015			2014		
	Office equipment	**Leasehold improvements**	**Total**	Office equipment	Leasehold improvements	Total
Cost:						
Balance, beginning of year	**$ 6,864**	**$ 3,282**	**$ 10,146**	$ 6,309	$ 3,083	$ 9,392
Purchases	**871**	**30**	**901**	379	177	556
Arising on acquisition	**28**	**–**	**28**	97	15	112
Foreign exchange translation adjustments	**296**	**16**	**312**	79	7	86
Balance, end of year	**8,059**	**3,328**	**11,387**	6,864	3,282	10,146
Accumulated amortization:						
Balance, beginning of year	**4,916**	**1,574**	**6,490**	4,375	1,343	5,718
Amortization expense	**520**	**207**	**727**	490	211	701
Reclassification	**28**	**–**	**28**	12	13	25
Foreign exchange translation adjustments	**66**	**17**	**83**	39	7	46
Balance, end of year	**5,530**	**1,798**	**7,328**	4,916	1,574	6,490
Carrying value, end of year	**$ 2,529**	**$ 1,530**	**$ 4,059**	$ 1,948	$ 1,708	$ 3,656

7. Goodwill

A summary of the changes in the Company's goodwill is as follows:

For the years ended December 31	2015	2014
Balance, beginning of year	**$ 12,299**	$ 11,111
Arising on acquisition (note 25)	**2,715**	1,188
Balance, end of year	**$ 15,014**	$ 12,299

Goodwill acquired in business acquisitions are allocated to the cash generating units ("CGUs") that are expected to benefit from the business acquisitions. The carrying amount of goodwill has been allocated to the relevant CGUs as follows:

As at December 31	2015	2014
Financial advisory:		
Mutual fund distributor	**$ 4,227**	$ 4,227
Life insurance managing general agency	**9,599**	6,884
Investment management:		
Fundamental global and emerging markets	**1,188**	1,188
Total goodwill	**$ 15,014**	$ 12,299

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 both 2015 and 2014, in each year based upon each CGU's estimated fair value, less 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 management in the investment management CGU, client assets under administration in both financial advisory CGUs and annual service fees and first year commissions in the life insurance managing general agency. 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 2015 or 2014.

The most sensitive assumptions used in the above testing were:

As at December 31	2015	2014
Mutual fund distributor:		
Multiple of assets under administration	**1.00%**	1.00%
Life insurance managing general agency:		
Multiple of annual net service revenue	**6**	6
Fundamental global and emerging markets:		
Multiple of assets under management	**1.75%**	1.75%

The following table shows for each CGU the amount by which the estimated fair value less the costs to sell referred to above exceeds its carrying value:

As at December 31	2015	2014
Mutual fund distributor	$ 79,857	$ 74,462
Life insurance managing general agency	31,502	27,254
Fundamental global and emerging markets	–	119

The fair value estimated above would be considered to be Level 3 under the fair value hierarchy as defined in accounting policy note 2 (g)(iv).

Management believes that a possible reasonable change in key assumptions would not cause the carrying value in either financial advisory CGUs to exceed its fair value less the costs to sell. A reduction of the multiple used to value the investment management CGU by 0.1% would reduce the estimated fair value less costs to sell of this CGU by $85 (2014 – $119).

8. Bank Loans And Borrowings

Bank loans and borrowings are comprised of the following:

As at December 31	2015	2014
Net bank indebtedness (a)	$ 1,602	$ 1,462
Bankers' acceptances payable (b)	53,100	49,600
Bank loan (b)	53	250
Bank loans and borrowings	$ 54,755	$ 51,312

(a) Net bank indebtedness

Net bank indebtedness consists of net overdraft borrowing under a line of credit from a major Canadian chartered bank, which is available to a maximum of $11,000 (2014 – $11,000), due on demand, secured by a general security agreement and securities valued at $62,464 (2014 – $65,712), and bearing interest at the bank prime rate plus 0.25%. Under this line of credit, the Company may offset certain overdraft positions against certain cash balances to establish a net position. As at December 31, 2015, the Company's net bank indebtedness was comprised of overdraft positions of $43,256 (2014 – $23,909) and cash balances of $41,654 (2014 – $22,447).

(b) Bankers' acceptances payable and bank loan

Under written loan agreements, the Company has $90,000 (2014 – $70,000) in lending facilities from a major Canadian chartered bank. Borrowings under these facilities may be in the form of either demand loans bearing a rate of bank prime (2014 – bank prime) or bankers' acceptances for periods ranging from 30 to 270 days, at rates negotiated in the bankers' acceptance market plus 0.50% (2014 – 0.50%). These facilities are secured by the deposit of treasury stock held by the EPSP Trust valued at $41,521 at December 31, 2015 (2014 – $39,229), and other securities valued at $66,368 at December 31, 2015 (2014 – $69,819).

The Company has, through its life insurance managing general agency subsidiary, a $2,000 (2014 - $2,000) loan facility with a Canadian chartered bank, bearing interest at bank prime (2014 – bank prime), secured by a general security agreement on the subsidiary's assets. No amounts were drawn on the facility during 2015 or 2014.

9. Provisions

From time to time in connection with its operations, the Company is named as a defendant in actions for damages and costs allegedly sustained by the plaintiffs. While it is often not possible to estimate the outcome of the various proceedings at any time, the Company makes provisions, where possible, for the estimated outcome of such proceedings. Should any loss resulting from the resolution of any claims differ from these estimates, the difference will be accounted for as a charge to income in that year. As at December 31, 2015 and 2014, there were no material provisions recorded.

10. Operating Leases

The Company has non-cancellable operating leases for premises and equipment with initial terms in excess of one year and which expire on various dates after year end. Future minimum payments required under these non-cancellable operating leases are as follows:

As at December 31	2015	2014
Payable within one year	$ 2,077	$ 1,948
Payable after one year and within five years	7,684	6,745
Payable after five years	8,615	8,077
Total lease obligations	$ 18,376	$ 16,770

During the year ended December 31, 2015, the Company recognized $2,443 (2014 – $1,984) of base rental costs in respect of these non-cancellable leases.

11. Income Taxes

(a) Income tax expenses

The components of the income tax expense are as follows:

For the years ended December 31	2015	2014
Current tax expense		
Tax on profits for the current year	$ 8,769	$ 7,086
Adjustments in respect of prior periods	(24)	122
	8,745	7,208
Deferred tax expense		
Origination and reversal of temporary differences	311	406
Adjustments in respect of prior periods	5	–
	316	406
Income tax expense	$ 9,061	$ 7,614

(b) Reconciliation of income tax expense to statutory rates

The income tax expense in the consolidated statements of operations is less than the tax computed using combined Federal and Provincial statutory income tax rates of 26.5% (2014 – 26.5%) in the current year for the following reasons:

For the years ended December 31	2015	2014
Tax at the combined Federal and Provincial statutory income tax rate for the current year	$ 14,320	$ 11,882
Increase (decrease) in the expense due to:		
Tax exempt income from securities	(3,881)	(3,868)
Rate differential on earnings of foreign subsidiaries	(531)	(661)
Adjustments to deferred tax assets and liabilities for changes in temporary differences	(210)	29
Non-taxable portion of capital gains	(1,494)	(613)
Non-deductible expenses	318	433
Tax losses not recognized as deferred tax assets	565	286
Other	(26)	126
Income tax expense	$ 9,061	$ 7,614

The combined statutory income tax rate is the aggregate of the Federal income tax rate of 15.0% (2014 – 15.0%) and the Provincial income tax rate of 11.5% (2014 – 11.5%).

(c) Deferred tax assets and liabilities

A summary of the composition of and changes in the Company's deferred tax assets and liabilities is as follows:

For the year ended December 31, 2015

	Bank of Montreal shares	Other securities	Capital loss carryforwards	Non-capital loss carryforwards	Equipment and intangibles	Other temporary differences	Total
Deferred tax assets							
Balance, beginning of year	$ –	$ –	$ –	$ 2,155	$ 368	$ 537	$ 3,060
Recognized in net earnings	–	–	–	(1,114)	4	(96)	(1,206)
Balance, end of year	$ –	$ –	$ –	$ 1,041	$ 372	$ 441	$ 1,854
Deferred tax liabilities							
Balance, beginning of year	$ 49,693	$ 15	$ (47)	$ (13)	$ 2,108	$ (1,513)	$ 50,243
Recognized in net earnings	–	100	1	–	(410)	(581)	(890)
Recognized in other comprehensive income	(3,069)	(184)	–	–	–	–	(3,253)
Arising on acquisition (note 25)	–	–	–	–	1,620	–	1,620
Balance, end of year	$ 46,624	$ (69)	$ (46)	$ (13)	$ 3,318	$ (2,094)	$ 47,720

For the year ended December 31, 2014

	Bank of Montreal shares	Other securities	Capital loss carryforwards	Non-capital loss carryforwards	Equipment and intangibles	Other temporary differences	Total
Deferred tax assets							
Balance, beginning of year	$ –	$ –	$ –	$ 3,060	$ 507	$ 190	$ 3,757
Recognized in net earnings	–	–	–	(905)	(139)	347	(697)
Balance, end of year	$ –	$ –	$ –	$ 2,155	$ 368	$ 537	$ 3,060
Deferred tax liabilities							
Balance, beginning of year	$ 42,669	$ 167	$ (218)	$ (13)	$ 1,922	$ (1,211)	$ 43,316
Recognized in net earnings	–	12	171	–	(162)	(302)	(281)
Recognized in other comprehensive income	7,024	(164)	–	–	–	–	6,860
Arising on acquisition (note 25)	–	–	–	–	232	–	232
Reclassification (note 26)	–	–	–	–	116	–	116
Balance, end of year	$ 49,693	$ 15	$ (47)	$ (13)	$ 2,108	$ (1,513)	$ 50,243

The Company has tax losses available of $4,092 (2014 – $ 1,089) whose benefit has not been recognized in these financial statements, as the Company does not expect these losses, which have arisen in a foreign subsidiary, to be utilized in the foreseeable future. These tax losses, which will be available to offset future taxable income, may be carried forward indefinitely.

(d) Securities held for sale

Analysis of tax recognized on securities held for sale:

For the years ended December 31	**2015**	2014
Net gains on securities held for sale before tax	**$ –**	$ 506
Current tax expense	**–**	110
Deferred tax expense	**–**	10
Net gains on securities held for sale after tax	**$ –**	$ 386

(e) Other temporary differences

The aggregate amount of temporary differences between costs for accounting purposes and costs for income tax purposes arising from the earnings accumulated in certain subsidiaries is $134,482 (2014 – $119,291), which amount may be subject to income tax if such subsidiaries are disposed of or the earnings are otherwise distributed. Deferred tax has not been provided on these temporary differences, as the Company does not intend to dispose of such subsidiaries or distribute such earnings.

During the year, the Company reclassified certain of its investments in mutual funds from the held for sale category to the held for trading category on a retrospective basis, as described in note 3. The comparative figures in the tables above have been re-presented to reflect the effects of this reclassification.

12. Capital Stock

(a) Authorized

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

(ii) Unlimited Class A non-voting shares without par value, convertible into common shares on a one-for-one basis, under certain terms and conditions, the highlights of which are as follows: if any person other than an insider of the Company acquires ownership, control or direction over in excess of 50% of the common shares, or makes an offer to all common shareholders to buy common shares, the Class A shares may be converted into common shares, unless holders of over 50% of the outstanding common shares do not accept the offer, or an equivalent offer is made to the holders of Class A shares.

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

(b) Issued and outstanding

For the years ended December 31	2015		2014	
	Shares	**Amount**	Shares	Amount
Class A shares				
Outstanding, beginning of year	**27,368**	**$ 20,279**	27,534	$ 20,487
Acquired and cancelled	**(599)**	**(452)**	(324)	(245)
Converted from common	**210**	**51**	158	37
Outstanding, end of year	**26,979**	**19,878**	27,368	20,279
Common shares				
Outstanding, beginning of year	**4,777**	**1,155**	4,935	1,192
Acquired and cancelled	**(218)**	**(53)**	–	–
Converted to Class A	**(210)**	**(51)**	(158)	(37)
Outstanding, end of year	**4,349**	**1,051**	4,777	1,155
Total outstanding, end of year	**31,328**	**$ 20,929**	32,145	$ 21,434

(c) Issuer bid

A summary of the Company's activity under its Normal Course Issuer Bid is as follows:

For the years ended December 31	2015	2014
Purchased and cancelled		
Class A	**599**	324
Common	**218**	–
Consideration paid	**$ 14,397**	$ 5,657
Less average issue price, charged to share capital	**505**	245
Excess consideration charged to retained earnings	**$ 13,892**	$ 5,412

(d) Dividends on common and Class A shares

For the years ended December 31	2015	2014
Dividends declared and paid, per share	**$ 0.29**	$ 0.24

The Company also declared dividends of $0.075 and $0.085 per share payable on January 18, 2016 and April 18, 2016, respectively, on the common and Class A shares outstanding.

13. Treasury Stock

The Company purchases and holds shares in its capital stock through the EPSP Trust, which are accounted for as treasury stock. These shares are deposited as collateral against a bank loan, which is used to finance the purchase of the shares.

(a) Changes in treasury stock
A summary of the changes in the Company's treasury stock is as follows:

For the years ended December 31	2015		2014	
	Shares	**Amount**	Shares	Amount
Balance, beginning of year	**2,204**	**$19,890**	2,136	$18,700
Acquired	**101**	**1,740**	84	1,285
Disposed	**(6)**	**(67)**	(16)	(95)
Balance, end of year	**2,299**	**$21,563**	2,204	$19,890

During the year the Company disposed of 6 (2014 – 16) of its class A shares for an amount equal to their costs.

As at December 31, 2015, the treasury stock was composed of 63 common shares (2014 – 63) and 2,236 class A shares (2014 – 2,141 shares).

(b) EPSP Trust – Stock-based entitlements

The stock-based entitlements provided by the Company to certain employees through the EPSP Trust are in the form of either an option-like entitlement or an equity-based entitlement, as described below.

(i) Option-like entitlements

The option-like entitlements allow the employees to purchase shares from the EPSP Trust at prices equal to the amount of the bank loan per share pertaining to those shares, subject to predetermined vesting arrangements and other conditions. 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 option-like entitlements is as follows:

For the years ended December 31	**2015**		2014	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Option-like entitlements, beginning of year	**1,496**	**$ 8.95**	1,497	$ 8.95
Entitlements exercised	**–**	**–**	(1)	9.69
Option-like entitlements, end of year	**1,496**	**$ 8.95**	1,496	$ 8.95

As at December 31, 2015, there were outstanding option-like entitlements for 33 common shares (2014 – 33) and 1,463 class A shares (2014 – 1,463).

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. No option-like entitlements were provided during 2015 or 2014.

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

	Number of shares	Weighted average exercise price	Number of shares vested	Weighted average exercise price
As at December 31, 2015				
$5.01 – $7.50	**355**	**$ 6.15**	**355**	**$ 6.15**
$7.51 – $10.00	**877**	**9.35**	**729**	**9.28**
$10.01 – $12.50	**264**	**11.36**	**264**	**11.36**
	1,496	**$ 8.95**	**1,348**	**$ 8.86**
As at December 31, 2014				
$5.01 – $7.50	355	$ 6.15	350	$ 6.16
$7.51 – $10.00	877	9.35	610	9.19
$10.01 – $12.50	264	11.36	264	11.36
	1,496	$ 8.95	1,224	$ 8.79

(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 years ended December 31	**2015**	2014
Equity-based entitlements, beginning of year	**708**	639
Entitlements provided	**101**	84
Entitlements exercised	**(6)**	(15)
Equity-based entitlements, end of year	**803**	708

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, 2015 had a fair value of $1,740 (2014 – $1,285).

14. Management Fee Income, Net

Management fee income, net is comprised of the following:

For the years ended December 31	2015	2014
Management fee income, gross	$ 68,698	$ 63,736
Less: fees paid to referring agents	(3,264)	(2,414)
Management fee income, net	$ 65,434	$ 61,322

15. Dividend and Interest Income

Dividend and interest income is composed of the following:

For the years ended December 31	2015	2014
Dividends on Bank of Montreal shares	$ 15,175	$ 14,634
Other dividends	4,506	3,031
Dividend income	19,681	17,665
Interest income	1,257	1,107
Dividend and interest income	$ 20,938	$ 18,772

16. Employee Compensation and Benefits

Employee compensation and benefits are composed of the following:

For the years ended December 31	2015	2014
Salaries and other compensation, payroll taxes and benefits	$ 54,037	$ 49,491
Contributions to defined contribution pensions plan	748	591
Stock-based compensation	1,506	1,348
Employee compensation and benefits	$ 56,291	$ 51,430

17. Net Gains and Net Gains on Securities Held for Sale

(a) Net gains

Net gains are composed of the following:

For the years ended December 31	2015	2014
Held for trading securities, net (i)	$ 2,823	$ (39)
Available for sale securities (ii)	8,709	7,548
Net gains on securities	11,532	7,509
Foreign exchange (losses) (iii)	(1,223)	(1,071)
Gains on disposition of intangible assets	731	262
Impairment of intangible assets (iv)	(695)	–
Gain on other liability (iv)	695	–
Net gains	$ 11,040	$ 6,700

(i) Net gains on held for trading securities include net gains on securities owned by consolidated mutual funds and the appreciation or depreciation of the amounts attributable to third party investors in the consolidated mutual funds.

(ii) Included in net gains on available for sale securities are gains of $8,047 (2014 – $2,447) from the sale of 204 (2014 – 65) shares of Bank of Montreal. A tax expense of $453 (2014 – $128) was recorded in income tax expenses in the consolidated statements of operations as a results of these dispositions.

(iii) Net losses on foreign exchange in the current year mainly relates to exchange losses on Canadian dollars held by the international private banking subsidiary which uses US dollars as its functional currency. On translation of this subsidiary's results to Canadian dollars for the purpose of consolidating it to the Company's results, an equal and offsetting gain is recorded in other comprehensive income.

(iv) During the year the Company evaluated the intangible assets it acquired as part of the 2014 acquisition of GuardCap Asset Management Limited ("GuardCap") for impairment as a result of recent redemptions from an emerging markets fund managed by GuardCap. The Company determined the intangible assets, which are part of the investment management segment, were impaired and as a result it was written down by $695 and recorded a loss in net gains. However, as a result of lower AUM resulting from the redemptions, the Company also revised its best estimate of the present value of the deferred payment related to the GuardCap acquisition and wrote down the liability by the same, offsetting amount in net gains.

(b) Net gains on securities held for sale

Net gains on securities held for sale are comprised of the following:

For the years ended December 31	2015	2014
Net gain	$ –	$ 228
Other income	–	278
Income tax expense	–	120
Net gains on securities held for sale	$ –	$ 386

During the year, the Company reclassified certain of its investments in mutual funds from the held for sale category to the held for trading category on a retrospective basis, as described in note 3. The comparative figures in the tables above have been re-presented to reflect the effects of this reclassification.

18. Net Earnings Available to Shareholders

Net earnings available to shareholders are comprised of the following:

For the years ended December 31	2015	2014
Net earnings before net gains on securities held for sale	$ 44,105	$ 36,631
Net gains on securities held for sale	–	386
Net earnings available to shareholders	$ 44,105	$ 37,017

19. Net Earnings Per Share

The calculations of net earnings per share are based on the following number of shares and net earnings.

For the years ended December 31	2015	2014
Weighted average number of class A and common shares outstanding		
Basic	29,456	30,175
Effect of outstanding entitlements and options from stock based compensation plans	1,409	1,294
Diluted	30,865	31,469
Net earnings available to shareholders of class A and common shares		
Basic	$ 44,105	$ 37,017
Effect of outstanding entitlements and options from stock based compensation plans	386	413
Diluted	$ 44,491	$ 37,430

The effects of 877 (2014 – 900) entitlements from the Company's stock-based compensation arrangements were excluded from the calculation of the diluted number of shares as those entitlements were anti-dilutive.

20. 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 following table discloses certain information about these segments:

	Investment management		Financial advisory		Corporate activities and investments		Inter-segment transactions		Consolidated	
For the years ended December 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	2015	2014
Revenue										
Gross commission revenue	**$ –**	$ –	**$115,676**	$101,589	**$ –**	$ –	**$ (661)**	$ (787)	**$115,015**	$ 100,802
Commissions paid to advisors	**–**	–	**(81,153)**	(72,780)	**–**	–	**–**	–	**(81,153)**	(72,780)
	–	–	**34,523**	28,809	**–**	–	**(661)**	(787)	**33,862**	28,022
Management fee income, net	**64,773**	60,723	**–**	–	**–**	–	**661**	599	**65,434**	61,322
Administrative services income	**5,320**	4,931	**7,357**	6,228	**–**	–	**–**	–	**12,677**	11,159
Dividend and interest income	**118**	88	**679**	765	**20,301**	17,945	**(160)**	(26)	**20,938**	18,772
Net revenue	**70,211**	65,742	**42,559**	35,802	**20,301**	17,945	**(160)**	(214)	**132,911**	119,275
Expenses										
Employee compensation and benefits	**32,555**	29,726	**15,567**	13,956	**8,169**	7,748	**–**	–	**56,291**	51,430
Amortization	**360**	213	**3,168**	2,745	**535**	633	**–**	–	**4,063**	3,591
Interest	**213**	196	**177**	178	**638**	821	**(160)**	(214)	**868**	981
Other expenses	**18,727**	16,079	**13,544**	12,483	**(3,580)**	(3,430)	**–**	–	**28,691**	25,132
	51,855	46,214	**32,456**	29,362	**5,762**	5,772	**(160)**	(214)	**89,913**	81,134
Operating earnings	**18,356**	19,528	**10,103**	6,440	**14,539**	12,173	**–**	–	**42,998**	38,141
Net gains (losses)	**(791)**	–	**744**	264	**11,087**	6,436	**–**	–	**11,040**	6,700
Net earnings before income taxes and net gains (losses) on securities held for sale	**17,565**	19,528	**10,847**	6,704	**25,626**	18,609	**–**	–	**54,038**	44,841
Income tax expense	**5,041**	4,906	**3,118**	1,996	**902**	712	**–**	–	**9,061**	7,614
Net earnings before net gains on securities held for sale	**12,524**	14,622	**7,729**	4,708	**24,724**	17,897	**–**	–	**44,977**	37,227
Net gains on securities held for sale	**–**	–	**–**	–	**–**	386	**–**	–	**–**	386
Net earnings	**$ 12,524**	$ 14,622	**$ 7,729**	$ 4,708	**$ 24,724**	$ 18,283	**$ –**	$ –	**$ 44,977**	$ 37,613
Net earnings available to:										
Shareholders	**$ 12,524**	$ 14,622	**$ 6,857**	$ 4,112	**$ 24,724**	$ 18,283	**$ –**	$ –	**$ 44,105**	$ 37,017
Non-controlling interests	**–**	–	**872**	596	**–**	–	**–**	–	**872**	596
	$ 12,524	$ 14,622	**$ 7,729**	$ 4,708	**$ 24,724**	$ 18,283	**$ –**	$ –	**$ 44,977**	$ 37,613
Capital expenditure on segment assets										
Intangible assets	**$ 56**	$ 1,184	**$ 9,157**	$ 3,659	**$ 26**	$ –	**$ –**	$ –	**$ 9,239**	$ 4,843
Equipment	**169**	206	**115**	210	**617**	140	**–**	–	**901**	556
As at December 31,										
Segment assets and liabilities:										
Assets	**$167,614**	$130,626	**$115,906**	$ 105,154	**$ 614,184**	$587,100	**$ (93,106)**	$ (86,123)	**$ 804,598**	$736,757
Liabilities	**127,609**	85,292	**119,935**	116,910	**141,634**	128,444	**(93,106)**	(86,123)	**296,072**	244,523

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

	Canada		Rest of the world		Inter-segment transactions		Consolidated	
For the years end December 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Net revenue	**$ 125,827**	$113,734	**$ 7,582**	$ 6,869	**$ (498)**	$ (1,328)	**$132,911**	$119,275
As at December 31								
Segment non-current assets								
Intangible assets	**$ 27,186**	$ 21,879	**$ 1,190**	$ 1,912	**$ –**	$ –	**$ 28,376**	$ 23,791
Equipment	**3,174**	3,165	**885**	491	**–**	–	**4,059**	3,656
Goodwill	**13,826**	11,111	**1,188**	1,188	**–**	–	**15,014**	12,299

21. Net Change in Non-Cash Working Capital Items

Net change in non-cash working capital items is comprised of the following:

For the years ended December 31	2015	2014
Decrease (increase) in non-cash working capital assets		
Interest-bearing deposits with banks	**$ (37,737)**	$ 291
Accounts receivable and other	**538**	(3,039)
Receivables from clients and broker	**(2,965)**	(3,945)
Prepaid expenses	**(113)**	12
Increase (decrease) in non-cash working capital liabilities		
Client deposits	**37,768**	(148)
Accounts payable and other	**(6,135)**	3,888
Payable to clients	**2,965**	3,945
Net change in non-cash working capital items	**$ (5,679)**	$ 1,004

22. 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 of the Company's 2015 Annual Report. The following are the more significant risks associated with financial instruments to which the Company is subject:

(a) Concentration Risk

The Company is exposed to concentration risk associated with the $353,790 (2014 – $388,944) 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 $35,379 (2014 – $38,894) being recorded in other comprehensive income.

(b) 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: price risk, currency risk, and interest rate risk.

(i) Price Risk

The Company is exposed to price risk with its securities. Unrealized changes in the values of its securities are recognized in net earnings, for held for trading securities, and in other comprehensive income, for available for sale securities. This risk is managed through the use of professional in-house portfolio management expertise, which takes a disciplined approach to investment management. The 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 gain or loss which would be recognized in net earnings and other comprehensive income as a result of a 10% change in the market prices

	Fair value of held for trading securities, net	Unrealized gain or loss recognized in net earnings from 10% market change in region	Fair value of available for sale securities, excluding Bank of Montreal shares, short-term securities and bonds	Unrealized gain or loss recognized in other comprehensive income from 10% market change in region
As at December 31, 2015				
Canada	**$ 2,263**	**±$ 226**	**$ 41,037**	**±$ 4,104**
United States	**–**	**–**	**19,057**	**1,906**
Rest of the World	**81,386**	**8,139**	**39,228**	**3,923**
	$ 83,649	**±$ 8,365**	**$ 99,322**	**±$ 9,933**
As at December 31, 2014				
Canada	$ 1,307	±$ 131	$ 43,298	±$ 4,330
United States	–	–	11,514	1,151
Rest of the World	25,385	2,539	48,454	4,845
	$ 26,692	±$ 2,670	$ 103,266	±$ 10,326

(ii) Currency Risk

The Company's main exposure to currency risk is on its investments in its foreign subsidiaries, amounting to $132,560 (2014 – $109,915). Changes in the value of these investments caused by changes in the US dollar and UK pounds exchange rates are reflected in other comprehensive income in the period in which the change occurs. This foreign currency exposure is not actively managed, due to the long-term nature of these investments, but is monitored by management. From time to time, a foreign subsidiary holds unhedged Canadian dollars, which can result in foreign exchange gains or losses being recorded by the subsidiary. Upon translation of their results on consolidation, the Company recognizes equal and offsetting gains or losses in other comprehensive income. This is not considered to be a currency risk as there is no economic risk to the Company.

(iii) Interest Rate Risk

The Company is exposed to interest rate risk through its bank loans and borrowings of $54,755 as at December 31, 2015 (2014 – $51,312). The interest rates on these borrowings are short-term and, if short-term rates increase, the Company's interest expense will increase and net earnings will decrease. If interest rates had been 1% higher throughout 2015, with all other variables held constant, the Company's interest expense would have been increased by approximately $569 (2014 – $560). The Company holds, $8,139 investment in fixed-income mutual funds managed by its subsidiaries as at December 31, 2015 (2014 – $7,735). The interest rate risk associated with these securities is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments. The Company is also exposed to interest rate risk in its international banking operation, through the assets interest-bearing deposits with banks of $112,636 as at December 31, 2015 (2014 – $61,729), and the client deposits liability of $112,687 as at December 31, 2015 (2014 – $61,747). This risk is managed through the matching of interest rates and maturities on these balances.

(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	**2015**	2014
Cash	**$ 22,276**	$ 29,230
Interest-bearing deposits with banks	**112,636**	61,729
Accounts receivable and other	**28,961**	29,293
Receivable from clients and broker	**49,125**	46,160
Short-term securities	**2,058**	5,373
Bonds	**1,102**	1,077
Fixed income mutual funds	**8,139**	7,735
	$ 224,297	$ 180,597

The Company considers its exposure to credit risk to be low. The cash and 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 is offset with securities, which are held in the client margin accounts of the securities dealer subsidiary. There are controls on the amounts that these clients may borrow, depending upon the securities that are pledged. The credit risk associated with the Company's investment in a fixed-income mutual fund is managed by monitoring the activities of the portfolio manager who, through diversification and credit quality reviews of the fund's investments, manage the fund's credit risk. The short-term securities and bonds are short-duration, investment-quality securities.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities, which are substantially all due within one year. The Company manages this financial risk by maintaining a portfolio of securities, and by arranging for significant borrowing facilities with major Canadian banks, at attractive rates.

23. Capital Management

The Company considers the following to be its capital: shareholders' equity and bank loans and borrowings. 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, 2015, the Company's regulated businesses had total regulatory capital amounting to $158,681 (2014 – $108,579). 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.

24. Related Parties

(a) Parent company

Minic Investments Limited ("Minic") is a corporation of which A. Michael Christodoulou, a director and officer of the Company, is currently President. Minic is owned by The Christodoulou 2004 Family Trust, a discretionary trust of which the children of the late John Christodoulou are possible beneficiaries. As at December 31, 2015, Minic beneficially owned 49.1% (2014 – 49.1%) of the Company's outstanding common shares. In 2015 and 2014, 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	**2015**	2014
Short-term employment benefits	**$ 3,769**	$ 3,727
Post-employment benefits	**18**	18
Stock-based compensation	**642**	630
	$ 4,429	$ 4,375

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	**2015**	2014
Investment management services	**$ 11**	$ 11

(c) Subsidiaries

The Company's significant subsidiaries are as follows:

As at December 31		**2015**	2014
	Country of organization	Voting ownership interest	
Guardian Capital LP	Canada	**100%**	100%
Guardian Capital Advisors LP	Canada	**100%**	100%
Guardian Capital Enterprises Limited	Canada	**100%**	100%
GuardCap Asset Management Limited	United Kingdom	**100%**	100%
Guardian Capital Real Estate Inc.	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. (i)	Canada	**79%**	79%
Guardian Capital Holdings International Ltd.	Cayman Islands	**100%**	100%
Alexandria Bancorp Limited	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 (ii)	Canada	**0%**	0%
Guardian Growth & Income Fund	Canada	**79%**	97%
Aston Guardian Capital Global Dividend Fund	Canada	**73%**	73%
Guardian Emerging Markets Equity Fund	Canada	**98%**	100%
Guardian UCITS Funds PLC	Ireland	**95%**	100%
Guardian Canadian Focused Equity Fund	Canada	**100%**	n/a

(i) The principal place of business for IDC Worldsource Insurance Network Inc. ("IDC WIN"), the Company's insurance managing general agency ("MGA") subsidiary, is located at Suite 700, 625 Cochrane Drive, Markham, Ontario. The non-controlling interests have a 21% (2014 – 21%) voting ownership interest in IDC WIN.

The accumulated non-controlling interest in the Company's accounts related to IDC WIN is as follows:

For the years ended December 31	**2015**	2014
Non-controlling interests, beginning of year	**$ 3,399**	$ 2,803
Net earnings available to non-controlling interests	**872**	596
Non-controlling interests, end of year	**$ 4,271**	$ 3,399

The following is summarized financial information about IDC WIN before consolidation adjustments:

As at December 31	2015	2014
Cash	$ 672	$ 177
Other current assets	2,760	2,389
Intangible assets	13,756	12,874
Other non-current assets	943	1,104
	$ 18,131	$ 16,544
Current liabilities	$ 9,658	$ 6,095
Non-current liabilities	297	198
	$ 9,955	$ 6,293

For the years ended December 31	2015	2014
Revenue	$ 20,490	$ 17,424
Net earnings	4,278	3,698
Comprehensive income	4,278	3,698

(ii) The Company does not hold any ownership interest in the EPSP Trust. However, the EPSP Trust is consolidated because the Company has power over the activities of the EPSP Trust, which are conducted on behalf of the Company, and the Company remains exposed to the risks of the EPSP Trust, which are described in note 8, Bank Loans and Borrowing, and note 13, Treasury Stock.

(d) Joint venture

The Company's joint venture is as follows:

As at December 31		2015	2014
	Country of organization	Voting ownership interest	
Guardian Ethical Management Inc.	Canada	50%	50%

Guardian Ethical Management Inc. ("GEM") is an investment fund manager specializing in socially responsible investing mandates, which complements the Company's existing investment management businesses. Management of GEM is shared equally with the other partner in the joint venture. The Company accounts for its investment in GEM using the equity method. The following is summarized financial information about GEM:

As at December 31	2015	2014
Cash	$ 965	$ 1,359
Other current assets	197	286
	$ 1,162	$ 1,645
Current liabilities	$ 498	$ 982

For the years ended December 31	2015	2014
Net revenue	$ 935	$ 1,644
Net earnings	–	–
Comprehensive income	–	–

(e) Interest in unconsolidated structured entities

The Company sponsors and manages a number of collective investment vehicles for the purpose of efficiently investing monies on behalf of the Company's clients, who are the primary investors in these vehicles. These collective investment vehicles, which are separate legal entities, are financed by investments made by clients and, to a limited extent, the Company. The Company is paid for the investment management services it provides to the vehicles either directly from the vehicles or from the investors. The following tables summarize the size of the unconsolidated collective investment vehicles managed by the Company, and the Company's interests in and transactions with those collective investment vehicles:

As at December 31	2015	2014
Net assets of unconsolidated collective investment vehicles	$ 2,394,252	$ 2,147,368
Company's interests in unconsolidated investment vehicles	77,454	70,554

For the years ended December 31	2015	2014
Net revenues earned directly from unconsolidated collective investment vehicles	$ 8,426	$ 5,337

The Company's maximum exposure to loss from its interest in these collective investment vehicles is limited to the amount of its investment.

25. Acquisitions

(a) First Prairie Financial Inc.

On June 1, 2015, the Company's life insurance managing general agency ("MGA") subsidiary, IDC WIN, acquired First Prairie Financial Inc. ("First Prairie"), a leading regional MGA in Alberta. The key employees of First Prairie entered into employment agreements with IDC WIN as part of the transaction. The acquisition further strengthens IDC WIN's operations and its presence in the Prairie region.

The accounting for the acquisition is as follows:

Fair value of consideration:		
Cash on closing	$	3,625
Payments to be made over a period of 12 months		3,625
Total fair value of consideration		7,250
Fair value of identifiable net assets acquired:		
Intangibles		6,113
Deferred tax liabilities		(1,620)
Net non-cash working capital		(76)
Other assets		41
Cash		77
Total fair value of identifiable net assets acquired		4,535
Goodwill	$	2,715

Net cash paid on closing is as follows:		
Cash paid to vendors	$	3,625
Less cash acquired		(77)
Total fair value of consideration	$	3,548

Goodwill, which is not deductible for income tax purposes, represents expectations that the Company will be able to maximize the value of the contracts with major insurance carriers and that synergies will be realized to maximize the profitability of the combined business.

Since the acquisition, the acquired business has contributed net revenue of $1,739 and net earnings of $612 to the Company's results. If the acquisition had occurred on January 1, 2015, management estimates that First Prairie would have earned net revenue of $2,981 and net earnings of $1,049 and, as a result, the Company's reported net revenue and net earnings would have been approximately $134,153 and $45,414, 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 on January 1, 2015. Management has also assumed amortization of the intangible assets of $405 and a provision for income taxes of $378.

(b) GuardCap Asset Management Limited

On April 14, 2014, the Company acquired all of the shares of an emerging markets equity investment management firm, based in London, UK. This transaction added $114,077 in additional assets under management ("AUM"). After the acquisition, the firm has been renamed GuardCap Asset Management Limited.

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

Fair value of consideration:		
Cash	$	1,597
Deferred payment		1,007
Total fair value of consideration		2,604
Fair value of identifiable net assets acquired:		
Intangible assets		1,159
Deferred tax liabilities		(232)
Net non-cash working capital		123
Cash		366
Total fair value of identifiable net assets acquired		1,416
Goodwill	$	1,188

Net cash paid on closing is as follows:		
Cash paid to vendor	$	1,597
Less cash acquired		(366)
	$	1,231

The deferred payment is the present value of an estimated payment which is expected to be made on or about April 14, 2018, calculated based on the level of AUM then achieved in certain investment strategies to a maximum of $2,750 US. This payable is recorded under other liabilities on the consolidated balance sheet, based on the current exchange rate. Intangible assets are investment management contracts which have an expected life of 15 years. The goodwill recognized on the acquisition represents the value of the acquired business arising from key employees, potential synergies, and a broader platform for business growth.

Since its acquisition, GuardCap has contributed net revenue of $1,298 and a net loss of $1,508 to the Company's 2014 results. If the acquisition had occurred on January 1, 2014, management estimates that GuardCap would have earned net revenue of $1,818 and a net loss of $1,571, and as a result, the Company's reported net revenue and net earnings for the year end December 31, 2014 would have been approximately $119,795 and $37,550, 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, 2014.

In conjunction with this acquisition, the Company entered into employment agreements with the key employees of GuardCap.

26. Acquisition Of Non-Controlling Interests

On July 1, 2014, IDCWIN acquired the remaining shares of another partially-owned insurance MGA subsidiary for cash consideration of $1,271. The consideration paid in excess of the carrying value was charged to shareholders' equity, as follows:

Consideration paid	$	1,271
Carrying value of non-controlling interests		631
Excess consideration charged to retained earnings	$	640

Due to its immaterial size, the Company had not previously consolidated its interest in the acquired subsidiary, but had recorded it under other assets.

Directors

Principal Executives

Board of Directors

James S. Anas •*
A. Michael Christodoulou
Harold W. Hillier •
George Mavroudis
Edward T. McDermott •
Barry J. Myers •
Hans-Georg Rudloff •

Committees

Governance
A. Michael Christodoulou
Edward T. McDermott •*
Barry J. Myers •

Compensation
James S. Anas •
Harold W. Hillier •*
Edward T. McDermott •
Hans-Georg Rudloff •

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

* *Chairman*
• *Unrelated Directors*

Guardian Capital Group Limited

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President and Chief Executive Officer

C. Verner Christensen
Senior Vice-President and Secretary

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

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

Donald Yi
Chief Financial Officer

Ernest B. Dunphy
Vice -President and Controller

Leslie Lee
Vice-President, Human Resources

Angela Shim
Vice-President, Corporate Initiatives

Guardian Capital LP

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Chief Executive Officer

Robert G. Broley
Senior Vice-President, Investment Services

C. Verner Christensen
Senior Vice-President and Secretary

Brian P. Holland
Senior Vice-President, Client Service

Hugh M. MacFarlane
Senior Vice-President, Investment Services

Darryl M. Workman
Vice-President, Operations and Administration

Matthew D. Turner
Chief Compliance Officer

Donald Yi
Chief Financial Officer

Ernest B. Dunphy
Controller

Portfolio Managers:

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Chief Investment Officer

Gary M. Chapman
Managing Director

Kevin R. Hall
Managing Director

Peter A. Hargrove
Managing Director

Srikanth G. Iyer
Managing Director

Stephen D. Kearns
Managing Director

D. Edward Macklin
Managing Director

John G. Priestman
Managing Director

Michele J. Robitaille
Managing Director

Michael P. Weir
Managing Director

Principal Executives continued

Guardian Capital Advisors LP

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Managing Director

C. Verner Christensen
Vice-President and Secretary

Simon Bowers
Vice-President, Private Client Trading

Darryl M. Workman
Vice-President, Operations and Administration

Matthew D. Turner
Chief Compliance Officer

Donald Yi
Chief Financial Officer

Ernest B. Dunphy
Controller

Private Client Portfolio Managers:

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Chief Investment Officer

Michael E. Barkley
Senior Vice-President

George E. Crowder
Senior Vice-President

Douglas G. Farley
Senior Vice-President

Michael G. Frisby
Senior Vice-President

J. 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

Linda Kenny
Chief Financial Officer

Paige Wadden
Head of Compliance

Katharine Baran
Vice-President, Head of Operations and Technology

Areef Samji
Controller

Ronald Madzia
President, IDC Worldsource Insurance Network Inc.

Guardcap Asset Management Limited

Portfolio Managers:
Steve Bates
Chief Investment Officer

Michael Boyd
Investment Manager

Clive Lloyd
Investment Manager

Orlaith O'Connor
Investment Manager

Edward R. Wallace
Investment Manager

Giles Warren
Investment Manager

Michael Hughes
Senior Vice-President

Arieta Koshutova
Chief Operating Officer

Alexandria Bancorp Limited

Robert F. Madden
General Manager

Alexandria Trust Corporation

Robert F. Madden
Director

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Auditors

KPMG LLP

Principal Bankers

Canadian Imperial Bank of Commerce
Bank of Montreal

Toronto Stock Exchange Listing

Shares	Symbol
Common	GCG
Class A	GCG.A

Annual Meeting

May 19, 2016
11:00 a.m.
King Gallery
The Suites at One King West
1 King Street West
Toronto, Ontario

Custodian and Fund Administrator

RBC Investor Services Trust

Registrar and Transfer Agent

Computershare Investor Services Inc.
Telephone: 1-800-564-6253
Website: www.investorcentre.com/service

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