

OUR
HISTORY
YOUR
FUTURE

GUARDIAN CAPITAL GROUP LIMITED

**2022 ANNUAL
REPORT**



CAUTION CONCERNING FORWARD-LOOKING INFORMATION

Certain information included in this Annual Report constitutes forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information is often, but not always, identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “would”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plan”, “continue”, or similar expressions suggesting future outcomes or events or the negative thereof. Forward-looking information in this Annual Report includes, but is not limited to, statements with respect to management’s beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations. Such forward-looking information reflects management’s beliefs and is based on information currently available. All forward-looking information in this Annual Report is qualified by the following cautionary statements.

Although Guardian believes that the expectations reflected in such forward-looking information are reasonable, such information involves known and unknown risks and uncertainties which may cause Guardian’s actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially include but are not limited to: general economic and market conditions, including interest rates, business competition, changes in government regulations or in tax laws, the duration and severity of pandemics, such as COVID-19, the ongoing conflict in Ukraine, as well as those risk factors discussed or referred to in Guardian’s Management’s Discussion and Analysis and the other disclosure documents filed by Guardian with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com. The reader is cautioned to consider these factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information.

The forward-looking information included in this Annual Report is presented as of the preparation date of this Annual Report and should not be relied upon as representing Guardian’s views as of any date subsequent to the date of this Annual Report. Guardian undertakes no obligation, except as required by applicable law, to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

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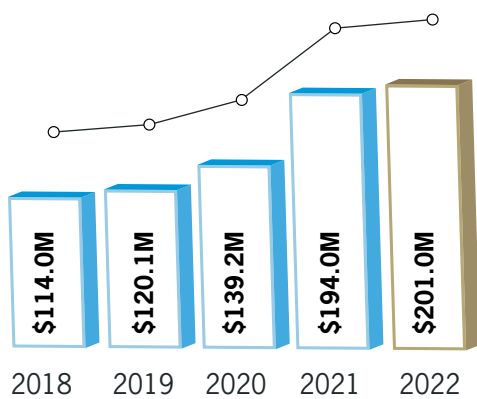
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2022 IN FOCUS

FINANCIAL HIGHLIGHTS

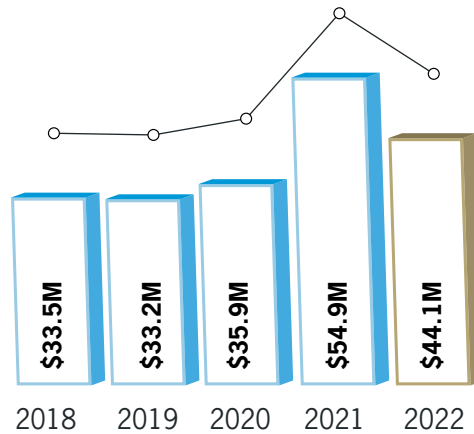
2022 NET REVENUE¹

\$201.0M



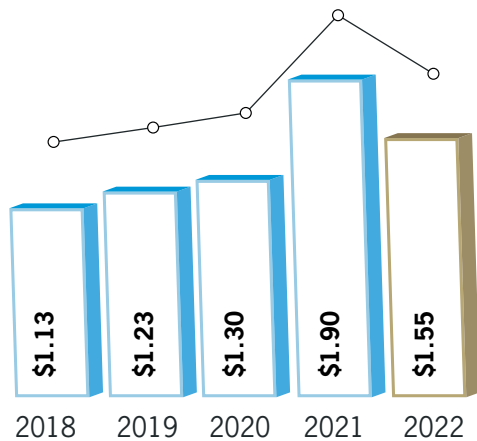
2022 OPERATING EARNINGS¹

\$44.1M



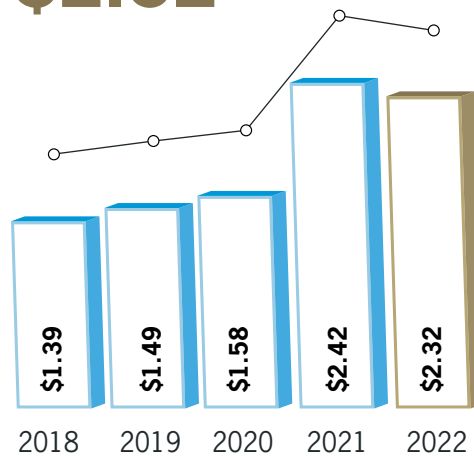
2022 ADJUSTED CASH FLOW FROM OPERATIONS PER SHARE^{1,2} (DILUTED)

\$1.55



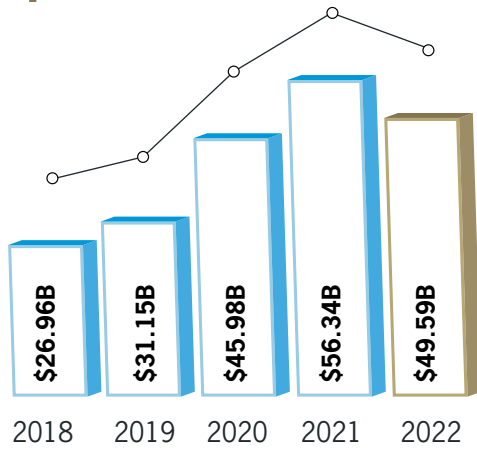
2022 EBITDA PER SHARE^{1,2} (DILUTED)

\$2.32



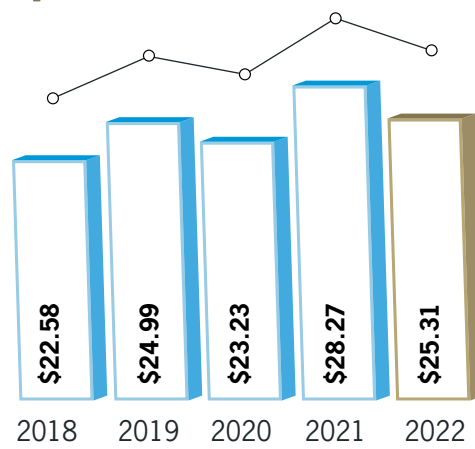
ASSETS UNDER MANAGEMENT

\$49.59B



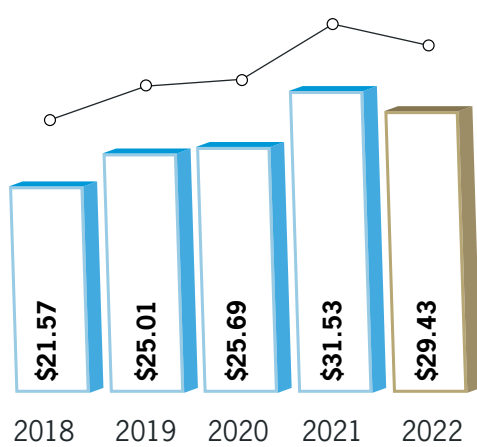
SECURITIES PER SHARE² (DILUTED)

\$25.31



SHAREHOLDERS' EQUITY PER SHARE² (DILUTED)

\$29.43



¹ Restated for the effects of discontinued operations.

² These terms are not standardized measures under IFRS, and therefore are unlikely to be comparable to similar measures presented by other companies. Descriptions of these non-IFRS measures, as well as reconciliations to IFRS measures, when applicable, are provided under "Non-IFRS Measures" in the Management's Discussion and Analysis.

ENRICHING LIVES TOGETHER

Over Guardian Capital Group Limited's 60-year history, we have been guided by a determination to behave in an authentic, ethical manner, one that respects all of our stakeholders: our clients, associates, business partners and shareholders. The integrity of our people and the strength of our culture and ethics are what make us all proud to be a part of this firm, and our core values of trustworthiness, integrity and stability speak to this focus. While we have lived by these guiding principles for the last six decades, we recognize that our growing influence and reputation are providing us with an opportunity to extend these efforts much further, specifically when it comes to another vital stakeholder: the communities where we live, and particularly those who may find themselves in less fortunate circumstances.

In our efforts to accomplish this objective, we established an organization-wide value proposition, Enriching Lives Together™, through which we aim to address three distinct and critical areas of interest and importance: environment, well-being and education. This initiative was created with the intention of enriching our stakeholders holistically, by creating a safe, respectful and enlightened environment. Additionally, this ethos is manifested through our belief that by contributing time and resources and community involvement, we will have a more direct and immediate impact at every level of society.

We are working to address our corporate sustainability with a particular focus on further developing our employee value proposition and advancing our approach to climate at both the corporate and asset management levels. We are continuing to enhance and evolve our responsible investing approach across all of our investment teams and asset management activities, in conjunction with our client expectations.

We are actively studying our environmental impact and ways we can continue to mitigate it. In 2022, we embarked on an initiative with The Pond Foundation to measure and address our carbon footprint. We have committed to balancing our annual carbon emissions starting in 2022 through a combination of emissions reduction actions within the organization and an investment in external carbon removal initiatives. We have also gone a big step further, making a commitment to remove our Lifetime Carbon Balance – which is all of the carbon the organization has emitted into the atmosphere since the company's inception in 1962 – and plan to fully eliminate our Lifetime Carbon Balance by 2040.

To expand our reach and ability to help others, we believe that we need to start from within. Our internal research gives us confidence that our employees have a favourable view of Guardian when compared to other firms. With that said, we know we will always have room for improvement, and we are working to close this gap, conceptualizing and following through on ways to enrich the environment Guardian provides to our staff. It is from this perspective that our holistic approach to people management at Guardian encompasses talent development, motivation, retention and hires across all our entities. Our associates are not merely technically proficient, we see people who understand and embrace our values. We believe we are stronger when we not only celebrate our many differences, values and voices but include them in practice.

Looking outward, in December, in an effort to raise awareness, our employees raised tens of thousands of dollars in support of Food Banks Canada. In combination with Guardian's contribution, our donations helped put food on the table for those in need in our communities. Across the country and historically, we have privately and publicly advanced an agenda that focuses on directly supporting families in times of need and which, in addition to Food Banks Canada, has impacted women's shelters, children's and special needs charities. There is a lot more work to do, but we are proud to see the effect these and other initiatives have on those who can truly use our help.

Launched in September 2021, the Guardian Capital Indigenous Student Awards funds annual educational grants for Indigenous students by supporting their post-secondary education within Canada. Since then, we have awarded four worthy recipients, aged 19 to 55, representing four different communities. The grants covered a wide range of studies, including a student pursuing a diploma in acting from the Toronto Film School, an individual studying for a Master's degree in Linguistics, another obtaining a diploma in Indigenous Studies, and finally, the latest recipient benefited from the grant to advance their social services studies, and subsequently assumed a field supervisor role in a Canada-wide health survey conducted by and for First Nations.

Our industry is renowned for providing resources to advisors and financial intermediaries to further their education. Another equally vital area that we fully support and promote is investor education. In recognizing the unique challenges women face in developing financial well-being, in 2022, we launched Guardian Women, a thriving community of women to connect and empower each other to master and enhance their financial literacy.

We know that Guardian is not able to change the world alone, but we have made a commitment to identify concrete means of enriching lives in ways that align with our core beliefs. We believe we can create positive outcomes both inside and outside the firm, and we will continue to align our focus with the knowledge that each of us at Guardian has the opportunity to make a difference in the lives of everyone with whom we come into contact every day.

Enriching Lives Together™ represents that, and to this end, we are just getting started.

MESSAGE FROM THE CHAIRMAN

Dear fellow shareholders,

In 2022, Guardian Capital Group Limited faced an unexpected opportunity as an unsolicited offer from the Desjardins Group was received to purchase our Worldsource businesses. A senior leadership team was formed and successfully negotiated a sale transaction, which was approved by the Board and announced in the latter part of the year. This transaction closed on March 1, 2023 and unlocked significant shareholder value with a substantial increase in the Company's financial liquidity.

Looking ahead, we believe that Guardian's core investment management business will continue to excel and deliver value to our shareholders. Considering the risks and opportunities ahead, having a team and leaders with integrity and enormous capabilities to traverse challenging environments, while maintaining high standards of professional excellence, should ensure that the Company is poised for success now and in the future.

We look forward to leveraging the skills of our management team and Board of Directors during the coming year to update our Strategic Plan to take advantage of our much-improved financial resources and focus on our core strengths and values.

As substantial liquidity on the balance sheet is available for capital needs, the Board has determined that increasingly more of the operating cash flows can be made available to grow the quarterly dividend. As such the Board has declared a quarterly dividend of \$0.34 per share, an increase of 42%, payable on April 19, 2023 to shareholders on record on April 12, 2023.

Your Board acknowledges Guardian's seasoned leadership team, led by President and Chief Executive Officer, George Mavroudis, for the results achieved across our financial services businesses in multiple jurisdictions, while accomplishing the sales transaction mentioned above. We appreciate their dedication in keeping our customers at the core of everything we do.

I thank all board members for their continued wise counsel, insight and sound business judgment in support of our management team. The Board and its committees regularly meet and encourage a robust dialogue from all directors.

As our Board is cognizant of the increasing importance of sustainability issues to all stakeholders, we remain committed to ensuring our oversight and governance practices evolve, taking into consideration our environmental and societal impacts. We also recognize the importance of having diverse viewpoints at the board and executive management levels and are dedicated to continually reviewing and broadening our perspective. In all things, we remain resolute in our efforts to provide outstanding value to our shareholders.

We believe that your Board brings a robust skill set and expertise, which we will continue to deploy as we focus on the Company's strategic near and long-term growth opportunities.

On behalf of the board of directors,

James Anas | Chairman of the Board

March 2, 2023

MESSAGE FROM THE PRESIDENT & CEO

Dear Shareholders,

Despite navigating one of the most challenging public market backdrops of the past century, shareholders of Guardian experienced a total return greater than 13% for the 2022 calendar year. Performance returns can be end-date sensitive, especially when considering relatively short performance periods. However, in the case of the total return for Guardian shareholders in each of the 1-, 3-, 5- and 10-year periods ending December 31, 2022, the annualized returns have been strong double-digits, with the annualized 10-year total performance being greater than 16%.

The annualized return over the 10-year period would satisfy most investors' objectives, but what is most important is to compare this annualized performance to either the broad S&P/TSX Index, our asset management peers, or the S&P/TSX Capped Financial Index against which we generally compare ourselves. Ultimately, the result is that we exceeded with a wide margin any of these accepted benchmarks during that same timeframe. This relative strong total annualized return is despite the inefficiency of the market, which perennially discounts Guardian's fair value, according to most arm's length analysts and our own Management beliefs in the Company's intrinsic value.

Readers of this year's Annual Report will learn about some of the industry headwinds that participants such as Guardian have faced in the past year with its continuing operations, but will also better understand the considerable shareholder value we unlocked with the completion of the sale in 2023 of a significant part of our wealth management segment, which we, therefore, report in our accompanying 2022 financial statements as Net earnings from discontinued operations.

This past year's challenging market conditions resulted in public equity markets and core fixed-income assets experiencing negative returns. Despite our best efforts to add value relative to market benchmarks across our assets under management, overall returns were still largely negative, providing the greatest downward pressure on Guardian's key financial metrics. This effectively contributed most of the 20% decline in Operating earnings from the prior year of \$55 million to \$44 million in 2022.

We ended the year with total assets under management ("AUM") at \$50 billion, compared to \$56 billion in 2021, total assets under administration ("AUA") at \$4 billion, substantially unchanged from \$4 billion in 2021 and Net revenues and EBITDA exceeding \$200 million (\$194 million in 2021) and \$64 million (\$69 million in 2021), respectively. (These figures do not include the results from the businesses disposed of in 2023. Readers are encouraged to read the Management's Discussion and Analysis, contained in the Company's 2022 Annual Report, for a discussion on the discontinued operations.)

What is noteworthy, but not obvious, in these results is that we incurred planned operating losses of more than \$12 million for growth initiatives currently in the development phase. We remain confident that our efforts to build a meaningful retail distribution business in Canada, a leading Outsourced Chief Investment Officer business that serves ultra-high-net-worth clients (Guardian Partners Inc.) and our building of an investment team and strategies for the future (Guardian Smart Infrastructure Management) will be key contributors to our future growth.

We have previously written about how our Company is affected by the performance of public equities in both our operating business units and balance sheet. Consequently, the weight of the negative markets was not solely a headwind for our operating business units as described above, but it also significantly affected our balance sheet and fair market value of securities. Guardian has maintained a substantial liquid balance sheet over the years, much of it used to seed strategies that we plan to eventually use to attract third-party fee-generating assets, to build a future sustainable stream of profits from operations. The overwhelming majority of these securities are large-cap publicly listed securities that require a relatively short timeframe to convert to cash.

We ended the year with approximately \$660 million in fair market value of securities, after commencing the year with \$745 million. This translated into an overall price decline of the portfolio of 11% for the full year. There was a period in the first half of 2022 where the markdown of the portfolio was much higher, but due to our investment philosophy of committing to the long term and not yielding to pressures to sell, we avoided realizing those lower market prices. We have instead been able to see a steady recovery in the value of our portfolio of securities throughout 2022 and into the beginning of 2023.

The most notable event of the past year, and what was the culmination of many years of patient investing by our Company and shareholders, was our decision to monetize a substantial part of our Wealth Management business segment by agreeing to sell our dealers that serve independent advisors at Worldsource Financial Management Inc., Worldsource Securities Inc. and IDC Worldsource Insurance Network Inc.

("Worldsource"). We agreed to sell the combined businesses for \$750 million plus excess working capital embedded in the respective business units. The amount to our Company, net of amounts due to minority shareholders and amounts held in escrow, will be approximately \$627 million before taxes are payable at the end of the year. The sale price of these businesses attracted a premium valuation due to the quality of the ecosystem we had built and nurtured and the scarcity of such dealership platforms.

The decision to sell Worldsource was bittersweet as we have been proud to build an ecosystem of independent wealth advisors with the great support of loyal employees and partners who, over the past decade, have become a meaningful and sustainable contributor of Operating earnings to the Company. The journey to building any successful business is rarely an overnight success, and Worldsource was no exception. Building these businesses over the years posed many challenges, although our patience and perseverance allowed us to build an operating business segment with solid financial metrics that is poised to continue generating exciting opportunities for future growth under the stewardship of new ownership.

Now, post-sale, the size of Guardian's liquid capital resources offers tremendous optionality at a time when access to capital has become more constrained. For the past twenty-plus years, Guardian has held a sizeable liquid balance sheet relied on to support organic and inorganic growth. Growing operating cash flows have funded an ever-increasing dividend and constant buying back of shares and cancelling them under the Normal Course Issuer Bid. Over the past decade of unprecedented low-interest rates, the high quality of our balance sheet did not have the advantage we expected over competitors, as many were able to access capital with relative ease. We observed fiercely contested valuations for several target acquisitions and had to remain disciplined in the underwriting of any acquisitions. Although we were active with a handful of acquisitions over the past decade, there were other businesses for sale where the valuations were simply out of reach for disciplined investors. The return of more normalized interest rates over the past year will likely tilt the advantage back to those with quality balance sheets, which we anticipate will offer Guardian a significant advantage over competitors.

Aside from considering organic and inorganic growth opportunities for our investment management businesses through our balance sheet, we will also consider efficient capital allocations that seek return to shareholders through a growing dividend and continued share buyback program. Given the substantial size of the balance sheet, we have the flexibility to rely less on annual operating cash flows to fund buying back shares and instead free up the operating cash flow to support a higher payout in annual dividends and fund organic growth.

In 2022, Guardian paid out \$23.3 million in dividends, increasing our quarterly dividend by 33% from \$0.18 per share to \$0.24. The slight adjustment of our philosophy to prioritize the use of operating cash flows for higher annual dividends has supported the Board's decision to announce the next quarterly dividend payable to shareholders on record on April 12, 2023, to \$0.34 per share, an increase of 42% over the most recent quarterly dividend of \$0.24 per share. We expect active repurchasing of shares will largely be supported through the availability of capital on the balance sheet from our increased asset base. In 2022, we purchased for cancellation approximately 707,000 of our shares at the cost of \$23 million, and we expect that if the public market continues to discount the value of our shares relative to the intrinsic value of the Company, we will continue to be meaningful acquirers of those shares.

The streamlining of our business has occurred relatively quickly and opportunistically. As such, it will require us to thoughtfully review and assess our priorities and opportunities more in-depth during the balance of 2023. The size of our capital attracts seekers of capital and investment opportunities; it is important for us to develop and understand with a high degree of confidence the varying paths available to us to allocate capital efficiently. Our capital allocation priorities must remain dynamic but disciplined to maintain our successful track record of preserving and growing capital on behalf of all shareholders.

We have no hesitation or constraints in acknowledging that we will consider all of the main uses of capital, which include investing in the growth of operating businesses through organic and inorganic investments, increasing a greater amount of capital returned to shareholders through a growing dividend and purchasing our shares for cancellation. The question remains in the details of each of those options and to what varying degrees we will allocate capital.

I expect that over the past decade, we have proven to be disciplined capital allocators and that our long-term shareholders have confidence that this discipline will continue to persist as our plans unfold in the coming months. Our core values are built upon being trustworthy, acting with integrity and ensuring stability throughout the organization. We aim to embody these values and live up to our mission in all we do – the

ultimate assessment of our success is based on whether our actions authentically align with these values. Clients, shareholders, associates and Guardian's other business partners can be assured that, from top to bottom, our organization embraces the responsibilities with which we are entrusted and are continuously striving to improve all aspects of how we do business. Our stakeholders will benefit from our success as long as we continue to live up to these expectations.

In conclusion, I would like to thank the ongoing guidance and support from the Board of Directors as we navigate the many strategic options under consideration while also thanking our associates across the Company who serve to execute our strategic plans as they serve the best interests of our clients, and contribute to making Guardian a growing and successful enterprise. With the sale of Worldsource, we have said goodbye and good wishes to more than half of our 650 Group employees, to all of whom I am immensely grateful for their years of service and to whom I wish all the best success for the years to come. The leadership teams at Worldsource have been some of the greatest partners with whom I have had the pleasure to work, and I am confident that their energy, talents and skills will continue to lead the business under the stewardship of their new owners.



Warmest regards,

George Mavroudis | President and Chief Executive Officer

March 2, 2023

REVIEW OF OPERATIONS

INSTITUTIONAL INVESTMENT MANAGEMENT

Guardian's institutional investment management services are provided by Guardian Capital LP ("GCLP"), GuardCap Asset Management Limited ("GuardCap"), Alta Capital Management, LLC ("Alta"), Agincourt Capital Management, LLC ("Agincourt"), and Guardian Capital Real Estate Inc. ("GCREI"), with GCLP being the longest tenured. Guardian serves pension plan sponsors, broker-dealer third-party platforms, insurance company segregated funds, exchange-traded funds, mutual funds, endowment funds and foundations. Its capabilities span a range of asset classes, geographic regions and specialty mandates. These entities are the successors to its original investment management business, which was founded in 1962.

Guardian's institutional assets under management ("AUM") were \$44.4 billion at the end of 2022, down from the high of \$51.9 billion at the end of 2021. This decrease in AUM can primarily be attributed to the negative net performance across all market segments during 2022, as well as net outflows of approximately \$1.5 billion, primarily in the Canadian Equity strategies.

Investment Client Distribution

Institutional Markets

Over recent years, Guardian has broadened its asset management reach to a point where it now services and distributes to institutional clients and investors in most parts of the developed world and in a number of developing markets. This multi-continental reach has arisen chiefly because of both an increase in breadth of Guardian's investment capabilities and in the number of formalized investment vehicles offered in multiple jurisdictions. To support this increase in points of access provided to investors around the world, Guardian continues to grow its distribution capacity and to prioritize, where appropriate, the build out of proprietary distribution in preference to agency arrangements.

The AUM managed for institutional clients was \$33.8 billion at the end of 2022 with \$24.5 billion of it being for those clients outside of Canada, compared to \$40.0 billion at the end of the prior year with \$27.3 billion of it for those clients outside of Canada.

In the Americas, distribution efforts are subject to further development but are already being rewarded. In Latin America, the focus remains institutional, as Guardian targets the largest pension plans in Brazil and Colombia with clients now in each. In addition, there are signs of success with distribution partners in Brazil, the largest market in the region. Guardian's two businesses in the US, Alta and Agincourt, are exploring ways to expand their reach while at the same time ensuring service to existing clients is delivered at the highest level, particularly with the recent experience of negative market and portfolio performance. For Alta strategies and related products sourced from other Guardian companies, the push continues to develop profile and engagement in intermediated retail markets, predominantly with regional and national broker-dealers and RIAs. While relative performance for flagship US equity strategies has been challenged of late, the work to hold clients has paid off with outflows lower than might have been expected. Agincourt, with its focus on institutional intermediaries and investors, has enjoyed continued steady growth with the additions of new assets from both existing and new clients – this despite the backdrop of the most difficult bond markets seen in quite some time. Agincourt's long-term relationships with investment consultants and Outsourced Chief Investment Officer (OCIO) clients continue to serve as the main source of growth opportunities. Guardian will continue to explore broader coverage of US-based investment consultants, with the goal of increasing opportunities among the institutions that they advise for Guardian's competitive, marquee investment strategies. While it was difficult to garner attention during the height of the pandemic, as conditions ease so the opportunities to revisit this target audience will multiply. Our US strategy continues to foresee that coordinated efforts across these various channels will allow Guardian to elevate its profile in the largest market in the world. The progressive expansion of activities will necessitate regular updates on product strategy to ensure Guardian has the correct vehicles in place to provide investors with access to our offering of in-demand strategies. Guardian continues to believe that the growth potential in the US market is very attractive for the firm.

GuardCap in London continued to see interest from new investors, albeit at a slower clip with the turmoil in markets keeping a good number of investors on the sidelines. There were signs of renewed interest and search activity towards the end of the year, supported by strong global markets in the 4th quarter. The UCITS umbrella vehicle also saw less activity than in recent years but likewise, early signs in this new year point to renewed activity and growth. Of necessity, client engagement and communication was a significant feature of last year's business activity. Encouragingly, appropriate expectations have been established such that the vast majority of GuardCap's investors had the experience they were expecting through this period of turbulent and negative-performing markets, and therefore remain invested. Led by the Fundamental Global Equity strategy, the base of clients investing in GuardCap solutions remains a model for how we would like to see other institutional businesses develop over time. GuardCap is doing business in multiple channels with clients in the Americas, in the UK and throughout Continental Europe, and in both Asia and Australia.

In this vein, the establishment of Guardian Smart Infrastructure Management ("GSIM") this past year marks an important move by Guardian into global private markets investing. As we go through the exercise of attracting investors to a first fund to be managed by this experienced team, once again we are prospecting within a sophisticated global investor base, this time with experience in alternative, real assets investing. At the time of writing, indications are for a first close of the fund later in the first half of 2023.

Guardian strategies investing in Canadian equities, long a mainstay of the domestic business, have experienced improved performance following a difficult period. While there has been sporadic interest in new mandates in this asset class, the trend of institutions using Canadian public equity allocations as a source of funds to redeploy to private market investments has continued. In addition, a number of larger institutional clients have developed in-house investment teams and have taken in-house the management of Canadian equity exposures. All told, this has continued to provide headwinds to this area of Guardian's business. The fixed-income team in Canada continues to evolve its offering, with a renewed focus on establishing "core plus" investment capabilities. These capabilities will see an increase in profile with the institutional community as they mature over the coming years. Guardian has maintained active engagement with investment consultants based in Canada and, post-pandemic, in the US. Requests for proposals from boutique Canadian consultants continue to come our way. The end investors, typically First Nations communities and educational, healthcare and religious institutions, tend to have bespoke investment requirements, which Guardian remains well placed to facilitate.

Guardian continues to increase its commitment to serve institutional investors in multiple geographies. The firm continues to consider the product and distribution strategies in markets where attractive opportunities and sustained demand can be identified. The evolution of Guardian's investment capabilities will continue, an example of which is the recent establishment of GSIM. Guardian's traditional strengths in Canada are one part of a broad array of skill-based investment capabilities that span all global, liquid developed and emerging equity markets. Guardian continues to place an emphasis on skilled management, which the firm believes, when proven to deliver persistent positive results, will always be in demand and a source of premium margins. Guardian's profile continues to grow with a global audience, and efforts will continue to be directed towards furthering this growth.

Canadian Retail Markets

In Canada, while overall AUM attributable to retail clients declined in 2022, it was in-line with (or better) declines across equity and fixed income markets. Guardian's retail client base, as measured by the number of total accounts, grew throughout 2022 across all channels, including direct distribution relationships of ETFs, mutual funds and separately managed accounts ("SMA") through retail advice channels ("Direct Distribution Channel"). We continued our efforts to capitalize on Guardian's strong institutional pedigree and existing retail brand awareness, and were successful in adding a number of new retail investment advisor relationships.

Guardian's sub-advisory distribution relationships performed well during the year, continuing to deliver net sales even in the face of challenging markets. The sub-advisory AUM serviced by the Canadian Retail Asset Management team was \$4.0 billion at the end of 2022, compared to \$4.6 billion at the end of the prior year. Guardian's leadership position as a top-five provider in the SMA market and unified managed account ("UMA") wrap programs with the top bank-owned and independent broker-dealers in the country continued in 2022, despite weak fixed-income markets that affect a large portion of Guardian's wrap programs. The firm continues to win the right to distribute new SMA models with key partners, including adding new SMA partners in 2022. Guardian created a new roster of mutual funds focused on ESG criteria - the Sustainable Funds - which were launched in early January 2022. Distribution of these funds is largely focused on a strategic relationship, but will be expanded more broadly in the future. The Retail Advice Channel AUM was \$10.5 billion at the end of 2022, compared to \$11.9 billion at the end of the prior year.

Guardian's focus on the decumulation (or retirement) stage of investors' life-cycle, and the financial needs of investors and the advisors who serve them, took front and centre in the fourth quarter with the launch of the GuardPath Longevity Solutions. Guardian has invested, and will continue to invest, significant time and resources to establish itself as a market leader in providing innovative solutions to solve decumulation problems. Accompanying this effort, Guardian provides thought leadership and differentiated practice management content, as well as excellence in servicing advisors in the broker-dealer distribution channels. Guardian is continuing to invest in its future with retail distribution in Canada, and is strategically focused on continuing to achieving success measured both by long term AUM growth, and also by adding to and diversifying the number of relationships we have.

Investment Strategies

i. Canadian Equity

Canadian equity markets proved to be the best of a bad bunch in a tumultuous year for global financial markets in 2022. The S&P/TSX's large exposure to natural resource sectors — which benefited from the spike in commodity prices driven by Russia's invasion of Ukraine — and general value-tilt played a large role in mitigating the pain from significant weakness in more growth-oriented areas of the market, with the domestic market's 5.8% decline from the year as a whole actually representing a material outperformance versus its international peers.

Guardian's various Canadian Equity strategies performed well against this challenging market backdrop. Its income/value-biased strategies proved the strongest, outperforming the broad Canadian market by wide margins. The more growth-oriented strategies also managed to generate good relative performance on the strength of portfolio managers' security selection.

Markets will continue to navigate a highly uncertain outlook in the year ahead, with growth expected to be constrained by the impact of still elevated inflation and high interest rates. The reset in markets last year combined with pervasive pessimism, however, should provide opportunities for active managers with "quality"-focused investment strategies such as Guardian's.

ii. US Equity

Guardian's main US equity strategies, US Large Cap Growth and US All Cap Growth, are managed by Alta, which is based in Salt Lake City. These strategies follow a high-conviction approach, investing in quality growth companies exhibiting a high degree of free cash flow and sustainable revenue growth. This approach complements Guardian's company-wide array of high-conviction strategies, both in concept and investment philosophy.

Alta's strategies generated a relative weak performance through a difficult market environment in 2022, with the growth focus and limited exposure to natural resources factoring into the underperformance versus the broad market S&P 500, though they fared better relative to the main growth

benchmarks. The market outlook remains highly uncertain, but the reset in valuations in US equity markets from the extremes seen early last year creates a more constructive market backdrop for the year to come, particularly for the quality-growth-focused strategies.

iii. Global Equity

Guardian has two global equity strategy teams: the Toronto-based i3 Investments follows a quantitative approach; and the London-based team follows a fundamental approach, with a focus on quality growth companies combined with a high-conviction mindset. These strategies serve as strong complements to each other and provide a broader set of choices to investors.

The i3 Investments global equity team materially outperformed the broad market in its Global Dividend Growth strategy, which accounts for the majority of the team's AUM. The group's Global, US and non-US International Quality Growth strategies, however, all notably lagged their respective benchmarks as the combination of rising interest rates and declining growth expectations provided significant headwinds for these mandates.

The i3 Investments team continues to incorporate factors determined using artificial intelligence methods, with these now making up a sizeable component of all of their models. These enhancements over the last few years have contributed to significant improvements in returns, which will further support the growth of this team in the future.

GuardCap, Guardian's London, UK-based subsidiary, manages the Fundamental Emerging Markets Equity and the Fundamental Global Equities strategies. While broadly weak global markets restrained absolute performance in 2022, the Fundamental Global Equities strategy again outperformed its benchmark despite the headwinds for growth mandates (and the strategy's lack of exposure to the top-performing Energy sector), continuing a long history of success for these professionals, which predates their tenure at Guardian. The strategy has now beat its benchmark in five of the last six years and seven of the nine years since becoming a part of Guardian.

The Global strategy's consistently strong performance record and underlying investment philosophy have proven to be highly attractive to institutional investors from around the world who are increasingly interested in high-conviction strategies. As such, GuardCap has continued to gain new clients even amid last year's market turmoil. GuardCap is optimistic regarding continued growth and that the year ahead will bring further new appointments.

The Emerging Markets strategy had another difficult year in 2022, underperforming its benchmark. The strategy's exposure to growth companies, particularly those in Asia, was the main driver of its underperformance, however, the rally in these stocks in the final months of the year against indications that China would step back from its highly restrictive "COVID zero" policy helped to close the gap.

Despite the persistent headwinds for Emerging Market investors, Guardian believes that GuardCap's approach to investing in Emerging Markets Equity and longer-term performance record will increasingly gain traction with institutional investors.

iv. Canadian Fixed-income

Guardian's Canadian fixed-income mandates cover a broad range of profiles, addressing various combinations of parameters such as duration, types of issuers, currencies and risk profiles. In addition, a large number of portfolios are highly customized to meet specific client needs.

Last year proved to be a historically bad year for fixed income markets, with the sharp central-bank-induced rise in market interest rates driving a 11.7% plunge in the FTSE Canada Universe Bond Index in 2022 — this represented its worst performance since the domestic bond market benchmark was created in 1980 and marked the first time the index has declined in two consecutive calendar years.

Against this backdrop, shorter duration securities and corporate credit outperformed the broad market (though still generated negative total returns). Accordingly, Guardian's Investment Grade Corporate Bond and Short Duration Bond strategies beat the domestic bond index and bias toward higher quality credits resulted in its core Canadian Bond outperforming the benchmark.

While the market outlook remains challenging and the prospect of further rate increases by central banks amid due to elevated inflation poses a headwind for fixed income markets, the sharp adjustment in bond markets in 2022 has greatly improved the performance prospects for bonds, with the risk/reward profile for the year ahead looking better than it has in a decade.

v. U.S. Fixed-income

Guardian's three main U.S. fixed-income strategies: Short Duration, Intermediate and Core, are managed by Agincourt, the firm's Richmond, Virginia-based subsidiary. Its approach to US fixed-income investment management is similar to that of the Canadian fixed-income team in many ways, as both invest conservatively in high-quality debt instruments, with an overall duration typically shorter than the benchmark and with an overweight to credits at the shorter end.

US fixed-income team's returns in 2022 were negative in absolute terms as market interest rates moved sharply higher across the curve, however, the bias toward high quality credit in the strategies resulted in positive relative performance versus benchmarks.

Guardian believes Agincourt is well positioned to increase the size of its business, due to the steadiness of its performance combined with the support of Guardian's expanding distribution capabilities in the United States.

vi. Multi-Asset & Engineered Solutions

Multi-asset class strategies have been a relatively small component of Guardian's AUM, but have experienced steady growth now for a few years. Investors are increasingly recognizing Guardian's ability to customize balanced funds and add value by selecting strategies from its growing range of Canadian and foreign equity solutions, combined with a solid fixed-income offering and tactical asset mix decisions.

Guardian also offers several strategies aimed at generating specific outcomes. These are currently all equity-based and combine a set of carefully selected stock options specifically focusing on generating cash flow or downside protection. These are relatively new, having been launched in 2019, and have fared well despite the extreme market conditions experienced over the last two years. The performance as well as the approach to managing risk and generating income (both increasingly important for investors approaching their post-retirement decumulation phase) have so far proven attractive to investors.

vii. Real Estate

Since 2013, Guardian has been providing clients the ability to invest in real estate through its Guardian Capital Real Estate Fund LP. Guardian's highly qualified professional real estate team invests the fund's assets in a broad range of smaller functional properties located across Canada, with the intention of providing high and sustainable income for clients, and with the expectation that well-purchased properties may also provide capital gains to investors. Currently, the team manages gross real estate assets valued at over \$457 million for the fund. Real estate is an important asset class for our clients, and the team has established a successful track record of efficiently deploying clients' capital and generating consistent returns. Coming off a record year in 2021 where the total return was 17.36%, the 2022 year was not without challenges given the rapid rise in interest/cap rates. However, the fund performed extremely well due to stable income growth throughout the year and beyond which lead to an increase in portfolio appraised values of +/-2% year over year. Guardian is starting to see more interest from new clients in this product, and is hopeful it will be able to accelerate AUM growth in this asset class.

WEALTH MANAGEMENT

During 2022, Guardian announced the sale of its life insurance managing general agency, IDC Worldsource Insurance Network Inc. ("IDC WIN") as well as the mutual fund and securities dealers ("Dealers") businesses to Desjardins Group for a total purchase price of \$750 million, subject to various adjustments, including excess working capital and amounts due to minority shareholders of IDC WIN. This transaction is discussed in further detail in Guardian's Management's Discussion & Analysis and the Consolidated Financial Statements contained in the 2022 Annual Report. The review of Wealth Management Segment's operations no longer includes these businesses.

Guardian Capital Advisors LP ("GCA") provides wealth management services to high-net-worth families, foundations and charities, primarily in Canada. As the trusted advisor to these private clients, GCA manages discretionary portfolios consistent with their investment goals and objectives. The risk-based approach, combined with Guardian's institutional research in domestic and global investments, allows them to build well-structured and globally diversified client portfolios. Guardian's continuing focus on expansion in US, international and emerging markets strategies provides clients with a distinct advantage over domestically focused competitors. Its collaborative work with clients' financial, legal, accounting, insurance and other advisors, ensures a holistic and integrated approach to wealth management. With 12 seasoned client portfolio managers, along with a strong administrative and support team, service and partnership with its clients remain at the forefront.

Business development efforts continue to focus on promoting awareness in the professional, financial advisory, endowment and foundation communities, as well as servicing the needs of cross-border clients with specific investment, taxation and liquidity needs.

Guardian Partners Inc. ("GPI"), acquired in 2021, should read concluded its first full year of operations under Guardian's ownership. GPI provides investment and related services to clients in two distinct areas. The Private Investment Office (PIO) works with ultra-high-net-worth individuals and families. PIO clients are primarily successful business operators or entrepreneurs who have sold a business(es) in a sale transaction. The Outsourced CIO practice focuses on working with the board and management of foundations, endowments and select pension plans. Outsourced CIO clients value GPI's investment advice, governance oversight and comprehensive reporting and expertise. One of the key differentiators of GPI begins with independent advice and research that aligns them with the objectives of the client. Its database of investment managers has the depth and breadth to include, assess and rank conventional investment strategies as well as public and private market alternatives. The often complex nature of their clients' circumstances are serviced by their team of Investment Counselors and Analysts entrusted with portfolio construction, oversight and consolidated reporting.

GPI has worked to establish both strong and close relationships with their clients. Their recent and future attention will turn to business development and creating awareness of the special and unique offerings they provide for ultra-high-net-worth individuals and families, as well as endowments and select pension plans.

As at December 31, 2022 the AUM for GCA and GPI amounted to \$3.9 billion, decreasing \$300 million year over year. The AUA for these businesses amounted to \$3.3 billion, decreasing from \$3.9 billion the year before.

Guardian also added to our Canadian private wealth management businesses in 2022 with the acquisition of a 60% interest in Rae & Lipskie Investment Counsel Inc. ("Rae Lipskie") on September 1, 2022. The acquisition of Rae Lipskie strengthens our presence in the private wealth space within Ontario and allows us to expand on the continuum of services provided to a spectrum of wealthy clients. Rae Lipskie has \$1.1 billion in AUM as at December 31, 2022.

As an extension of Guardian's private wealth management businesses in Canada, its International Private Banking division services the wealth management needs of its international clients.

Alexandria Bancorp Limited is a well-capitalized private bank based in the Cayman Islands since 1990, licensed and regulated by the Cayman Islands Monetary Authority, to provide investment, fiduciary and banking services. Established in 2003, Alexandria Trust Corporation is licensed with the Barbados Ministry of International Business and Industry as a Corporate and Trust Service Provider.

As at December 31, 2022, International Private Banking division manages and advises on USD \$458 million in client assets.

MANAGEMENT'S

DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the management's discussion and analysis which follows for Guardian Capital Group Limited, its subsidiaries and other controlled entities (together, "Guardian") pertains to the year ended December 31, 2022, with comparatives for the year ended December 31, 2021. Readers are encouraged to refer to Guardian's Consolidated Financial Statements contained in the 2022 Annual Report. This discussion and analysis has been prepared as of March 2, 2023.

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

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company, which serves the investment and wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: Investment Management, Wealth Management, and Corporate Activities and Investments. Guardian is headquartered in Canada and operates in Canada, the United Kingdom, the United States and the Caribbean. The Investment Management business is operated through the Toronto, Ontario-based Guardian Capital LP ("GCLP") and Guardian Smart Infrastructure Management Inc. ("GSIM"), the London, UK-based GuardCap Asset Management Limited ("GuardCap"), the Salt Lake City, Utah-based Alta Capital Management, LLC ("Alta") and the Richmond, Virginia-based Agincourt Capital Management LLC ("Agincourt"). The Wealth Management business is operated through the following businesses: Guardian Capital Advisors LP ("GCA"), Guardian Partners Inc. ("GPI") and the newly acquired Rae & Lipskie Investment Counsel Inc. ("RaeLipskie"), which serve the wealth management and advisory needs of high- and ultra-high net worth clients; Modern Advisor Canada Inc. ("Modern Advisor") which is a digital-advisory operation which also serves as the technology platform for Guardian's digital strategy; and Alexandria Bancorp Limited ("ABL"), a Caribbean-based international private bank serving the wealth management needs of international clients. As described below, the previously announced transaction to sell Worldsource Financial Management Inc. ("WFM"), a mutual fund dealer and Worldsource Securities Inc. ("WSI"), a securities dealer (together, the "Dealers"), and IDC Worldsource Insurance Network Inc. ("IDC WIN", or "MGA") closed on March 1, 2023. These two businesses have been classified as discontinued operations in Guardian's Consolidated Financial Statements and in the following discussion and analysis. As at December 31, 2022, Guardian had \$49.6 billion of assets under management ("AUM") and \$27.5 billion of assets under administration and advisement ("AUA"), including \$23.8 billion in AUA associated with the Dealers and IDC WIN businesses. In addition, Guardian had a diversified portfolio of securities, which includes its investment in Bank of Montreal ("BMO") shares, with a fair value of approximately \$660 million as at December 31, 2022.

NON-IFRS MEASURES

Guardian uses certain measures to evaluate and assess the performance of its business, some of which are not defined within International Financial Reporting Standards ("IFRS"). These measures are EBITDA, EBITDA attributable to shareholders, EBITDA per share, EBITDA from discontinued operations, Adjusted cash flow from operations, Adjusted cash flow from operations attributable to shareholders, Adjusted cash flow from operations per share. As a result of the sale of the Dealers and the IDC WIN businesses as discussed below, we have changed the definition of EBITDA to exclude Net earnings from discontinued operations. More detailed definition of EBITDA is provided on page 24 of the Management Discussions and Analysis. Other Non-IFRS measures are equity per share and securities per share. Non-IFRS measures do not have standardized meanings prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. However, Guardian believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these measures in analyzing Guardian's results. In the Non-IFRS Measures section of this Management Discussion and Analysis, a description of how these measures are defined by Guardian is provided, with reconciliations to their most comparable IFRS measures.

2022 HIGHLIGHTS

On November 30, 2022, Guardian announced it had entered into an agreement to sell the businesses of the Dealers and IDC WIN (the "Discontinued Operations") to Desjardins Group for a total purchase price of \$750 million, of which \$600 million related to the sale of IDC WIN and \$150 million related to the sale of the Dealers. These gross proceeds are subject to adjustments for net working capital in each of the businesses and the proportionate amounts owed to minority shareholders of IDC WIN. On closing of the transaction, \$15 million of the gross proceeds of the IDC WIN disposition and \$5 million from the gross proceeds of the disposition of the Dealers were placed in escrow. These amounts will be held in escrow for a period up to 18 months from the date of closing to be available to offset indemnity claims which may be brought by the purchaser. This transaction was successfully completed on March 1, 2023. On closing, Guardian received approximately \$627 million in net proceeds, which was immediately invested in short-term securities. The minority shareholders of IDC WIN received approximately \$104 million in proceeds.

In addition, prior to closing, the Dealers and IDC WIN transferred, in various forms, approximately \$39 million in excess cash to Guardian and IDC WIN paid approximately \$7 million in cash dividends to its minority shareholders.

As part of the transaction to sell the Dealers and IDC WIN, Guardian agreed to provide transitional services to the purchaser for a period up to 24 months from closing in exchange for a fee equal to the cost of providing the services. During the transitional services period Guardian's staff will provide ongoing support services to the Discontinued Operations, similar to those provided prior to the sale.

The completion of the transaction returns Guardian's strategic focus to its roots and core competency of an asset management business. Over the coming quarters, Guardian will review its strategic plan, which will include the various options to deploy the additional liquid capital from the dispositions.

Further details of the sales transaction are provided in note 25 to Guardian's 2022 Consolidated Financial Statements. In the following discussions and analysis and in Guardian's Consolidated Financial Statements, the businesses of the Dealers and IDC WIN have been classified as discontinued operations. They are presented on Guardian's 2022 Balance Sheet as Assets of discontinued operations and Liabilities of discontinued operations. In the Statement of Operations and Comprehensive Income, the current and comparative period results of the Discontinued Operations have been presented on a single line called Net earnings from discontinued operations.

On September 1, 2022, Guardian acquired a 60% interest in Rae & Lipskie Investment Counsel Inc. ("RaeLipskie"), a Waterloo, Ontario-based private wealth management firm with over \$1 billion in AUM. The purchase price for the 60% interest was \$7.9 million in cash which includes an adjustment for working capital, a \$1.8 million promissory note due between two and four years from closing, subject to various adjustments based on the level of AUM, and additional earn-outs over a five-year period from closing. The current employees of RaeLipskie will retain the remaining 40% ownership interest. This strategic acquisition continues to expand and enhance Guardian's wealth management offering. Further details of the transaction are provided in note 24 to Guardian's 2022 Consolidated Financial Statements.

CONSOLIDATED FINANCIAL RESULTS

In the following discussion and analysis, all referenced terms and line items are those associated with the continuing operations, unless specifically indicated otherwise. Prior periods have been restated to reclassify the results of the Discontinued Operations into Net earnings from discontinued operations.

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

For the years ended December 31 (\$ in thousands, except per share amounts)	2022	2021	% Inc (Dec)
		<i>Restated</i>	
Net revenue	\$ 200,996	\$ 194,001	3.6%
Expenses	156,873	139,062	12.8%
Operating earnings	44,123	54,939	-19.7%
Net gains (losses)	(104,216)	139,687	-174.6%
Net earnings (loss) before income taxes	(60,093)	194,626	-130.9%
Income tax expense (recovery)	(525)	25,672	-102.0%
Net earnings (loss) from continuing operations	(59,568)	168,954	-135.3%
Net earnings from discontinued operations	22,251	21,786	2.1%
Net earnings (loss)	\$ (37,317)	\$ 190,740	-119.6%
EBITDA	\$ 64,198	\$ 69,558	-7.7%
Adjusted cash flow from operations	44,339	55,768	-20.5%
Attributable to shareholders:			
Net earnings (loss) from continuing operations	\$ (61,503)	\$ 166,147	-137.0%
Net earnings (loss)	(43,078)	184,239	-123.4%
EBITDA	59,854	64,626	-7.4%
Adjusted cash flow from operations	39,827	50,761	-21.5%
Per share amounts (diluted):			
Net earnings (loss) from continuing operations	\$ (2.52)	\$ 6.19	-140.7%
Net earnings (loss)	(1.76)	6.87	-125.6%
EBITDA	2.32	2.42	-4.1%
Adjusted cash flow from operations	1.55	1.90	-18.4%
As at December 31, (\$ in thousands, except per share amounts)	2022	2021	% Inc (Dec)
Shareholders' equity	\$ 767,864	\$ 838,520	-8.4%
Securities	660,413	751,885	-12.2%
Diluted per share			
Shareholders' equity	\$ 29.43	\$ 31.53	-6.7%
Securities	25.31	28.27	-10.5%

As at December 31, (\$ in millions)	2022	2021	% Inc (Dec)
Assets under management			
Institutional			
Global equities	\$ 23,050	\$ 27,298	-15.6%
Canadian equities	5,199	7,858	-33.8%
Fixed income	16,124	16,750	-3.7%
Institutional assets under management	44,373	51,906	-14.5%
Wealth management	5,214	4,435	17.6%
Total assets under management	49,587	56,341	-12.0%
Assets under administration and advisement	3,716	4,338	-14.3%
Total client assets	\$ 53,303	\$ 60,679	-12.2%
Assets under administration – discontinued operations	23,817	27,170	-12.3%

The following is an analysis of the change in Guardian's assets under management:

For the years ended December 31, (\$ in thousands)	2022	2021	% Inc (Dec)
Beginning of year	\$ 56,341	\$ 45,984	22.5%
Acquisition	1,134	581	95.2%
Net additions from (withdrawals by) clients	(1,546)	3,984	-138.8%
Net market appreciation (depreciation)	(6,342)	5,792	-209.5%
Total client assets	\$ 49,587	\$ 56,341	-12.0%

Guardian is reporting total client assets of the continuing operations of \$53.3 billion as at December 31, 2022, consisting of \$49.6 billion in AUM and \$3.7 billion in AUA, compared to \$56.3 billion and \$4.3 billion, respectively, at the end of the prior year. In addition, Guardian also had \$23.8 billion in AUA at December 31, 2022 and \$27.2 billion in 2021, related to the Discontinued Operations. The declines in all balances discussed above were driven largely by the negative performance of the global financial markets in 2022. In addition, approximately \$1.5 billion in net outflows of assets were experienced in 2022. The majority of the net outflows were experienced in Canadian Equity strategies where we continue to be negatively impacted by institutional investors reducing their allocations to this asset class. Partially offsetting the outflows was the addition of \$1.1 billion on the acquisition of RaelLipskie which occurred on September 1, 2022.

The operating earnings of Guardian's business segments are summarized in the following table:

For the years ended December 31 (\$ in thousands)	2022	2021	% Inc (Dec)
Investment management	\$ 37,373	\$ 48,037	-22.2%
Wealth management	3,336	3,177	5.0%
Corporate activities and investments	3,414	3,725	-8.3%
	\$ 44,123	\$ 54,939	-19.7%

Guardian's consolidated Operating earnings for the year ended December 31, 2022 were \$44.1 million, compared to \$54.9 million for the year ended December 31, 2021, a 19.7% decrease. The EBITDA and EBITDA attributable to shareholders in the current year were \$64.2 million and \$59.9 million, respectively, compared to \$69.6 million and \$64.6 million, respectively, in the prior year. Net revenues grew to \$200.1 million, a 3.6% increase from \$194.0 million in 2021. The increase was largely driven by increased dividend income earned in Corporate Activities and Investments Segment and increased Net management fees earned in GuardCap, partially offset by lower revenues in most other businesses with the most significant reduction being in the Domestic business. The significant declines in both the global equities and fixed-income markets had the most significant impact on revenues in these other businesses and to a lesser extent \$1.5 billion in net outflow of institutional client assets, the largest of which were experienced in the Domestic business. Total expenses in 2022 were \$156.9 million, a 12.8% increase from \$139.1 million in 2021. The increase in expenses was largely driven by the continued multi-year strategic investments in our future growth sources, mainly into the buildout of the Canadian Retail Asset Management team ("CRAM") and the Guardian Smart Infrastructure Management team ("GSIM") and higher interest expenses in the Corporate Activities and Investments Segment.

The above discussion excludes the results from the Discontinued Operations. Included in Net earnings from discontinued operations are operating earnings associated with these businesses of \$25.4 million in 2022 and \$26.8 million in 2021. EBITDA from discontinued operations were \$38.5 million in the current year, and \$38.1 million in the prior year.

The discussion on Guardian's operating results by Segments of continuing operations are provided below. The discussion should be read in conjunction with Note 19 (a) Business Segments of the Consolidated Financial Statements contained in Guardian's 2022 Annual Report.

INVESTMENT MANAGEMENT SEGMENT

Operating earnings from the Investment Management Segment were \$37.3 million in the current year, a decrease of \$10.7 million from \$48.0 million in 2021. This Segment's EBITDA in the current year was \$47.9 million, a decrease of \$10.1 million from \$57.0 million in 2021. The Net management and advisory fee revenues in the current year were \$144.4 million, down slightly from \$145.0 million in the prior year. The decrease in the current year's Net management fee revenues was largely driven by a \$7.5 billion decrease in AUM during the current year, partially offset by the full year benefit of revenue realized in the current year from net asset inflows in 2021. The decrease in AUM in the current year was largely driven by the decline in the global financial markets, which accounted for \$6.0 billion of the reduction. Approximately \$1.5 billion in net outflows of assets in the current year were largely from the Domestic business where we continued to be impacted by decreasing allocations to the Canadian equity asset class by institutional investors. The total expenses in the Segment were \$112.0 million in the current year, compared to \$102.1 million in the prior year. Increased expenses were largely driven by the continued strategic investments in the buildout of CRAM and GSIM and those associated with growth in GuardCap. The Operating losses in CRAM and GSIM amounted to \$8.5 million in the current year, an increase of \$3.6 million from \$4.9 million in the prior year. These strategic investments are expected to continue in the near term while we build these future sources of growth.

WEALTH MANAGEMENT SEGMENT

The Wealth Management Segment, which now excludes the Discontinued Operations businesses, is reporting Operating earnings of \$3.3 million, a slight increase from \$3.2 million in the prior year. EBITDA for the current year was \$6.3 million, compared to \$5.7 million in the prior year. The addition of RaelLipskie increased Operating earnings by \$0.3 million and EBITDA by \$0.6 million, which were offset by lower Operating earnings and EBITDA contributions from the remaining businesses in this Segment. A combination of negative financial market impact on revenues and increased costs in these businesses resulted in lower Operating earnings in the current year. We continued to invest in the rebuild of GPI and into the enhancement of Modern Advisor's technology platform. We anticipate Modern Advisor will continue to focus on integrating its technology platform with the Dealers and IDC WIN businesses to offer digitized investment solutions to their advisors and clients. The Operating losses in GPI and Modern Advisor were \$3.0 million in the current year, slightly higher than \$2.8 million in the prior year.

CORPORATE ACTIVITIES AND INVESTMENTS SEGMENT

The Corporate Activities and Investments Segment is reporting \$3.4 million in Operating earnings in 2022, compared to \$3.7 million in 2021. The current year's Net revenue increased to \$21.3 million, from \$16.7 million in the prior year. The growth in revenue was due largely to the increase in the dividend income earned on the Securities, including our holdings of BMO shares, which increased its dividends per share by 25% during the first quarter of 2022 and just under 5% in the last quarter of 2022. The increase in Net revenue was offset by higher interest expense, due largely to higher borrowing rates in 2022, and higher compensation costs.

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

For the years ended December 31 (\$ in thousands)	2022	2021	% Inc (Dec)
		<i>Restated</i>	
Dividends on Bank of Montreal shares	\$ 12,238	\$ 9,688	26.3%
Other dividends	8,862	7,293	21.5%
Dividend income	21,100	16,981	24.3%
Operating activities	338	6	5533.3%
Investing activities	703	419	67.8%
Interest income	1,041	425	144.9%
	\$ 22,141	\$ 17,406	27.2%

The following is a summary of Guardian's Net gains (losses):

For the years ended December 31 (\$ in thousands)	2022	2021	% Inc (Dec)
		<i>Restated</i>	
Bank of Montreal common shares	\$ (30,447)	\$ 90,358	-133.7%
Other securities	(74,389)	49,507	-250.3%
Net gains (losses) on securities	(104,836)	139,865	-175.0%
Net gains (losses) on disposal of intangible assets	54	(4)	1450.0%
Net foreign exchange gains (losses)	566	(174)	425.3%
	\$ (104,216)	\$ 139,687	-174.6%

Guardian's Net losses in 2022 were \$104.2 million, compared to Net gains of \$139.7 million in 2021. The significant swing to Net losses from Net gains in 2021 was largely due to the decreases in fair values of securities driven by the negative performance in the global equities markets in 2022.

Net loss attributable to shareholders in 2022 was \$43.1 million, compared to Net earnings attributable to shareholders of \$184.2 million in 2021. The loss was driven by the large swing to Net losses from Securities in the current year, compared to Net gains in 2021 and the decrease in Operating earnings compared to the prior year, as described above.

LIQUIDITY AND CAPITAL RESOURCES

The strength of Guardian's balance sheet has enabled Guardian to provide clients with a high level of comfort, maintain the appropriate levels of working capital in each of its areas of operation, make the necessary capital expenditures to develop and support its businesses, attract strong associates and make appropriate use of borrowings, including financing the expansion of its businesses. The hallmark of Guardian's balance sheet is the significant liquid marketable securities portfolio, as presented below:

As at December 31, (\$ in thousands, except per share amounts)	2022	2021	% Inc (Dec)
Securities, carried at fair value			
Proprietary investment strategies			
Short-term and fixed-income securities	\$ 18,495	\$ 19,589	-5.6%
Canadian equities	13,200	13,832	-4.6%
Global equities	269,631	335,460	-19.6%
Canadian real estate	43,182	28,216	53.0%
	<u>344,508</u>	<u>397,097</u>	<u>-13.2%</u>
Bank of Montreal common shares	273,064	308,834	-11.6%
Short-term securities	9,341	8,227	13.5%
Equities	33,500	37,727	-11.2%
Securities	\$ 660,413	\$ 751,885	-12.2%
Securities per share, diluted	\$ 25.31	\$ 28.27	-10.5%

Guardian's securities as at December 31, 2022 had a fair value of \$660 million, or \$25.31 per share, compared with \$752 million, or \$28.27 per share, as at December 31, 2021. The decrease in fair value of securities largely reflects the negative effects of the global financial markets declines in 2022. Guardian's Shareholders' equity as at December 31, 2022 amounted to \$768 million, or \$29.43 per share, compared to \$839 million, or \$31.53 per share, as at December 31, 2021. The decrease reflects the swing from Net earnings to Net loss in 2022, dividends paid to shareholders, and shares repurchased.

In addition to its sizable liquid marketable securities portfolio, Guardian has, under various borrowing arrangements, total borrowing capacity of \$165 million. The total bank borrowing amounted to \$132 million at the end of the current year, as compared with \$115 million at December 31, 2021.

Guardian generated Adjusted cash flow from operations of \$44.3 million during the current year, compared to \$55.8 million in 2021. (A reconciliation to its closest IFRS measure is provided in Non-IFRS Measures section of this Management's Discussion and Analysis.) Guardian uses its Adjusted cash flow from operations primarily to fund its working capital, pay its quarterly dividends, repurchase shares under its Normal Course Issuer Bid, repay debt where possible and fund capital expenditures, including acquisitions. At current levels of cash flow and anticipated dividend payout rates, Guardian generates sufficient cash flow to meet its operating obligations, necessary ordinary course capital expenditures, regular dividend payments and normalized levels of share repurchases.

In 2022, by utilizing its strong balance sheet and cash flows, Guardian returned \$46.3 million to the shareholders in the form of dividends and share repurchases, and funded \$10.1 million in acquisitions.

In addition to the above and as described in the 2022 Highlights section, the previously announced transaction to sell the Dealers and the IDC WIN businesses closed on March 1, 2023. On closing, the transaction will add \$627 million in additional liquid capital to Guardian's balance sheet.

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, 2022 (\$ in thousands)	Payments due by period				
	Total	Within one year	2 to 3 years	4 to 5 years	After five years
Bank loans and borrowings	\$ 131,566	\$ 131,566	\$ –	\$ –	\$ –
Third party investor liabilities	64,895	64,895	–	–	–
Client deposits	59,080	59,080	–	–	–
Accounts and income taxes payable	81,399	81,399	–	–	–
Obligations to non-controlling interests and other	41,867	28,894	8,336	4,637	–
Investment commitments	11,752	11,752	–	–	–
Scheduled lease payments, undiscounted	33,450	3,196	6,810	5,182	18,262
Total contractual obligations	\$ 424,009	\$ 380,782	\$ 15,146	\$ 9,819	\$ 18,262

Guardian's contractual obligations are supported by its strong financial position, including its securities and its borrowing capacity, referred to above under "Liquidity and Capital Resources". Client deposits, in the offshore banking subsidiary, are largely supported by interest-bearing deposits with banks. The third party investor liabilities are offset by securities backing third party investor liabilities. Guardian also has a commitment to invest \$11.8 million in a private equity fund. Guardian will decide on the appropriate strategy for funding these commitments when called upon by the funds.

SELECTED ANNUAL INFORMATION

Years ended December 31, (\$ in thousands, except per share amounts)	2022	2021 <i>Restated</i>	2020 <i>Restated</i>
Net revenue	\$ 200,996	\$ 194,001	\$ 139,219
Net earnings (loss)	(37,317)	190,740	46,068
Net earnings (loss) attributable to shareholders	(43,078)	184,239	42,358
Per share			
Net earnings (loss) attributable to shareholders:			
Basic	(1.76)	7.35	1.67
Diluted	(1.76)	6.87	1.57
Dividends paid	0.90	0.70	0.63
As at December 31, (\$ in thousands)			
Total assets	\$ 1,364,772	\$ 1,428,675	\$ 1,428,675

The changes in Net earnings attributable to shareholders were driven largely by the Net gains or losses on the holdings of securities as the fair values changed over the periods. The increase in Net revenue and total assets since 2020 reflects the growth of the business, both organically and through acquisitions.

SUMMARY OF QUARTERLY RESULTS

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

As at (\$ in millions)	2022				2021			
	Dec 31	Sept 30 <i>Restated</i>	Jun 30 <i>Restated</i>	Mar 31 <i>Restated</i>	Dec 31 <i>Restated</i>	Sept 30 <i>Restated</i>	Jun 30 <i>Restated</i>	Mar 31 <i>Restated</i>
Assets under management	\$ 49,587	\$ 47,814	\$ 46,931	\$ 53,123	\$ 56,341	\$ 53,113	\$ 51,641	\$ 47,945
Assets under administration	3,716	3,788	3,944	4,273	4,338	5,061	5,542	5,138
Total client assets	53,303	51,602	50,875	57,396	60,679	58,174	57,183	53,083
Assets under administration, discontinued operations	23,817	22,998	23,682	26,253	27,170	24,954	24,360	23,238
For the three months ended (\$ in thousands)								
Net revenue	\$ 50,681	\$ 48,434	\$ 50,056	\$ 51,824	\$ 52,961	\$ 50,873	\$ 47,437	\$ 42,730
Operating earnings	8,790	10,419	11,404	13,507	14,086	15,385	14,134	11,334
Net gains (losses)	18,225	(21,148)	(91,545)	(9,749)	51,408	(8,960)	55,915	41,324
Net earnings (loss) from continuing operations	25,249	(11,582)	(73,463)	224	57,909	4,005	61,193	45,847
Net earnings from discontinued operations	6,386	5,034	5,239	5,591	6,542	4,592	5,638	5,014
Net earnings (loss)	31,635	(6,548)	(68,224)	5,815	64,451	8,597	66,831	50,861
Net earnings (loss) from continuing operations attributable to shareholders	24,679	(11,780)	(74,053)	(353)	56,999	3,268	60,681	45,199
Net earnings (loss) attributable to shareholders	29,961	(7,608)	(69,698)	4,262	62,422	7,054	65,138	49,625
Per share (in \$)								
Net earnings (loss) from continuing operations attributable to shareholders								
Basic	\$ 1.02	\$ (0.49)	\$ (3.03)	\$ (0.01)	\$ 2.30	\$ 0.13	\$ 2.41	\$ 1.77
Diluted	0.96	(0.49)	(3.03)	(0.01)	2.15	0.12	2.25	1.66
Net earnings (loss) attributable to shareholders:								
Basic	1.24	(0.31)	(2.85)	0.17	2.52	0.28	2.59	1.95
Diluted	1.16	(0.31)	(2.85)	0.16	2.35	0.27	2.42	1.83
Dividends paid on Class A and Common shares	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.16
As at								
Shareholders' equity (\$ in thousands)	\$767,864	\$743,331	\$742,917	\$828,404	\$838,520	\$781,334	\$780,323	\$737,363
Per share (in \$)								
Basic	\$ 31.84	\$ 30.82	\$ 30.68	\$ 33.67	\$ 33.89	\$ 31.56	\$ 31.15	\$ 29.02
Diluted	29.43	28.88	28.74	31.27	31.53	29.40	29.09	27.14
Total Class A and Common shares outstanding (shares in thousands)	26,246	26,246	26,342	26,892	26,954	26,968	27,263	27,691

Over the past eight quarters presented above, Guardian's Net revenue has generally trended in the same direction as the changes in Total client assets. These fluctuations can also influence Operating earnings and are driven largely by the factors described below.

Within Net revenue, the investment management and advisory fees are highly correlated to the changes in AUM and AUA, which are affected by the volatility of the global financial markets and additions and withdrawals of client assets. In the Corporate Activities and Investments Segment, some increases in dividend income can be seen in the second quarter and, to a lesser extent, in the fourth quarter of each year, due largely to dividends from foreign equities, which pay semi-annual dividends and some "special" mid-year dividends. In addition, the timing of consolidation or deconsolidation of certain investment funds or disposal of securities can also have an impact on the level of dividend income recorded in the period.

The Total client assets had grown to a peak in the fourth quarter of 2021, then declined steadily as the global financial markets declined in 2022. The Net revenue and Operating earnings over the past eight quarters has generally trended in the same direction as the changes in Total client assets, with slight variations in the second quarters of each year. The dividend income earned in the second quarters of each year from foreign equities have tended to dampen the reduction in revenues in 2022 and accentuated the increase in 2021.

Net gains (losses) largely reflect changes in fair values of the securities during each period, driven by the volatility of the global financial markets in which Guardian's securities trade. The volatility of Net gains (losses) also directly affects Net earnings (loss) attributable to shareholders. The quarterly fluctuations in shareholders' equity shown above are caused largely by Guardian's Net earnings (loss) attributable to shareholders, less dividends paid and shares repurchased.

RISK FACTORS

Guardian applies many of the same risk management principles to its business as a whole, as it applies to the management of client assets. One of these principles is that risk can pose challenges, as well as provide opportunities, depending upon the effectiveness of the way in which it is managed. The following sections discuss the most significant risks and Guardian's management processes to mitigate them. Readers are encouraged to refer to Note 21 of the Consolidated Financial Statements, contained in Guardian's 2022 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 the largest portion of our revenues are generated from AUM and AUA. The market fluctuations can be driven by political, economic or other changes in various regions of the world. 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 securities holdings 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 securities are subject to the risk of price fluctuations. The potential impact of market fluctuations on the value of Guardian's securities is quantified in Note 21 of the Consolidated Financial Statements. Guardian manages this risk through professional in-house investment management expertise, which takes a disciplined approach to investment management. All securities are held by independent custodians chosen by Guardian. As at December 31, 2022, Guardian holds \$273 million of BMO shares (2021 – \$309 million), which represents 41% of Guardian's securities (2021 – 41%). Guardian has accepted this concentration risk, as the bank is a diversified company with a history of steady and growing dividend payments. However, Guardian has been reducing its concentrated exposure over several years, having sold 2.7 million shares, or 55% of its holdings since the second quarter of 2013. The remainder of Guardian's security portfolio is more diversified, from both an asset class and a geographical perspective. The concentration risks by type as a percentage of total securities is summarized in the following table:

As at December 31, (as a percentage of securities)	2022	2021
Bank of Montreal common shares	41%	41%
Other Canadian equity securities and real estate	9%	5%
Canadian equities and real estate	50%	46%
Non-Canadian equities	46%	50%
Short-term and Fixed income securities	4%	4%
	100%	100%

FOREIGN CURRENCY RISK

As a result of expansion outside of Canada, Guardian's revenues, expenses and operating results from foreign operations may fluctuate with the changes in the foreign currency exchange rates compared to the Canadian dollar. The most significant foreign currency exposure is to the US dollar as most of the non-Canadian assets under management are US dollar denominated portfolios. Every 1% change in the value of the Canadian dollar against the US dollar would result in approximately \$1,287 change in Net revenues.

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 (losses), but are recorded in the "Net change in foreign currency translation on foreign subsidiaries" in Guardian's Consolidated Statements of Operations and Comprehensive Income, and the cumulative effect is included in Accumulated Other Comprehensive Income in the Shareholders' Equity section of the Consolidated Balance Sheets.

Guardian recognizes US dollar obligations to non-controlling interests on its balance sheet associated with the subsidiaries in the United States. As these are expected future transactions between equity interest holders, the changes in the value of these obligations, including changes resulting from foreign exchange rate fluctuations, are recorded directly in the Consolidated Statements of Equity. This currency risk is managed in a manner similar to the investments in other foreign subsidiaries, in that they are not actively managed, due to the long-term nature of the investments, but are closely monitored by management.

From time to time, Guardian may record certain foreign exchange gains (losses) in Net earnings on non-domestic currency cash balances held in various operations. These balances are monitored by local management and are largely limited to amounts necessary to its operating working capital needs. Readers are encouraged to refer to Note 21 in the Consolidated Financial Statements for further discussion and sensitivity analyses.

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 the monitoring of the activities of the portfolio manager who, through diversification and credit quality reviews of the funds' investments, manages the funds' credit risk. From time to time, advisors in the Wealth Management segment may owe advances received or amounts resulting from reversal of commissions to the Dealer or the MGA. The credit risk associated with these amounts is mitigated by management's review of the advisors' abilities to repay the advances or the potential commission reversals, particularly in the MGA business, before amounts are paid to the advisors. These businesses were sold on March 1, 2023.

INTEREST RATE RISK

Guardian's most significant exposure to interest rate risk is through its bank loans and borrowings. The interest rates on these borrowings are short-term, and Guardian's interest expense and net earnings will fluctuate with the changes in short-term rates. Guardian manages interest rate risk in its international banking operations, through matching the interest rates of client deposit liabilities with the assets, which consist of interest-bearing deposits with banks or other similar interest-earning instruments. 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 operations, by establishing sufficient borrowing facilities with major Canadian banks, which currently has \$33 million of the \$165 million available to be drawn upon through three credit facilities, and by leveraging the support of its significant security portfolio. The maturities of Guardian's contractual commitments are outlined under "Contractual Commitments" in this MD&A. Management believes the combination of the cash flows from operations, the securities holdings and the borrowing facilities provides sufficient resources to manage Guardian's liquidity risk.

REGULATORY RISK AND LEGAL RISK

Guardian and its subsidiaries operate in an environment subject to various laws and regulations. Given the nature of certain of Guardian's subsidiaries, they may, from time to time, be subject to changes in regulations, claims or complaints from investment clients and sanctions from governing bodies. These risks are mitigated by maintaining relevant in-house competence in laws and regulations, compliance and product review oversight, adequate insurance coverage and, where appropriate, utilizing assistance from external advisors.

PERFORMANCE RISK

Product performance risk is the risk that we will not perform as well as the market, our peers, or in line with our clients' expectations. The nature of this risk is both relative and absolute. 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 seek to ensure that we are aware of those expectations, and that we properly communicate with our clients to develop, report on and comply with client mandates on a continuous basis.

KEY PERSONNEL RISK

The success of Guardian is highly dependent on key personnel, including its senior management and investment professionals. The loss of any of these individuals, or an inability to retain these individuals and attract the best of the brightest talent, could have a negative impact on Guardian. To mitigate this risk, Guardian monitors the industry to competitively compensate these individuals, invests into the business to create an environment where both Guardian and these individuals can succeed, and evaluates, on an ongoing basis, the succession plans in place for these key individuals. Guardian's financial strength provides resources necessary to competitively compensate these individuals and to allow us to invest in the business.

COMPETITION RISK

Guardian operates in a highly competitive environment, with competition based on a variety of factors including investment performance, the type and quality of products offered, business reputation and financial strength. Loss of client assets, in both the Investment Management Segment and the Financial Advisory Segment, will result in losses of revenue and earnings to Guardian. Guardian attempts to mitigate this risk by developing and maintaining strong client and advisor relationships, a competitive product line with competitive relative performance of its products, the recruitment and retention of high-quality professionals and a high-quality management team. Our ability to compete is also enhanced by our large capital base, which provides Guardian with the financial strength to invest in the development or acquisition of businesses. It also provides existing and future clients with comfort which allows Guardian to better compete in winning and retaining these clients.

INFORMATION TECHNOLOGY AND CYBERSECURITY RISK

Guardian uses information technology and the internet to streamline business operations and to improve client and advisor experience. However, the use of information technology can also introduce operational risk related to its use by employees, which may result in errors and lead to financial loss to Guardian. In addition, through the use of mobile devices, and the use of internet, such as emails and other online capabilities, Guardian is exposed to information security and other technology disruptions risks that could potentially have an adverse impact on its business. Guardian actively monitors this risk and continues to develop controls to protect against such threats that are becoming more sophisticated and

pervasive. The cyber security risk has increased during the current period while the majority of Guardian's employees are working remotely and connecting to Guardian's data centres as part of its Business Continuity Plan. Guardian has heightened its monitoring of the internal network traffic and the monitoring of developments in latest known cyber threats.

CLIMATE CHANGE RISK

Guardian and its subsidiaries have mostly indirect exposure to climate risk; climate change may have an impact on financial market performance, which may, in turn, have an impact on level of income earned by Guardian; with the heightened awareness of climate change, asset managers may find retaining or attracting clients more challenging if they are viewed as not having a credible approach to climate change; and increasing regulatory requirements create onerous compliance obligations and increased costs which could impact business operations. Guardian has established a Responsible Investing Oversight Committee comprised of senior executives across its asset management subsidiaries, which is responsible for assessing and managing business risks related to the environment, social issues and corporate governance. Guardian also has a dedicated responsible investing team which is responsible for incorporating industry best practices in its asset management approach and aligning those activities across all of Guardian's asset management businesses. Guardian plans to leverage these existing structures in its plans to implement the proposed disclosure requirements of National Instrument 51-107.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions which affect the reported amounts of assets, liabilities, contingencies, revenues and expenses. These estimates and judgements are listed in Note 2(c) to Guardian's 2022 Consolidated Financial Statements. The most significant accounting estimates and judgements 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 and the determination of whether an acquisition is of a business or of a group of assets, along with the identification and estimation of fair value of assets acquired or liabilities assumed in a business combination.

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 the current periods, 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 estimated fair values in the current periods, based on a multiple of AUM and AUA. These multiples are developed by management based on recent transactions and research reports by independent research analysts and are the most significant internally generated unobservable input used in these valuations. These valuations approaches are also sensitive to the levels of AUM and AUA.

A financial instrument is classified as level 3 when the fair value of the instrument is determined using valuation techniques based on significant inputs which are not observable in the market. The valuation techniques and inputs of used to determine the fair value of Guardian's securities classified as level 3 are described in Note 4(c) to Guardian's 2021 Consolidated Financial Statements.

Accounting for business combinations requires judgement to identify the assets acquired and liabilities assumed in a transaction. It also requires fair values to be estimated for these identified assets and liabilities. Guardian uses various assumptions and available information to determine these estimated fair values. Until the purchase price is finalized, changes to these assumptions and available information would result in changes to these estimates.

NON-IFRS MEASURES

EBITDA, EBITDA attributable to shareholders, EBITDA from discontinued operations and EBITDA per share

Guardian defines EBITDA as net earnings before interest, income tax, amortization, stock-based compensation, any net gains or losses, and net earnings from discontinued operations. EBITDA attributable to shareholders is defined as EBITDA less amounts attributable to non-controlling interests. EBITDA from discontinued operations is defined as net earnings from discontinued operations, before interest, income tax, amortization, stock-based compensation and any net gains or losses, all associated with Discontinued Operations. EBITDA per share is calculated on EBITDA attributable to shareholders using the same average shares outstanding that are used in calculating Net earnings attributable to shareholders per share. Guardian believes these are important measures, as they allow 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 and the level of capital expenditures. The most comparable IFRS measure are "Net earnings" and "Net earnings from discontinued operations", which are 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)	2022	2021 <i>Restated</i>
Net earnings (loss)	\$ (37,317)	\$ 190,740
Add (deduct):		
Net earnings from discontinued operations	(22,251)	(21,786)
Income tax expense (recovery)	(525)	25,672
Net (gains) losses	104,216	(139,687)
Stock-based compensation	3,597	2,602
Interest expense	4,351	1,142
Amortization	12,127	10,875
EBITDA	64,198	69,558
Less attributable to non-controlling interests in continuing operations	(4,344)	(4,932)
EBITDA attributable to shareholders	59,854	64,626

For the years ended December 31, (\$ in thousands)	2022	2021 <i>Restated</i>
Net earnings from discontinued operations	\$ 22,251	\$ 21,786
Add (deduct):		
Income tax expense	8,227	7,999
Net (gains)	(5,030)	(2,936)
Stock-based compensation	409	368
Interest expense	1,385	249
Amortization	11,262	10,615
EBITDA from discontinued operations	\$ 38,504	\$ 38,081

Adjusted Cash Flow From Operations, Adjusted Cash Flow From Operations Attributable to Shareholders and Adjusted Cash Flow From Operations per share

Guardian defines Adjusted cash flow from operations as net cash from operating activities, net of changes in non-cash working capital items and cash flows of discontinued operations. Adjusted cash flow from operations attributable to shareholders is defined as Adjusted cash flow from operations less non-controlling interests. Adjusted cash flow from operations per share is calculated on Adjusted cash flow from operations attributable to shareholders, divided using the same average shares outstanding that are used in calculating Net earnings attributable to shareholders per share. These measures are used by management to measure 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. The most comparable IFRS measure is "Net cash from operating activities", which is disclosed in Guardian's Consolidated Statement of Cash Flows. Adjusted cash flow from operations per share is calculated using the same average shares outstanding as are used in calculating Net earnings attributable to shareholders per share.

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

For the years ended December 31 (\$ in thousands)	2022	2021 <i>Restated</i>
Net cash from operating activities, as reported	\$ 81,228	\$ 102,859
Add (deduct):		
Net cash from operating activities, discontinued operations	(23,524)	(29,671)
Net change in non-cash working capital items	(6,877)	(18,067)
Net change in non-cash working capital items, discontinued operations	(6,488)	647
Adjusted cash flow from operations	44,339	55,768
Less attributable to non-controlling interests, continuing operations	(4,512)	(5,007)
Adjusted cash flow from operations attributable to shareholders	\$ 39,827	\$ 50,761

Shareholders' Equity per share

Shareholders' equity per share, diluted, is used by management to indicate the retained value per share available to shareholders which is created by Guardian's operations. The most comparable IFRS measure is "Shareholders' equity", which is disclosed in Guardian's Consolidated Balance Sheet. Shareholders' equity per share is calculated by dividing Shareholders' equity by the number of dilutive shares outstanding as at period end.

Securities per share

Securities per share is used by management to indicate the value available to shareholders created by Guardian's investment in securities, without the netting of debt or deferred income taxes associated with the unrealized gains. The most comparable IFRS measure is "Securities", which is disclosed in Guardian's Consolidated Balance Sheet. Securities per share is calculated by dividing Securities by the number and dilutive shares outstanding as at period end.

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, 2022 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, 2022, 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

As we enter 2023, all signs point to the COVID-19 pandemic entering its final stages as public health restrictions worldwide seem to be nearly lifted, and the effects of the shutdowns and fiscal and monetary policies put in place come into clearer focus. A year ago, the outlook was pretty positive. The anticipated move back to "normal" activity levels underpinned sustained economic growth rates above the past decade's trends. Additionally, the uncertainty surrounding growth forecasts was ebbing as the pandemic appeared to be coming under greater control and geopolitical tensions were coming off the boil. While inflation was on the rise, it was viewed as "transitory," a by-product of the pandemic's onset that would be unwound as the global economy's broader reopening continued. Accordingly, while central banks acknowledged that crisis-era levels of policy stimulus were no longer warranted, they were in no hurry to raise rates and broadly expected to move only gradually once they did.

This anticipated macro backdrop drove robust profit growth, giving a fundamental lift to risk assets. Though valuations for these securities elevated, they were arguably justified by the low-rate environment, which not only raised the values of the output of "discounted cash flow" models but meant that there was no alternative for investors looking to generate any sort of real return. As a result, investors were upbeat and willing to chase momentum. Of course, inflation quickly proved to be anything but transitory. The imbalance between strong demand and constrained production was exacerbated by supply chain pressures that persisted due to renewed public health restrictions in early 2022 (particularly in China) and the commodity price shock driven by Russia's invasion of Ukraine.

In response to the significant upward shift in inflation and inflation expectations, monetary policymakers felt pressure to move quickly and aggressively to try to get ahead of the curve and prevent price pressures from spiraling ever higher at significant, longer-run costs to the global economy. Suddenly, markets that had largely been permitted to ignore inflation and capital costs over the last decade were forced to recalibrate slowly, then all at once, as the breadth and magnitude of central banks' responses to firm readings for pricing and underlying economic activity expanded. The sharp upward adjustment to rates quickly devastated bond markets as downgrades to growth forecasts globally weighed on the prospects for earnings, serving a blow to equity markets. As low rates had earlier boosted valuations, higher rates drove multiple compressions at the same time as earnings expectations were moderating. The effects were significant declines, particularly among the high-flying growth stocks that had previously been the markets' largest drivers of growth. Stocks and bonds marched lower in step, and as correlations between asset classes surged to quarter-century highs, the typical diversification benefits of multi-asset portfolios were nowhere to be seen as balanced investors recorded historically poor performance.

Focusing on the year ahead, what stands out is that the market landscape is almost the polar opposite of what prevailed 12 months ago. The current consensus is that a global recession is effectively a certainty in the next 12 months as the impact of high inflation and restrictive monetary policy work together to restrain demand. The Survey of Professional Forecasters from the Federal Reserve Bank of Philadelphia revealed that experts have assigned the highest probability of a near-term US recession in the study's more than 50-year history. The combination of this backdrop and 2022's broad reset in asset prices contrast with last year's optimism, and expensive assets are now pervasive pessimism and more moderate valuations. This ironically makes for a more constructive outlook for performance of stocks and bonds than what prevailed a year ago.

Undeniably, downside risks could materialize in the months ahead and provide a material drag on economic momentum. That said, the fact that everybody is on high alert for signs of deteriorating conditions and proceeding with caution arguably lowers the risk of any drawdown or at least the potential size. Economic downturns are usually the product of systemic imbalances. Excesses can persist until a catalyst forces the excess to unwind. Typically, a central bank-induced jump in capital costs makes overextended financial positions untenable, with the larger the imbalance, the greater the unwind and resultant negative spillovers. The human tendency to catastrophize, particularly in times of heightened uncertainty, means that undue weight is often put on the worst-case scenario, which lowers the bar for expectations, but right now, the worst-case scenario has not occurred.

For example, a big source of upside surprises of late has been Europe. Heading into the winter, it was expected that the continent's dependence on energy imports, especially Russian-produced oil and gas, could see supply shortages that would further drive up prices and constrain already crimped household budgets. These shortfalls have not materialized as governments across Europe rapidly shored up their stockpiles ahead of the traditional heating season. Supplies have also seen a smaller-than-normal drawdown as demand for heating has been depressed by an

unseasonably warm winter. As a result, lower-than-expected gas use and prices have been observed, and European consumers' balance sheets are stronger than expected, leading to upside surprises in consumption. If similar surprises emerge elsewhere, we may be in line for an unexpectedly strong upside surprise.

In conclusion, while the monetary environment will remain somewhat constrictive going forward, much of this is already priced into risk assets. Given the price corrections seen in the last year, markets are well positioned for positive returns if the underlying economic reality reveals itself to be stronger than the forecasts of market participants.

As a participant in the financial markets, Guardian's results are significantly affected by the level and performance of stock and bond markets; as such, during the COVID-19 pandemic, we, along with other market participants, benefitted from the resulting impact of the fiscal and monetary stimulus provided by governments around the world and our results have been affected by the recent withdrawal of this stimulus. It is worth noting, with the recent sale of our Worldsource businesses, we have received a significant cash inflow and are in a better position to take advantage of the prevailing, higher dividend and interest rates as we invest this capital in the markets. Guardian is somewhat unusual for companies of our size in that our strong balance sheet, which has been almost doubled with the sale of Worldsource, combined with strong profitability in our remaining businesses, allow us the luxury of making long-term plans that are not necessarily wholly reliant on the co-operation of events outside of our control.

We will continue upon our long-held path of innovating new product lines created from existing teams at Guardian, in addition to identifying new capabilities we wish to add while bringing in new human and technological assets that will permit us to execute on those capabilities. Success in creating new products that can be sold through our existing platforms gives us a very efficient way to grow Guardian and its profitability. We have a number of initiatives that can fit into this strategy and a large amount of capital to fund them. We will also continue to look for potential acquisition opportunities, and our cash injection will make any acquisition we identify easier to accomplish without starving our other growth initiatives for capital. In fact, if the opportunity arises, we feel we can be more aggressive in funding both organic and acquisition-related growth. Over the long term, shareholders can expect activity in both growth areas.

TEN YEAR REVIEW

Note(b)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
As at December 31, (\$ in millions)		<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>
Assets under management	\$ 49,587	\$ 56,341	\$ 45,984	\$ 31,147	\$ 26,962	\$ 27,250	\$ 27,280	\$ 24,278	\$ 24,968	\$ 22,228
Assets under administration	3,716	4,338	-	-	-	-	-	-	-	-
Assets under administration relating to discontinued operations	23,817	27,170	22,289	20,248	17,385	17,795	16,489	14,943	13,126	11,559
Shareholders' equity	768	839	700	683	599	634	580	504	489	415
Securities	660	752	633	682	627	652	620	540	525	449
For the year ended December 31, (\$ in thousands)										
Net revenue	\$ 200,996	\$ 194,001	\$ 139,219	\$ 120,077	\$ 114,014	\$ 98,600	\$ 95,171	\$ 90,352	\$ 83,473	\$ 70,816
Expenses (a)	156,873	139,062	103,287	86,858	80,555	64,979	61,459	57,457	51,772	46,079
Operating earnings	44,123	54,939	35,932	33,219	33,459	33,621	33,712	32,895	31,701	24,737
Net gains (losses)	(104,216)	139,687	(2,890)	95,578	(56,867)	64,396	93,511	(20,158)	55,019	58,134
Net earnings (loss) from continuing operations attributable to shareholders	(61,503)	166,147	29,988	102,374	(34,494)	77,471	103,401	3,189	70,130	71,687
Net earnings (loss) attributable to shareholders	(43,078)	184,239	42,358	112,747	(25,723)	87,145	110,860	10,046	74,242	73,329
Per share, Common and Class A (in dollars)										
For the year ended December 31,										
Net earnings (loss) from continuing operations attributable to shareholders										
Basic	\$ (2.52)	\$ 6.63	\$ 1.18	\$ 3.97	\$ (1.28)	\$ 2.79	\$ 3.63	\$ 0.11	\$ 2.32	\$ 2.35
Diluted	(2.52)	6.19	1.12	3.75	(1.28)	2.64	3.45	0.12	2.24	2.29
Net earnings (loss) attributable to shareholders										
Basic	(1.76)	7.35	1.67	4.77	(0.63)	3.49	4.16	0.57	2.60	2.46
Diluted	(1.76)	6.87	1.57	4.50	(0.63)	3.30	3.95	0.56	2.50	2.39
Dividends paid	0.90	0.70	0.63	0.58	0.48	0.39	0.33	0.29	0.24	0.30
As at December 31,										
Shareholders' equity										
Basic	31.84	33.89	27.43	26.73	22.85	23.20	20.75	17.37	16.33	13.68
Diluted	29.43	31.53	25.69	25.01	21.57	21.88	19.62	16.55	15.62	13.17
Share prices:										
Common high	40.80	42.50	28.80	28.00	27.00	29.50	25.98	24.61	21.45	18.00
low	24.62	26.00	16.00	22.38	20.40	23.41	16.20	16.55	15.30	11.50
Class A high	41.00	37.00	28.10	27.98	27.05	29.00	25.10	19.25	18.85	16.82
low	24.51	25.53	16.05	21.68	20.05	23.45	15.58	15.50	15.10	10.40
Common and Class A shares outstanding (thousands of shares)										
As at December 31,										
Basic	24,115	24,741	25,506	25,542	26,232	27,345	27,963	29,029	29,940	30,333
Diluted	26,093	26,595	27,234	27,302	27,782	29,001	29,576	30,472	31,300	31,510

Notes

(a) Excluding referral fees and income taxes.

(b) The results of operations for 2021 and earlier years have been restated to reflect the reclassification of certain subsidiaries to discontinued operations in 2022. The results of operations for 2017 and earlier years have been restated to reflect the impact of IFRS 9.

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 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 in Note 2 Significant Accounting Policies. 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 auditor, has 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

March 2, 2023

INDEPENDENT

AUDITOR'S REPORT

To the Shareholders of Guardian Capital Group Limited

OPINION

We have audited the consolidated financial statements of Guardian Capital Group Limited (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2022 and December 31, 2021
- the consolidated statements of operations and comprehensive income for the years then ended
- the consolidated statements of equity for the years then ended
- the consolidated statements of cash flow for the years then ended
- and notes to consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor’s report.

Evaluation of the impairment assessment for goodwill of a majority owned USA-based equities manager

Description of the matter

We draw attention to notes 2 (n) and 7 to the financial statements. The Entity has recorded goodwill of \$42,519 thousand of which \$19,902 thousand relates to a majority owned USA-based equities manager. The Entity 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 earnings. 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. The Entity calculates the recoverable amount based upon the estimated fair value less cost to sell (FVLCS). In estimating the FVLCS, the Entity uses a multi-factor model with the key assumption being the values assigned as multiples of client assets under management (AUM).

Why the matter is a key audit matter

We identified the evaluation of the impairment assessment of the majority owned USA-based equities manager as a key audit matter. This matter represented an area of significant risk of misstatement given the magnitude of goodwill of the majority owned USA-based equities manager and the potential for impairment and the high degree of subjectivity in determining the recoverable amount. Minor changes to the multiple applied to the AUM had a significant effect on the estimated recoverable amount. As a result, significant auditor judgement requiring specialized skills and knowledge was required in evaluating the results of our procedures.

How the matter was addressed in the audit

The primary procedure we performed to address this key audit matter is:

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the multiple applied to the AUM. They compared the multiple applied to the AUM against an implied multiple that was independently developed using publicly available information for comparable entities based on published AUM and market capitalization as well as precedent transactions.

OTHER INFORMATION

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report 2022".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The logo for KPMG LLP, featuring the letters 'KPMG' in a stylized blue font, followed by 'LLP' in a smaller blue font, with a blue horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is James Loewen.

Toronto, Canada

March 2, 2023

CONSOLIDATED BALANCE SHEETS

As at December 31 (\$ in thousands)	2022	2021
Assets		
Current assets		
Cash	\$ 54,894	\$ 77,081
Interest-bearing deposits with banks	67,446	54,510
Accounts receivable and other assets	48,398	77,570
Receivables from clients and broker	–	89,356
Income tax receivable	6,002	10,425
Securities backing third party investor liabilities (note 3)	64,895	115,626
Assets of discontinued operations (note 25)	297,223	–
	538,858	424,568
Securities (note 4)	660,413	751,885
Other assets		
Deferred tax assets (note 12c)	794	792
Intangible assets (note 5)	96,886	168,213
Equipment (note 6)	25,302	16,574
Goodwill (note 7)	42,519	66,643
	165,501	252,222
Total assets	\$ 1,364,772	\$ 1,428,675
Liabilities		
Current Liabilities		
Bank loans and borrowings (note 8)	\$ 131,566	\$ 114,873
Third party investor liabilities (note 3)	64,895	115,626
Client deposits	59,080	53,451
Accounts payable and accrued liabilities	79,772	99,420
Obligations to non-controlling interests and other liabilities (note 9)	28,894	5,343
Lease obligations (note 11)	1,647	3,116
Income taxes payable	1,627	1,690
Payable to clients	–	89,356
Liabilities of discontinued operations (note 25)	141,992	–
	509,473	482,875
Obligations to non-controlling interests and other liabilities (note 9)	12,973	31,299
Lease obligations (note 11)	22,273	11,275
Deferred tax liabilities (note 12c)	37,194	50,649
Total liabilities	581,913	576,098
Equity		
Shareholders' equity		
Capital stock (notes 13a and 13b)	17,559	18,067
Treasury stock (note 14a)	(35,569)	(31,712)
Contributed surplus	28,460	25,106
Retained earnings	733,287	822,195
Accumulated other comprehensive income	24,127	4,864
	767,864	838,520
Other equity interests	14,995	14,057
Total equity	782,859	852,577
Total liabilities and equity	\$ 1,364,772	\$ 1,428,675

The accompanying notes are an integral part of these consolidated financial statements.



Barry J. Myers
Director



George Mavroudis
Director

On behalf of the Board:

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the years ended December 31 (\$ in thousands, except per share amounts)	2022	2021 <i>Restated</i>
Revenue		
Management and advisory fees, gross	\$ 183,737	\$ 182,175
Fees paid to referring agents	(13,345)	(13,615)
Net management and advisory fees	170,392	168,560
Administrative services income	8,463	8,035
Dividend and interest income (note 15)	22,141	17,406
Net revenue	200,996	194,001
Expenses		
Employee compensation and benefits (note 16)	103,717	96,523
Amortization	12,127	10,875
Interest	4,351	1,142
Other expenses	36,678	30,522
	156,873	139,062
Operating earnings	44,123	54,939
Net gains (losses) (note 17)	(104,216)	139,687
Earnings (loss) before income taxes	(60,093)	194,626
Income tax expense (recovery) (notes 12a)	(525)	25,672
Net earnings (loss) from continuing operations	(59,568)	168,954
Net earnings from discontinued operations (note 25)	22,251	21,786
Net earnings (loss)	(37,317)	190,740
Other comprehensive income (loss)		
Net change in foreign currency translation on foreign subsidiaries	21,250	(2,754)
Comprehensive income (loss)	\$ (16,067)	\$ 187,986
Net earnings (loss) from continuing operations attributable to:		
Shareholders	\$ (61,503)	\$ 166,147
Non-controlling interests	1,935	2,807
Net earnings (loss) from continuing operations	\$ (59,568)	\$ 168,954
Per share (note 18):		
Basic	\$ (2.52)	\$ 6.63
Diluted	(2.52)	6.19
Net earnings (loss) attributable to:		
Shareholders	\$ (43,078)	\$ 184,239
Non-controlling interests	5,761	6,501
Net earnings (loss)	\$ (37,317)	\$ 190,740
Per share (note 18):		
Basic	\$ (1.76)	\$ 7.35
Diluted	(1.76)	6.87
Comprehensive income (loss) attributable to:		
Shareholders	\$ (23,815)	\$ 181,775
Non-controlling interests	7,748	6,211
Comprehensive income (loss)	\$ (16,067)	\$ 187,986

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY

For the years ended December 31 (\$ in thousands)	2022	2021
Total equity, beginning of year	\$ 852,577	\$ 717,707
Shareholders' equity, beginning of year	838,520	699,610
Capital stock, beginning of year	18,067	18,634
Acquired and cancelled (note 13c)	(508)	(567)
Capital stock, end of period	17,559	18,067
Treasury stock, beginning of year	(31,712)	(29,511)
Acquired (note 14a)	(5,965)	(3,378)
Disposed of (note 14a)	2,108	1,177
Treasury stock, end of year	(35,569)	(31,712)
Contributed surplus, beginning of year	25,106	22,136
Stock-based compensation expense from continuing operations	3,597	2,602
Stock-based compensation expense from discontinued operations	409	368
Redemptions of equity-based entitlements	(652)	–
Contributed surplus, end of year	28,460	25,106
Retained earnings, beginning of year	822,195	681,023
Net earnings (loss)	(43,078)	184,239
Dividends declared and paid (note 13d)	(23,258)	(18,530)
Capital stock acquired and cancelled (note 13c)	(22,572)	(24,537)
Retained earnings, end of period	733,287	822,195
Accumulated other comprehensive income, beginning of year	4,864	7,328
Other comprehensive income (loss)	19,263	(2,464)
Accumulated other comprehensive income, end of year	24,127	4,864
Shareholders' equity, end of year	767,864	838,520
Other equity interests, beginning of year	14,057	18,097
Non-controlling interests, beginning of year	45,356	44,184
Net earnings	5,761	6,501
Other comprehensive (loss)	1,987	(290)
Dividends declared and paid	(5,431)	(5,039)
Acquisition of subsidiaries (note 24)	4,896	–
Non-controlling interests, end of period	52,569	45,356
Obligations to non-controlling interests, beginning of year	(31,299)	(26,087)
Acquisition of subsidiaries (note 24)	(4,431)	–
Change during year	(1,844)	(5,212)
Obligations to non-controlling interests, end of year	(37,574)	(31,299)
Other equity interests, end of year	14,995	14,057
Total equity, end of year	\$ 782,859	\$ 852,577

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31 (\$ in thousands)	2022	2021
Operating activities		
Net earnings (loss)	\$ (37,317)	\$ 190,740
Adjustments for:		
Income taxes (paid)	(23,612)	(21,504)
Income tax expense	7,702	33,671
Net (gains) losses	99,187	(142,623)
Amortization of intangible assets	19,591	16,953
Amortization of equipment	4,712	4,538
Stock-based compensation	4,006	2,970
Non-cash items	82	47
	74,351	84,792
Net change in non-cash working capital items (note 20)	6,877	18,067
Net cash from operating activities	81,228	102,859
Investing activities		
Net disposition of securities	1,017	17,618
Income taxes refunded (paid)	10,736	(20,801)
Net disposition (acquisition) of securities backing third party investor liabilities	15,368	(54,564)
Acquisition of intangible assets	(16,065)	(14,683)
Acquisition of equipment	(651)	(734)
Disposition of intangible assets	6,907	3,539
Acquisition of subsidiaries (note 24)	(10,079)	(18,389)
Discontinued operations (note 25)	(52,744)	–
Net cash used in investing activities	(45,511)	(88,014)
Financing activities		
Dividends paid to shareholders	(23,258)	(18,530)
Dividends paid to non-controlling interests	(5,431)	(5,039)
Acquisition and cancellation of capital stock	(23,080)	(25,104)
Acquisition of treasury stock	(5,965)	(3,378)
Disposition of treasury stock	1,456	1,177
Net proceeds from bank loans and bankers' acceptances	19,760	809
Principal payments on lease obligations	(2,734)	(2,622)
Net funds from (to) third party investors in consolidated mutual funds	(15,368)	54,564
Net cash from (used in) financing activities	(54,620)	1,877
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	544	(307)
Net change in net cash	(18,359)	16,415
Net cash, beginning of year	44,887	28,472
Net cash, end of year	\$ 26,528	\$ 44,887
Net cash represented by:		
Cash	\$ 54,894	\$ 77,081
Bank indebtedness	(28,366)	(32,194)
	\$ 26,528	\$ 44,887

The accompanying notes are an integral part of these 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 2700, 199 Bay Street, Toronto, Ontario. Guardian, through its subsidiaries, provides investment and wealth 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 interest in joint ventures (together, the “Company”) and have been prepared under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). 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 and non-current assets of discontinued operations, which are carried at the lower of cost and fair value less cost to sell.

These consolidated financial statements were authorized for issuance by the Board of Directors of Guardian on March 2, 2023.

(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.

On November 30, 2022, the Company entered into an agreement to sell certain of its Wealth Management subsidiaries. As a result, the Company has reclassified these subsidiaries as discontinued operations until the sale closes and has restated 2021 Statement of Operations and several of the notes to the financial statements. See note 25, Discontinued Operations, for more information on the transaction and the impact on the financial statements.

(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 estimates and judgments are applied are those which relate to the:

- i. **Determination of whether a non-controlling interest in a subsidiary represents an equity interest;**
- ii. **Determination of the subsequent accounting for certain transactions with non-controlling interests;**
- iii. **Valuation of certain assets and liabilities that do not have quoted market prices;**
- iv. **Assessment of goodwill and intangible assets for impairments;**
- v. **Determination of when control of another entity exists;**
- vi. **Assessment of provisions;**
- vii. **Initial measurement of lease obligations and right of use (“ROU”) assets;**
- viii. **Whether an acquisition is of a business or group of assets; and**
- ix. **The identification of assets acquired and liabilities assumed in a business combination and the estimation of fair values of those identified assets and liabilities.**

(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, for its benefit.

ii. Non-controlling interests of a subsidiary

To the extent that they represent a residual interest in the Company's assets, non-controlling interests ("NCI") in subsidiaries are shown as a component of the equity section of the consolidated balance sheet. NCIs in a subsidiary which do not represent a residual interest in the Company's net assets are shown as a component of the Company's liabilities.

iii. Changes in the ownership of a subsidiary

Transactions which result in a change in the Company's ownership interest in a subsidiary but do not result in a loss of control of that subsidiary are recorded in equity in their entirety. The non controlling interests are adjusted to reflect the changes in their relative interest in the carrying value of the subsidiary and any difference between the consideration paid or received is recorded in retained earnings. For future transactions, which are at the option of the non-controlling interest, the estimated future consideration is shown as a liability and as an obligation to non-controlling interest within equity and any changes in the balances are reflected within equity.

iv. Transactions eliminated on consolidation

All inter-company transactions, balances, income and expenses between the consolidated entities are eliminated on consolidation.

(E) DISCONTINUED OPERATIONS

A subsidiary representing a separate major line of business for which the Company has a committed sale plan involving the loss of control is classified as a discontinued operation. Upon initial classification as a discontinued operation and until disposition, the non-current assets of the subsidiary are recorded at the lower of cost or fair value less cost to sell, amortization ceases and all assets and liabilities of the subsidiary are presented on the consolidated balance sheet separately from the other assets and liabilities of the Company. In addition, the components of the subsidiary's net earnings must be presented separately in the statement of operations and comprehensive income in the current and all prior periods.

(F) FOREIGN CURRENCY TRANSLATION

Amounts denominated in foreign currencies included in these consolidated financial statements are accounted as follows:

i. Foreign currency denominated monetary items are converted into the functional currency at the reporting date exchange rates.

Revenues and expenses are converted into the functional currency at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains and losses, if any, resulting from the foregoing, are included in net gains in the statements of operations.

ii. Certain of the Company's subsidiaries use functional currencies which are different from the Company's functional currency, Canadian dollars.

For these subsidiaries 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 translation of balance sheets and net earnings of the Company's foreign operations are recorded as a foreign currency translation adjustment in other comprehensive income, and the cumulative balance is included in accumulated other comprehensive income in the shareholders' equity section of the consolidated balance sheet.

(G) FINANCIAL INSTRUMENTS – FINANCIAL ASSETS

i. Recognition and initial measurement

The Company recognizes a financial asset when the Company becomes party to the contractual provisions of the instrument. All financial assets are measured at fair value upon recognition.

ii. Classification and subsequent measurement

The classification of the Company's financial assets is based on the business model for managing the assets and their contractual characteristics. Financial assets are classified and subsequently measured as follows:

- a. Amortized cost. Financial assets are measured at amortized cost when they are held in order collect contractual cash flows and whose terms give rise to cash flows that are solely payments of principal and interest. The Company's financial assets classified as amortized cost includes interest bearing deposits with banks, accounts receivable, loans receivable, and receivables from clients and brokers.
- b. Fair value through other comprehensive income ("FVOCI"). Financial assets measured at FVOCI when they are held in order collect contractual cash flows and for periodic sales and whose terms give rise to cash flows that are solely payments of principal and interest. FVOCI may also include certain equity instruments, if the Company has irrevocably designated them as FVOCI on initial recognition. The Company has no assets in this category.
- c. Fair value through profit or loss ("FVTPL"). All other financial assets and assets which have been designated FVTPL are included in this classification. The Company may designate assets which are amortized cost or FVOCI as FVTPL in order to provide more relevant information by significantly reducing a mismatch from measuring assets or liabilities on different basis. This designation which is made on initial recognition is irrevocable. The Company's financial assets classified as FVTPL includes securities backing third party liabilities and substantially all of its securities portfolio.

iii. Derecognition

The Company derecognizes a financial asset when the contractual rights of the instrument expire or the Company substantially transfers all risks and rewards of ownership to a third party.

iv. Impairment

The Company provides for credit losses on financial assets classified as amortized cost. If there has been a significant increase in credit risk since initial recognition, the Company provides for credit losses which are expected over the next 12 months. If there has been a significant increase in credit risk, the Company provides for the expected lifetime credit losses.

(H) FINANCIAL INSTRUMENTS – FINANCIAL LIABILITIES

i. Recognition and initial measurement

The Company recognizes a financial liability when the Company becomes party to the contractual provisions of the instrument. All financial liabilities are measured at fair value upon recognition.

ii. Classification and subsequent measurement

The Company's financial liabilities are classified and subsequently measured as follows:

- a. Amortized cost. Generally all financial liabilities are included in this classification. The Company's financial liabilities included in this classification are bank loans, client deposits, accounts, other payables and payable to clients and lease liabilities.
- b. Fair value through profit or loss ("FVTPL"). Financial liabilities included in this classification are derivative liabilities, contingent consideration recognized in a business combination and liabilities which have been designated FVTPL. The Company may designate liabilities which are amortized cost as FVTPL in order to provide more relevant information by significantly reducing a mismatch from measuring assets or liabilities on different basis. This designation which is made on initial recognition is irrevocable. The Company's financial liabilities included in this classification are securities backing third party liabilities, and certain other liabilities.
- c. Fair value through equity. A financial liability is included in this classification when it is an obligation to non-controlling interests pertaining to the future purchase of their holdings in a subsidiary and they are considered to have continuing access to the returns associated with that subsidiary.

iii. Derecognition

The Company derecognizes a financial liability when the contractual obligation is discharged, cancelled or expires.

(I) OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets only 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.

(J) FAIR VALUE HIERARCHY

Financial instruments and other assets that are measured at fair value are categorized 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:

i. Level 1

Quoted market prices: financial instruments with quoted prices for identical instruments in active markets.

ii. 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.

iii. Level 3

Valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

(K) INTANGIBLE ASSETS AND CONTRACT COSTS

Intangible assets include both intangible assets and contract costs. Intangible assets include advisor recruitment and management contracts and computer software. Advisor recruitment pertains to the costs associated with the recruitment of new advisors and branches, primarily in the Company's financial advisory segment, and management contracts pertain to costs associated with acquired investment management contracts in the Company's investment management segment.

Contract costs represent the incremental costs, such as certain sales commissions paid to staff and success fees paid to third party introducers, incurred in successfully obtaining new business with customers, primarily in the Company's investment management segment.

Intangible assets and contract costs are carried at cost less accumulated amortization and accumulated impairment losses. They are amortized over their estimated useful lives, as outlined below:

i. Advisor recruitment and management contracts

They are amortized on a straight-line basis over a number of years, ranging from three to fifteen years;

ii. Computer software

The initial cost of the main computer processing systems are amortized on a straight-line basis over ten years, with subsequent improvements to this system being amortized over five years, and other computer software being amortized over three to five years; and

iii. Contract costs

They are amortized over periods ranging from seven to 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.

(L) 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.

(M) LEASES

Upon the commencement of a lease, a right of use ("ROU") asset and lease liability are recognized. The amount of ROU asset and lease liability recognized will be equal to the present value of the contractual lease payments, with adjustment for certain amounts. The discount rate used in calculating the present value of the contractual lease payments will be the rate implicit in the lease or if that is not available then Company's incremental borrowing rate. Frequently the implicit rate is not available, so the Company's estimates its incremental borrowing rate considering various factors such as current interest rates and duration of the lease, among others.

Subsequent to initial recognition, a ROU asset is amortized on a straight-line basis over its useful life, which is generally the term of the lease. A lease liability is subsequently measured at amortized cost, accruing interest at the discount rate used upon initial recognition. Lease payments are accounted as repayments of the lease liability.

(N) GOODWILL

Goodwill represents the excess of the cost of acquisition of an acquired business over the fair value of the net identifiable tangible and intangible assets of the acquired business 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.

(O) 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 earnings.

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.

(P) 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.

(Q) TREASURY STOCK

The Company accounts for its shares purchased and held by its subsidiary, the Guardian Capital Group Limited Employee Profit Sharing Plan Trust (the "EPSP Trust"), as treasury stock.

(R) REVENUE FROM CUSTOMERS

Revenue from customers is recognized as the Company performs its service obligations to the customers. The major types revenue earned from customers and the associated accounting policies adopted by the Company are as follows:

i. Gross commission revenue earned and commissions paid to advisors.

Gross commissions include commissions on security transactions, trailing commissions and insurance commissions. Security transactions are revenues charged for the buying and selling of securities on behalf of clients. These revenues are recorded on a trade date basis. Trailing commissions are revenues earned from investment management companies and are generally calculated based on the fair value of client asset placed with an investment management company. These revenues are recognized over time during which the client assets have been placed. Insurance commissions are revenues earned for the placing and renewal of life and other insurance policies with insurance carriers. These revenues are recorded when the carrier provides confirmation of placement or renewal of the policies. Commissions paid to advisors, an expense,

are commission paid to advisors, usually on security transactions and trailing commissions and are generally calculated as a percentage of the gross commission earned and these are recognized in a manner consistent with the underlying transaction which gives rise to the commission payment.

ii. Management and advisory fees

These include revenues the Company earns for providing investment management services to clients. The revenues are generally calculated based on the fair value of the assets managed, in accordance with the agreements with the clients. The revenues are earned and recognized over the time during which the assets are managed 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 revenues are recognized when the services have been provided, the amount of the revenues can be reliably measured, and it is highly probable that the fees will be received, which is usually at the end of the performance period. Fees paid to referring agents, an expense, are fees paid to third parties that place their clients funds into investment products which are managed by the Company, are generally calculated based on the fair value of the assets placed and are recognized in a manner consistent with the related revenue. As these expenses are highly correlated with the management fees the Company presents the expense as a deduction from the gross management fees on the face of the Statement of Operations.

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 over the period the service is performed, based on agreements with the clients or advisors.

(S) DIVIDEND AND INTEREST INCOME

Dividend and interest income is recorded as follows:

- i. Dividends** are recognized when the Company's right to receive payment is established.
- ii. Interest** is recorded as earned over the period of time during which the interest-paying investment is held, on an effective interest rate method.

(T) 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. Should they qualify, certain bonuses may be accounted for in accordance with the policy on contract costs, (see note 2(K) Intangible assets).

(U) STOCK-BASED COMPENSATION

Stock-based compensation is accounted for under the fair value method, under which the compensation cost is measured at the fair value of the equity instruments issued ("Stock-based entitlement") and is expensed over the vesting period of the Stock-based entitlement.

Fair value of a Stock-based entitlement is determined on the issuance date and is the product of the fair value of the equity instrument and the number of those instruments that are ultimately expected to vest.

Where a Stock-based entitlement has been modified, the incremental change in fair value of the Stock-based entitlement is expensed over the remaining vesting period.

(V) INTEREST EXPENSE

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

(W) 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 benefits relating to employee service in the current and prior periods.

(X) NET GAINS OR LOSSES

Net gains and losses, which are recognized on a trade date basis, include all changes in fair value of financial instruments classified as FVTPL which are due to changes in market prices, changes in the value of currency denominated monetary items due to changes in exchange rates, and on the disposal or impairment of other assets.

(Y) INCOME TAX

Income tax on earnings for the year comprises current tax and deferred tax. Income tax is recognized in net earnings, 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. Income taxes generally result from operating activities and taxes paid are shown in the statement of cash flow as an operating activity, unless the taxes can be specifically identified with significant investing or financing activities.

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.

(Z) EARNINGS PER SHARE

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

(AA) 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.

(AB) FIDUCIARY ASSETS AND LIABILITIES

Certain of the Company's subsidiaries hold assets or liabilities on a fiduciary basis on behalf of clients. In providing these services, those assets and liabilities and the income and expenses associated with them are excluded from these consolidated financial statements.

3. SECURITIES BACKING THIRD PARTY INVESTOR LIABILITIES AND THIRD PARTY INVESTOR LIABILITIES

Securities backing third party investor liabilities represent third party investors' proportionate interest in the assets of the consolidated investment funds. These securities are classified as FVTPL and are categorized as Level 1, based upon the fair value hierarchy.

Third party investor liabilities represent third party investors' proportionate ownership interests in the consolidated funds. The liabilities are payable on redemption of the units of the funds by the third party investors and will be settled with the proceeds from the disposition of securities backing third party investor liabilities. The value of the liabilities is equal to and varies with the value of the securities backing third party investor liabilities. These liabilities have been designated as FVTPL and are categorized as Level 1, based upon the fair value hierarchy.

The Company continually evaluates whether it controls these funds. On the date when a fund is no longer deemed to be controlled, the Securities backing third party investor liabilities and Third party investor liabilities related to the fund are derecognized in the financial statements. Details on the funds the Company consolidates and changes therein during the years is disclosed in note 23(d).

4. SECURITIES

(A) CLASSIFICATION OF SECURITIES

An analysis of the Company's securities, which may include units of investment funds, by the type of security is as follows:

As at December 31	2022	2021
Fair value through profit or loss:		
Short-term securities	\$ 9,577	\$ 8,459
Fixed-income securities	18,259	19,357
Bank of Montreal common shares (i)	273,064	308,834
Other equity securities (ii)	316,331	387,019
Real estate fund (ii)	43,182	28,216
	\$ 660,413	\$ 751,885

i. Details of sales of Bank of Montreal common shares are as follows:

For the years ended December 31	2022	2021
Number of shares sold	40	30
Proceeds of disposition	\$ 5,321	\$ 3,819

ii. The Company's outstanding capital commitments for future investments are as follows:

For the years ended December 31	2022	2021
Private equity fund		
Commitment, beginning of year	\$ 13,475	\$ 8,320
Called capital	(2,414)	(7,299)
New commitments	-	12,621
Foreign exchange	691	(167)
Commitment, end of year	\$ 11,752	\$ 13,475

During 2022, the Company fulfilled its outstanding capital commitment of \$13,718 to a real estate fund managed by one of its subsidiaries.

(B) FAIR VALUE HIERARCHY

The Company's securities that are classified as FVTPL have been categorized based upon a fair value hierarchy as follows:

As at December 31	2022	2021
Level 1	\$ 539,092	\$ 636,555
Level 2	87,858	77,818
Level 3	33,463	37,512
Securities classified at FVTPL	\$ 660,413	\$ 751,885

Level 2 securities include investments in certain investment funds and are valued using the net asset value of each fund. During the years, there were no transfers between Levels.

(C) ANALYSIS OF LEVEL 3 SECURITIES**i. The change in the value of Level 3 securities is as follows:**

For the years ended December 31	2022	2021
Securities categorized as Level 3, beginning of year	\$ 37,512	\$ 16,558
Change in fair value	(6,921)	13,697
Purchases	2,414	7,299
Foreign exchange translation	458	(42)
Securities categorized as Level 3, end of year	\$ 33,463	\$ 37,512

ii. Level 3 securities are comprised of the following:

As at December 31	2022	2021
Private equity funds	\$ 28,092	\$ 28,455
Investment management company	3,635	7,719
Other	1,736	1,338
	\$ 33,463	\$ 37,512

The Company's investment in private equity funds are valued on the most recent fair value as obtained from each fund's manager.

The Company's investment in the investment management company is valued using an EBITDA multiple and the projected earnings for the following year. The EBITDA multiple and the projected earnings are the most significant internally generated unobservable inputs in this valuation. The EBITDA multiple used was 8.80 (2021 – 6.75), which is based on published research reports of similar business by independent analysts. The projected earnings are estimated using the company's current assets under management and historical financial ratios.

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	2022				2021			
	Contract costs	Advisor Recruitment and management contracts	Computer software	Total	Contract costs	Advisor Recruitment and management contracts	Computer software	Total
Cost								
Balance, beginning of year	\$17,638	\$ 210,535	\$ 16,339	\$ 244,512	\$ 5,765	\$ 200,586	\$ 14,715	\$ 221,066
Arising on acquisition (note 24)	–	9,219	–	9,219	6,105	4,619	–	10,724
Additions	1,015	16,130	1,926	19,071	5,808	7,133	1,742	14,683
Disposals	–	(2,359)	(112)	(2,471)	–	(1,040)	(116)	(1,156)
Foreign exchange translation	(131)	6,318	150	6,337	(40)	(763)	(2)	(805)
Discontinued operations (note 25)	–	(131,093)	(8,388)	(139,481)	–	–	–	–
Balance, end of year	18,522	108,750	9,915	137,187	17,638	210,535	16,339	244,512
Accumulated amortization								
Balance, beginning of year	2,773	65,872	7,654	76,299	1,303	52,433	6,144	59,880
Amortization, continuing operations	2,179	6,462	709	9,350	1,448	6,212	615	8,275
Amortization, discontinued operations	–	9,109	1,132	10,241	–	7,750	928	8,678
Disposals	–	(357)	–	(357)	23	(441)	(26)	(444)
Foreign exchange translation	10	1,749	(22)	1,737	(1)	(82)	(7)	(90)
Discontinued operations (note 25)	–	(51,353)	(5,616)	(56,969)	–	–	–	–
Balance, end of year	4,962	31,482	3,857	40,301	2,773	65,872	7,654	76,299
Carrying value, end of year	\$13,560	\$ 77,268	\$ 6,058	\$ 96,886	\$ 14,865	\$ 144,663	\$ 8,685	\$ 168,213

6. EQUIPMENT

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

For the years ended December 31	2022				2021			
	Office equipment	Leasehold improve- ments	Right of use asset	Total	Office equipment	Leasehold improve- ments	Right of use asset	Total
Cost								
Balance, beginning of year	\$ 11,447	\$ 6,101	\$ 19,442	\$ 36,990	\$ 10,723	\$ 5,929	\$ 16,499	\$ 33,151
Arising on acquisition (note 24)	58	–	418	476	112	92	963	1,167
Additions	911	71	17,827	18,809	653	81	3,147	3,881
Disposals	(374)	–	(2,073)	(2,447)	(22)	–	(1,129)	(1,151)
Foreign exchange translation	63	1	139	203	(19)	(1)	(38)	(58)
Discontinued operations (note 25)	(2,992)	(4,071)	(9,256)	(16,319)	–	–	–	–
Balance, end of year	9,113	2,102	26,497	37,712	11,447	6,101	19,442	36,990
Accumulated amortization								
Balance, beginning of year	8,983	4,398	7,035	20,416	8,273	3,768	4,998	17,039
Amortization, continuing operations	651	181	1,945	2,777	552	203	1,846	2,601
Amortization, discontinued operations	174	342	1,419	1,935	189	427	1,321	1,937
Disposals	(308)	–	(1,495)	(1,803)	(21)	–	(1,129)	(1,150)
Foreign exchange translation	34	3	71	108	(10)	–	(1)	(11)
Discontinued operations (note 25)	(2,779)	(3,272)	(4,972)	(11,023)	–	–	–	–
Balance, end of year	6,755	1,652	4,003	12,410	8,983	4,398	7,035	20,416
Carrying value, end of year	\$ 2,358	\$ 450	\$ 22,494	\$ 25,302	\$ 2,464	\$ 1,703	\$ 12,407	\$ 16,574

7. GOODWILL

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

For the years ended December 31	2022	2021
Balance, beginning of year	\$ 66,643	\$ 60,234
Acquisitions (note 24)	6,432	6,653
Discontinued operations (note 25)	(32,622)	–
Foreign exchange translation	2,066	(244)
Balance, end of year	\$ 42,519	\$ 66,643

Goodwill acquired in business acquisitions is allocated to the cash generating units (“CGUs”) that are expected to benefit from the business acquisitions. An analysis of the Company's goodwill by relevant CGUs are as follows:

For the years ended December 31	2022	2021
Wealth Management		
Mutual fund distributor	\$ –	\$ 4,226
Life insurance managing general agency	–	28,396
Private wealth management firm	6,432	6,432
Outsourced chief investment officer	4,702	4,702
Investment Management		
USA-based equities manager	19,902	18,554
USA-based fixed income manager	10,595	9,877
UK-based equities manager	888	888

Goodwill is not amortized, but is subject to annual impairment testing, which compares each CGU's recoverable amount against its carrying value. In addition, the Company may test for impairment more frequently if there are indications of impairment. In 2022 & 2021, the Company calculates the recoverable amount based upon the estimated fair value, less costs to sell (“FVLCS”).

In estimating the FVLCS, the Company uses a multi-factor model to determine fair value, with the key assumptions being values assigned as multiples of key business analytics pertaining to each CGU. These multiples are developed by management based on recent transactions and research reports by independent research analysts. The Company considers that the key business analytics are client assets under management (“AUM”) client assets under administration (“AUA”) and annual life insurance renewal commissions and first year life insurance commissions. It is the Company’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. These recoverable amounts, which are estimates, are Level 3 under the fair value hierarchy. The most significant internally generated unobservable input used in the testing are as follows:

As at December 31		2022	2021
Mutual fund distributor	Multiple of AUA	n/a	1.00%
Life insurance managing general agency	multiple of renewal commission revenue	n/a	6
Outsourced chief investment officer	Multiple of AUA	0.20%	0.20%
	Multiple of AUM	1.00%	1.00%
USA-based equities manager	Multiple of AUM	2.10%	2.10%
USA-based fixed income manager	Multiple of AUM	0.35%	0.35%

Based on the results of the testing, there was no impairment of goodwill in 2022 or 2021. The Company did not test the goodwill associated with the Mutual fund distributor and the Life insurance managing general agency in 2022 due to their reclassification to discontinued operations (note 25).

The Company believes that a reasonable change in the key assumptions pertaining to the assessment of either the mutual fund distributor or the Life insurance managing general agency units would not cause an impairment in 2021. A reasonable change in the key assumption pertaining to the assessment of certain other units could result in an impairment. An analysis pertaining to the sensitivity of these key assumptions is as follows:

As at December 31	2022	2021
Amount by which the recoverable amounts exceeds the carrying value:		
Outsourced chief investment officer	\$ 2,305	\$ 5,625
USA-based equities manager	6,432	29,237
USA-based fixed income manager	3,720	3,720
Percentage change in the key assumptions which would cause the recoverable amount to equal the carrying value:		
Outsourced chief investment officer	20%	38%
USA-based equities manager	8%	29%
USA-based fixed income manager	8%	11%

8. BANK LOANS AND BORROWINGS

Bank borrowings, and details of the Company’s borrowing facilities, are as follows:

As at December 31		2022	2021
Nature of facility	Type of borrowing	Currency	
Revolving credit (i)	LIBOR advances	USD	\$ –
	Bankers’ acceptances	CAD	\$ 25,000
	Bank indebtedness	CAD	\$ 27,312
Revolving credit (ii)	Bankers’ acceptances	CAD	\$ 44,000
Revolving credit (iii)	Bankers’ acceptances	CAD	\$ 34,200
	Bank indebtedness	CAD	\$ 1,054
			\$ 131,566
			\$ 114,873

- i. The borrowings under this facility are for short-term maturities of 90 days or less, which may be in several forms in either Canadian or US dollars. The facility limit is \$65,000 (2021 – \$65,000). The interest rate on the USD borrowing is SOFR plus 1.5% (2021 – LIBOR plus 1.4%). The interest rate on the bankers’ acceptances is CDOR plus 1.4% (2021 – 1.4%). The Interest rate on the bank indebtedness is Bank Prime plus 0.4% (2021 - Bank Prime plus 0.4%) and is calculated on the indebtedness balance, less certain offsetting cash balances of \$26,216 (2021 – \$17,795). The terms of this facility require that the Company maintain certain financial ratios. The Company is in compliance with these requirements.

- ii. The borrowings under this facility are for short-term maturities of 90 days or less, which may be in several forms in either Canadian or US dollars. The facility limit is \$65,000 (2021 – \$65,000). The interest rate on these borrowings is the rate negotiated in the bankers' acceptance market plus 1.4% (2021 – 1.4%). The terms of this facility require that the Company maintain certain financial ratios. The Company is in compliance with these requirements.
- iii. The borrowings under this facility are for short-term maturities of 270 days or less, which may be in several forms in Canadian dollars. The facility limit is \$45,000 (2021 – \$35,000). The interest rate on the bankers' acceptances is the rate negotiated in the bankers' acceptance market plus 0.5% (2021 – 0.5%). The interest rate on the bank indebtedness is Bank Prime (2021 – Bank Prime). A deposit of treasury stock valued at \$82,759 (2021 – \$77,226) secures this facility.

9. OBLIGATIONS TO NON-CONTROLLING INTERESTS AND OTHER LIABILITIES

(A) CLASSIFICATION OF OBLIGATIONS TO NON-CONTROLLING INTERESTS AND OTHER LIABILITIES

An analysis of the Company's obligations to non-controlling interests other liabilities is as follows:

As at December 31	2022	2021
Current		
Acquisition-related (i)	\$ 2,710	\$ 5,343
Obligations to non-controlling interests (ii)	26,184	–
	<u>28,894</u>	<u>5,343</u>
Non-Current		
Acquisition-related (i)	1,583	–
Obligations to non-controlling interests (ii)	11,390	31,299
	<u>12,973</u>	<u>31,299</u>
	<u>\$ 41,867</u>	<u>\$ 36,642</u>

i. Acquisition-related

These amounts relate to the deferred payments on acquisitions completed by the Company. The acquisition-related amounts are comprised of the following:

As at December 31	2022	2021
Deferred payment (a)	\$ 2,710	\$ 5,012
Promissory note payable (b)	1,583	–
Other	–	331
	<u>\$ 4,293</u>	<u>\$ 5,343</u>

- a. The deferred payment of \$2,000 USD (2021—\$4,000 USD) related to the acquisition of Agincourt Capital Management, LLC ("Agincourt"). The amount payable, which may range in value between nil and \$2,000 USD (2021—nil and \$4,000 USD), is dependent on the assets under management of Agincourt on certain future dates before October 1, 2024. During 2022, the Company paid \$2,000 USD to extinguish a portion of this liability.
- b. The present value of a promissory note payable related to the acquisition of Rae & Lipskie Investment Counsel Inc. ("RaeLipskie"). The amount payable, which may range in value between nil and \$1,800, is dependent on the assets under management of RaeLipskie on certain future dates between September 1, 2024 and September 1, 2026.

ii. Obligations to non-controlling interests

The Company has granted to certain non-controlling interests the right to sell to the Company their interests in those subsidiaries at prices which approximate fair value at the date of exercise. These options are exercisable over various future periods. These liabilities relate to future transactions with non-controlling interests, acting in their capacity as owners. Therefore, all subsequent changes in these obligation are reflected in the Consolidated Statement of Equity. An analysis of these obligations is as follows:

Subsidiary to be acquired	Option period	2022	2021
Alta Capital Management LLC	January 2, 2023 to January 2, 2033	\$ 26,184	\$ 25,107
Modern Advisor Canada Inc.	March 31, 2025 to March 31, 2034	–	283
Agincourt Capital Management LLC	October 1, 2025 to October 1, 2040	6,753	5,909
Rae & Lipskie Investment Counsel Inc.	September 1, 2027 to September 1, 2032	4,637	–
		\$ 37,574	\$ 31,299

Each of the above are the present value of the estimated payment required on the earliest date that payment may be required. The discount rate used to determine amounts not currently exercisable ranges between 8.3% and 14.6% (2021 – 11.9%). The most sensitive assumption used estimating each of the future payments is the projected revenues of the subsidiary in the year preceding the exercise date and this assumption largely relies on the most recent data plus growth that is consistent with the Company's current plans. The obligations for Alta and Agincourt are payable in USD.

(B) FAIR VALUE HIERARCHY AND CHANGES IN LEVEL 3 LIABILITIES

An analysis of the changes in the obligations to non-controlling interests and other liabilities categorized as level 3 is as follows:

For the years ended December 31	2022	2021
Fair value through profit or loss:		
Balance, beginning of the year	\$ 5,343	\$ 5,006
Payments	(3,059)	–
Arising on acquisition	1,543	331
Recognized in net earnings	83	48
Foreign exchange translation	383	(42)
Balance, end of year	\$ 4,293	\$ 5,343
Fair value through equity:		
Balance, beginning of the year	\$ 31,299	\$ 26,087
Payments	–	–
Arising on acquisition	4,431	–
Change in fair value	(516)	5,415
Foreign exchange translation	2,360	(203)
Balance, end of year	\$ 37,574	\$ 31,299

10. PROVISIONS

From time to time, the Company is named as a party to claims, proceedings and investigations, including legal, regulatory and taxes, in the ordinary course of its business. 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, 2022 and 2021, there were no material provisions recorded.

11. LEASE OBLIGATIONS

Leases, and recognized lease obligations on the Consolidated Balance Sheets are presented on a discounted basis. An analysis of the Company's lease obligations on a non-discounted basis is as follows:

As at December 31	2022	2021
Payable within one year	\$ 3,196	\$ 2,215
Payable after one year and within five years	11,992	6,943
Payable after five years	18,262	1,113
Total undiscounted lease obligations	\$ 33,450	\$ 10,271

In 2022, the Company recognized interest expense of \$506 (2021 - \$346 restated) and paid a total cash amount of \$1,828 (2021 - \$1,612) in respect of lease obligations.

The amount of the Company's lease obligations, which arise substantially from leased office space, will increase, along with the right of use assets, when the Company enters into a new lease, renews an existing lease or when it is reasonably certain it may exercise an option to extend a current lease. Information on the right to use assets is disclosed in note 6 Equipment.

12. INCOME TAXES

(A) INCOME TAX EXPENSE

The components of the income tax expense are as follows:

For the years ended December 31	2022	2021 <i>Restated</i>
Current tax expense		
Tax on profits for the current year	\$ 9,716	\$ 15,793
Adjustments in respect of prior periods	(96)	(41)
	<u>9,620</u>	<u>15,752</u>
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(10,190)	9,822
Adjustments in respect of prior periods	45	98
	<u>(10,145)</u>	<u>9,920</u>
Income tax expense (recovery)	<u>\$ (525)</u>	<u>\$ 25,672</u>

(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 Canadian Federal and Provincial statutory income tax rates of 26.5% (2021 - 26.5%) in the current year for the following reasons:

For the years ended December 31	2022	2021 <i>Restated</i>
Tax at the combined Federal and Provincial statutory income tax rate for the current year	\$ (15,925)	\$ 50,880
Increase (decrease) in the expense due to:		
Tax exempt income from securities	(2,791)	(4,468)
Rate differential on earnings of foreign subsidiaries	10,934	(4,569)
Non taxable portion of (gains) or losses	7,438	(16,216)
Adjustments due to changes in substantively enacted tax rates	(426)	-
Non-deductible expenses	321	415
Benefits of losses not recognized	262	242
Other	(338)	(612)
Income tax expense (recovery)	<u>\$ (525)</u>	<u>\$ 25,672</u>

The combined statutory income tax rate is the aggregate of the Federal income tax rate of 15.0% (2021 - 15.0%) and the Provincial income tax rate of 11.5% (2021 - 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, 2022	Bank of Montreal shares	Other securities	Non-capital loss carry forwards	Equipment and intangibles	Other temporary differences	Total
Deferred tax assets:						
Balance, beginning of year	\$	–	\$	574	\$	792
Recognized in net earnings		–		230	–	128
Discontinued operations (note 25)		–		(12)	(107)	(126)
Balance, end of year		–		792	2	794
Deferred tax liabilities:						
Balance, beginning of year	\$	40,114	\$	(13)	\$	50,649
Recognized in net earnings		(4,679)		–	(2,641)	(9,820)
Arising on acquisition (note 24)		–		–	–	2,257
Discontinued operations (note 25)		–		–	(6,047)	(6,047)
Foreign exchange translation		–	152		4	155
Balance, end of year		35,435		(13)	(9,023)	37,194
For the year ended December 31, 2021						
Deferred tax assets:						
Balance, beginning of year	\$	–	\$	576	\$	805
Recognized in net earnings		–		(2)	(11)	(13)
Balance, end of year		–		574	211	792
Deferred tax liabilities:						
Balance, beginning of year	\$	29,326	\$	(13)	\$	40,104
Recognized in net earnings		10,788		–	(1,301)	9,256
Arising on acquisition (note 24)		–		–	–	1,618
Foreign exchange translation		–	(190)		–	(329)
Balance, end of year		40,114		(13)	(6,381)	50,649

(D) 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 \$273,143 (2021 - \$324,662) and deferred tax has not been provided on these differences, as the Company controls the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. In addition, the Company has approximately \$6,296 (2021 - \$5,358) of non-capital loss carry forwards, which have not been recognized and expire between 2034 to 2042.

13. 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	2022		2021	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of year	24,205	\$ 17,403	24,845	\$ 17,935
Acquired and cancelled	(707)	(508)	(786)	(567)
Converted from common	–	–	146	35
Outstanding, end of year	23,498	16,895	24,205	17,403
Common shares				
Outstanding, beginning of year	2,749	664	2,895	699
Converted to Class A	–	–	(146)	(35)
Outstanding, end of year	2,749	664	2,749	664
Total outstanding, end of year	26,247	\$ 17,559	26,954	\$ 18,067

(C) ISSUER BID

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

For the years ended December 31	2022	2021
Purchased and cancelled		
Class A	707	786
Consideration paid	\$ 23,080	\$ 25,104
Less average issue price, charged to share capital	(508)	(567)
Excess consideration charged to retained earnings	\$ 22,572	\$ 24,537

Under the current NCIB, which commenced on December 19, 2022 and expires on December 18, 2023, the Company may purchase up to 137 common shares and 1,624 Class A shares. The Company had purchased and cancelled no shares under the current NCIB in the period up to December 31, 2022.

(D) DIVIDENDS ON COMMON AND CLASS A SHARES

For the years ended December 31	2022	2021
Dividends declared and paid, per share	\$ 0.90	\$ 0.70

The Company also declared dividends of \$0.24 and \$0.34 per share payable on January 18, 2023 and April 19, 2023, respectively, on the common and Class A shares outstanding.

14. TREASURY STOCK

The Company provides Stock-based entitlements to certain senior employees of the Company through an Employee Profit-Sharing Plan Trust (EPSP Trust). The EPSP Trust purchases shares of the Company related to these Stock-based entitlements, which are in the form of either equity-based entitlements or option-like entitlements, and the shares are accounted for as treasury stock. The purchases are financed by a bank loan facility with a major chartered bank, which is secured by the shares held by the EPSP Trust and a guarantee issued by the Company.

(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	2022		2021	
	Shares	Amount	Shares	Amount
Balance, beginning of year	2,212	\$ 31,712	2,234	\$ 29,511
Acquired	155	5,965	122	3,378
Disposed	(236)	(2,108)	(144)	(1,177)
Balance, end of year	2,131	\$ 35,569	2,212	\$ 31,712

During the year, the Company disposed of 236 (2021 – 144) of the class A shares for amounts equal to their costs.

As at December 31, 2022, the treasury stock was comprised of 30 common shares (2021 – 30) and 2,101 class A shares (2021 – 2,182 shares).

(B) EQUITY-BASED ENTITLEMENTS

Equity-based entitlements allow the employees to acquire shares of the Company from the EPSP Trust at zero cost, subject to predetermined vesting arrangements and other conditions.

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

For the years ended December 31	2022	2021
Balance, beginning of year	1,333	1,209
Entitlements provided	155	124
Entitlements exercised	(65)	–
Balance, end of year	1,423	1,333

Equity-based entitlements provided during the year ended December 31, 2022 had a fair value of \$5,965 (2021 – \$3,442).

(C) OPTION-LIKE ENTITLEMENTS

The option-like entitlements allow the employees to purchase shares of the Company from the EPSP Trust at prices equal to the amount of the borrowings 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	2022		2021	
	Number of Shares	Weighted average exercise price per share	Number of Shares	Weighted average exercise price per share
Balance, beginning of year	879	\$ 9.87	1,023	\$ 9.64
Exercised	(171)	8.53	(144)	6.76
Balance, end of year	708	\$ 10.20	879	\$ 9.87

No option-like entitlements were granted during 2022 or 2021.

As at December 31, 2022, there were option-like entitlements outstanding for 708 class A shares (2020 – 879).

Because these entitlements have option-like characteristics, they are accounted for as options and valued using the Black-Scholes option pricing model. The value of the entitlements provided is recorded as compensation cost over the vesting period of the entitlements, and is credited to contributed surplus. On exercise of an entitlement, treasury stock is reduced for the value of the entitlement exercised.

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

	Number of Shares	Weighted average exercise price per share
As at December 31, 2022		
\$7.51 – \$10.00	484	\$ 9.55
\$10.01 – \$12.50	224	11.59
	708	\$ 10.20
As at December 31, 2021		
\$7.51 – \$10.00	655	\$ 9.28
\$10.01 – \$12.50	224	11.59
	879	\$ 9.87

All option-like entitlements outstanding are vested.

15. DIVIDEND AND INTEREST INCOME

Dividend and interest income is comprised of the following:

For the years ended December 31	2022	2021 <i>Restated</i>
Dividends on Bank of Montreal shares	\$ 12,238	\$ 9,688
Other securities	8,862	7,293
Dividend income	21,100	16,981
Operating activities	338	6
Investing activities	703	419
Interest income	1,041	425
Dividend and interest income	\$ 22,141	\$ 17,406

16. EMPLOYEE COMPENSATION AND BENEFITS

Employee compensation and benefits are comprised of the following:

For the years ended December 31	2022	2021 <i>Restated</i>
Salaries and other compensation, payroll taxes and benefits	\$ 97,923	\$ 91,800
Contributions to defined contribution pension plans	2,197	2,121
Stock-based compensation	3,597	2,602
Employee compensation and benefits	\$ 103,717	\$ 96,523

17. NET GAINS (LOSSES)

Net gains (losses) are comprised of net gains (losses) arising on the following items:

For the years ended December 31	2022	2021 <i>Restated</i>
Bank of Montreal common shares	\$ (30,447)	\$ 90,358
Other securities	(74,389)	49,507
Securities (i)	(104,836)	139,865
Disposal of intangible assets	54	(4)
Foreign exchange (ii)	566	(174)
Net gains (losses)	\$ (104,216)	\$ 139,687

- i. **Net gains (losses)** on securities are a result of changes in the fair value of securities, securities backing third party investor liabilities and third party investor liabilities.
- ii. **Foreign exchange gains (losses)** arise from monetary assets and liabilities denominated in currencies which are different from the functional currencies of the Company or its individual subsidiaries.

18. NET (LOSS) EARNINGS PER SHARE

The calculations of net (loss) earnings per share and net earnings from continuing operations per share are based on the following:

For the years ended December 31	2022	2021
Weighted average number of share outstanding		
Basic	24,426	25,068
Effect of outstanding entitlements and options from stock based compensation plans	–	1,794
Diluted	24,426	26,862
Net earnings (loss) from continuing operations attributable to shareholders		
Basic	\$ (61,503)	\$ 166,147
Effect of outstanding entitlements and options from stock based compensation plans	–	216
Diluted	\$ (61,503)	\$ 166,363
Net earnings (loss) attributable to shareholders		
Basic	\$ (43,078)	\$ 184,239
Effect of outstanding entitlements and options from stock based compensation plans	–	216
Diluted	\$ (43,078)	\$ 184,455

The calculation of weighted average number of shares outstanding includes both Common and Class A shares less share held by the EPSP Trust as Treasury Stock.

The effects of 2,162 (2021 – 439) 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.

19. BUSINESS SEGMENTS

The Company operates in the following three main business segments: a) Investment Management, which primarily involves earning management fees relating to investment management services provided to clients; b) Wealth Management, which primarily involves earning investment management and advisory fees for such services to high and ultra-high net worth clients, earning transactional and continuing commissions on life insurance products, mutual funds and other securities and other fees for related services; and c) Corporate Activities and Investments, which relates substantially to the investment of the Company's securities holdings, as well as corporate management and development activities.

(A) BUSINESS SEGMENTS

The following table discloses certain information about these segments:

For the years ended December 31	Investment Management		Wealth Management		Corporate Activities & Investments		Inter-segment transactions		Consolidated	
	2022	2021 <i>Restated</i>	2022	2021 <i>Restated</i>	2022	2021 <i>Restated</i>	2022	2021 <i>Restated</i>	2022	2021 <i>Restated</i>
Management and advisory fees	\$ 149,212	\$ 149,935	\$ 36,501	\$ 34,246	\$ –	\$ –	\$ (1,976)	\$ (2,006)	\$ 183,737	\$ 182,175
Fees paid to referring agents	(4,842)	(4,905)	(8,503)	(8,710)	–	–	–	–	(13,345)	(13,615)
Net management and advisory fees	144,370	145,030	27,998	25,536	–	–	(1,976)	(2,006)	170,392	168,560
Administrative services income	4,995	5,021	3,391	2,949	77	65	–	–	8,463	8,035
Dividend and interest income	24	13	385	6	21,179	16,645	553	742	22,141	17,406
Net revenue	149,389	150,064	31,774	28,491	21,256	16,710	(1,423)	(1,264)	200,996	194,001
Expenses										
Employee compensation and benefits	75,945	71,683	19,050	17,431	8,722	7,409	–	–	103,717	96,523
Amortization	8,370	7,533	2,354	2,099	1,403	1,243	–	–	12,127	10,875
Interest	212	182	316	158	4,002	878	(179)	(76)	4,351	1,142
Other expenses	27,489	22,629	6,718	5,626	3,715	3,455	(1,244)	(1,188)	36,678	30,522
	112,016	102,027	28,438	25,314	17,842	12,985	(1,423)	(1,264)	156,873	139,062
Operating earnings	37,373	48,037	3,336	3,177	3,414	3,725	–	–	44,123	54,939
Net gains (losses)	743	(525)	151	(68)	(105,110)	140,280	–	–	(104,216)	139,687
Net earnings (loss) before income taxes	38,116	47,512	3,487	3,109	(101,696)	144,005	–	–	(60,093)	194,626
Income tax expense (recovery)	7,670	10,313	1,345	1,431	(9,540)	13,928	–	–	(525)	25,672
Net earnings (loss) from continuing operations	30,446	37,199	2,142	1,678	(92,156)	130,077	–	–	(59,568)	168,954
Net earnings from discontinued operations	–	–	22,251	21,786	–	–	–	–	22,251	21,786
Net earnings (loss)	\$ 30,446	\$ 37,199	\$ 24,393	\$ 23,464	\$(92,156)	\$ 130,077	\$ –	\$ –	\$(37,317)	\$ 190,740
Net earnings (loss) attributable to:										
Shareholders	\$ 28,183	\$ 33,964	\$ 20,895	\$ 20,198	\$(92,156)	\$ 130,077	\$ –	\$ –	\$(43,078)	184,239
Non-controlling interests	2,263	3,235	3,498	3,266	–	–	–	–	5,761	6,501
	\$ 30,446	\$ 37,199	\$ 24,393	\$ 23,464	\$(92,156)	\$ 130,077	\$ –	\$ –	\$(37,317)	\$ 190,740
Additions to segment assets										
Intangible assets	\$ 1,165	\$ 6,029	\$ 27,125	\$ 19,063	\$ –	\$ 315	\$ –	\$ –	\$ 28,290	25,407
Equipment	302	843	1,725	2,898	17,258	1,312	–	–	19,285	5,053
Goodwill	–	–	6,432	6,653	–	–	–	–	6,432	6,653
As at December 31	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Segment assets and liabilities:										
Assets	\$ 211,433	\$ 182,971	\$ 396,509	\$ 355,030	\$ 814,758	\$ 956,362	\$(57,928)	\$(65,688)	\$ 1,364,772	\$ 1,428,675
Liabilities	106,168	92,280	276,099	262,929	257,574	286,577	(57,928)	(65,688)	581,913	576,098

(B) GEOGRAPHIC SEGMENTS

The Company also operates in various geographic regions. The following table discloses certain information about the Company's activities by geography:

For the year ended December 31	Canada		United Kingdom		United States and other		Consolidated	
	2022	2021 <i>Restated</i>	2022	2021 <i>Restated</i>	2022	2021 <i>Restated</i>	2022	2021 <i>Restated</i>
Net revenue from external parties	\$ 113,936	\$ 105,921	\$ 47,041	\$ 41,731	\$ 40,018	\$ 46,349	\$ 200,996	\$ 194,001
As at December 31	2022	2021	2022	2021	2022	2021	2022	2021
Segment non-current assets								
Intangible assets	\$ 26,485	\$ 95,805	\$ 2,949	\$ 3,764	\$ 67,452	\$ 68,644	\$ 96,886	\$ 168,213
Equipment	22,172	13,901	826	1,053	2,304	1,620	25,302	16,574
Goodwill	11,133	37,342	888	888	30,498	28,413	42,519	66,643

20. 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	2022	2021
Decrease (increase) in non-cash working capital assets		
Interest-bearing deposits with banks	\$ (8,872)	\$ (11,903)
Accounts receivable and other assets	1,948	(15,077)
Receivables from clients and broker	(1,574)	(12,043)
Increase (decrease) in non-cash working capital liabilities		
Client deposits	1,311	10,898
Accounts payable and other	12,490	34,149
Payable to clients	1,574	12,043
Net change in non-cash working capital items	\$ 6,877	\$ 18,067

21. FINANCIAL RISKS MANAGEMENT

The Company's goal in managing financial risk is to evaluate the risks being taken against the benefits that are targeted to be achieved and, where those risks are deemed acceptable, to mitigate those risks, where practicable. A discussion on the Company's risk management practices is included under the heading "Risk Factors" in the Management's Discussion and Analysis of the Company's 2022 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 \$273,064 (2021 – \$308,834) 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 and has been reducing this risk. A change in the price of the Bank of Montreal shares by 10% would result in a gain or loss of \$27,306 (2021 – \$30,883).

(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

Price risk, the risk of a gain or loss resulting from movements in the price of securities, arises when the Company invests in securities. The Company's most significant exposure to price risk, excluding the investment in Bank of Montreal shares and fixed-income and short-term securities is as follows:

As at December 31, 2022	Securities classified as fair value through the profit and loss		Gain or loss recognized from 10% market change in region	
Canada	\$	58,155	±\$	5,815
Rest of the World		301,358		30,136
	\$	359,513	±\$	35,951
<hr/>				
As at December 31, 2021				
Canada	\$	43,602	±\$	4,360
Rest of the World		371,634		37,164
	\$	415,236	±\$	41,524

This risk is managed through the use of professional in-house portfolio management expertise, which takes a disciplined approach to investment management. The Company's securities holdings, excluding the Bank of Montreal shares, are also diversified by asset class and by geographical region. The net price risk from third party investors liabilities and Securities banking third party liabilities is minimal and is discussed in detail in note 3.

ii. Currency Risk

Currency risk, the risk of a gain or loss resulting from the movements in currency exchange rates, arises when the Company or one of its subsidiaries is a party to financial instruments which are denominated in a currency which is different from its functional currency. The Company's most significant exposure to currency risk is as follows:

As at December 31	2022	2021
Bank loans and borrowings	\$ –	\$ 14,779

The Company's currency risk is primarily related to the US dollar borrowings. This risk is mitigated by the US dollar cash flows which are generated by certain of the Company's subsidiaries, which have been used to reduce these borrowings. In addition, the Company will recognize an offsetting amount on translation of the investment in this foreign subsidiary and recognize a gain/loss in other comprehensive income. A change in the CAD-USD exchange rate by +/-10% would result in a foreign exchange gain or loss of +/- \$ nil (2021 – \$1,478) recognized in net earnings

From time to time, a foreign subsidiary may hold an unhedged position in Canadian dollars, which can result in foreign exchange gains or losses in that subsidiary. Upon translation of their results on consolidation, the Company will recognize an equal and offsetting foreign currency translation adjustment 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

Interest rate risk, the risk of increased income and expense or gain or loss resulting from changes in interest rates, arises when the Company is party to an interest-bearing financial instrument. The Company's significant exposure to interest rate risk is as follows:

As at December 31	2022	2021
Interest rate sensitive assets:		
Interest-bearing deposits with banks	\$ 67,446	\$ 54,510
Short-term securities	9,577	8,459
Fixed-income securities	18,259	19,357
	\$ 95,282	\$ 82,326
Interest rate sensitive liabilities:		
Bank loans and borrowings	\$ 131,566	\$ 114,873
Client deposits	59,080	53,451
	\$ 190,646	\$ 168,324

The Company's most significant exposure to interest rate risk is through its bank loans and borrowings, as detailed above. 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 the year, with all other variables held constant, the Company's interest expense would have been increased by approximately \$929 (2021 – \$815).

The Company holds \$18,259 (2021 – \$19,357) of fixed-income securities which are primarily investments in fixed-income funds that are managed by its investment management subsidiaries. The interest rate risk associated with these fixed-income securities are managed first by the Company who selects appropriate fixed-income funds for various interest rates environments and then by the use of professional in-house portfolio management expertise that manages the funds in accordance with each fund's investment policy. The interest rate risk on interest-bearing deposits with banks and the client deposits, both of which arise in the international banking operation, is considered to be low, as the Company manages by matching interest and maturities on the assets and liabilities.

(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	2022	2021
Cash	\$ 54,894	\$ 77,081
Interest-bearing deposits with banks	67,446	54,510
Accounts receivable and other assets	48,398	77,570
Receivable from clients and broker	–	89,356
Short-term securities	9,577	8,459
Fixed-income securities	18,259	19,357
	\$ 198,574	\$ 326,333

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 accounts receivable and other are generally amounts due to from customers and the credit risk is low due to the nature of the Company's customers. The accounts receivable may also include amounts that the Company is owed monies from advisors for advances or commission reversals. The credit risk associated with these amounts is mitigated by management's review of the advisors' ability to repay the advances or commission reversals, particularly, before amounts are paid to the advisors. 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 fixed-income securities are managed by the periodic monitoring of the activities of the portfolio manager who, through diversification and credit quality reviews of the fund's investments, manages the fund's credit risk. The short-term securities government treasury bills or investment in money funds which hold government treasury bills or investment-quality securities with very short duration and low credit risk.

(D) LIQUIDITY RISK

Liquidity risk, the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities, arises when the Company has insufficient resources to meet its obligations as they come due. The Company is exposed to liquidity risk because it has significant obligations which are due within one year. The Company manages this financial risk by managing its cash flows through from operations, maintaining a portfolio of liquid securities, and by arranging significant borrowing facilities with major Canadian banks which are secured by collateral.

22. 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:

- i. **Maintain a strong capital base** to provide investor, creditor, regulator and client confidence; and
- ii. **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, 2022, the Company's regulated businesses had total regulatory capital amounting to \$269,374 (2021 – \$304,310). 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 years, and at year ends, the Company complied with those terms and conditions.

23. 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 certain family members are possible beneficiaries. As at December 31, 2022 Minic beneficially owned 49.5% (2021 – 49.5%) of the Company's outstanding common shares. In 2022 and 2021, 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	2022	2021
Short-term employment benefits	\$ 8,175	\$ 6,397
Post-employment benefits	35	35
Stock-based compensation	1,956	1,198
	<u>\$ 10,166</u>	<u>\$ 7,630</u>

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	2022	2021
Investment management services	\$ 54	\$ 25

(C) OPERATING SUBSIDIARIES

The Company's significant operating subsidiaries during the periods and ownership interest at year ends are as follows:

As at December 31	Country of organization	Voting ownership interest	
		2022	2021
Guardian Capital LP	Canada	100%	100%
Guardian Capital Advisors LP	Canada	100%	100%
Guardian Partners Inc.	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%
Guardian Smart Infrastructure Management Inc.	Canada	100%	n/a
Rae & Lipskie Investment Counsel Inc.	Canada	60%	n/a
Modern Advisor Canada Inc.	Canada	71%	71%
Guardian Capital, LLC	United States	100%	100%
Alta Capital Management, LLC (i)	United States	70%	70%
Agincourt Capital Management, LLC (ii)	United States	70%	70%
Worldsource Wealth Management Inc.	Canada	100%	100%
Worldsource Financial Management Inc. (note 25)	Canada	100%	100%
Worldsource Securities Inc. (note 25)	Canada	100%	100%
IDC Worldsource Insurance Network Inc. (iii) (note 25)	Canada	82%	82%
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 (iv)	Canada	0%	0%

- i. The principal place of business for Alta Capital Management, LLC ("Alta"), the Company's US equity investment manager subsidiary, is located at Suite 260, South Wasatch Boulevard, Salt Lake City, Utah. The non-controlling interests have a 30% equity and voting ownership interest in Alta. (2021 – 30%).

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

For the years ended December 31	2022	2021
Balance, beginning of year	\$ 18,670	\$ 19,819
Net earnings	1,151	2,350
Other comprehensive income	716	(202)
Distributions	(2,955)	(3,297)
Other	–	–
Balance, end of year	\$ 17,582	\$ 18,670

Summarized financial information about assets, liabilities, and operations of Alta before inter-company eliminations in which the non-controlling interests have an interest are as follows:

As at December 31	2022	2021
Current assets	\$ 6,093	\$ 7,065
Other non current assets	795	935
Intangible assets	48,595	49,709
Goodwill	19,902	18,554
	<u>\$ 75,385</u>	<u>\$ 76,263</u>
Current liabilities	\$ 3,767	\$ 3,501
Non current liabilities	646	778
	<u>\$ 4,413</u>	<u>\$ 4,279</u>
For the years ended December 31	2022	2021
Revenue	\$ 19,163	\$ 21,136
Net earnings	3,837	7,833
Comprehensive income	7,268	7,156

- ii. The principal place of business for Agincourt Capital Management, LLC (“Agincourt”), the Company’s US fixed-income investment manager subsidiary, is located at Suite 800, 200 South 10th Street, Richmond, Virginia. The non-controlling interests have a 30% equity and voting ownership interest in Agincourt (2021 – 30%). Agincourt was acquired by the Company on October 1, 2020 and the following tables reflect balances and activity subsequent to acquisition.

The accumulated non-controlling interests in the Company’s accounts related to Agincourt are as follows:

For the years ended December 31	2022	2021
Balance, beginning of year	\$ 9,364	\$ 9,541
Net earnings	796	884
Other comprehensive income	175	(86)
Distributions	(692)	(975)
Balance, end of year	<u>\$ 9,643</u>	<u>\$ 9,364</u>

Summarized financial information about assets, liabilities, and operations of Agincourt before inter-company eliminations in which the non-controlling interests have an interest are as follows:

As at December 31	2022	2021
Current assets	\$ 6,236	\$ 4,983
Other non current assets	115	685
Intangible assets	18,829	18,936
Goodwill	10,596	9,877
	<u>\$ 35,776</u>	<u>\$ 34,481</u>
Current liabilities	\$ 1,946	\$ 2,393
Non current liabilities	121	600
	<u>\$ 2,067</u>	<u>\$ 2,993</u>
For the years ended December 31	2022	2021
Revenue	\$ 12,706	\$ 13,097
Net earnings	2,653	2,947
Comprehensive income	3,236	2,661

- iii. 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 an 18% (2021 – 18%) equity and 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	2022	2021
Balance, beginning of year	\$ 16,594	\$ 13,667
Net earnings	3,738	3,694
Dividends	(1,783)	(767)
Balance, end of year	\$ 18,549	\$ 16,594

Summarized financial information about assets, liabilities and operations of IDC WIN before inter-company eliminations in which the non-controlling interests have an interest are as follows:

As at December 31	2022	2021
Current assets	\$ 49,477	\$ 27,813
Intangible assets	67,703	72,229
Other non-current assets	28,396	28,396
	\$ 145,576	\$ 128,438
Current liabilities	\$ 20,283	\$ 14,309
Non current liabilities	9,425	9,449
	\$ 29,708	\$ 23,758

For the years ended December 31	2022	2021
Revenue	\$ 64,859	\$ 61,895
Net earnings	20,966	20,327
Comprehensive income	20,966	20,327

iv. 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 14, Treasury Stock.

(D) INTERESTS IN INVESTMENT FUNDS

The Company sponsors and manages a number of investment funds, including both mutual funds and exchange traded funds. The purpose of each fund is to efficiently invest monies on behalf of the Company's clients, and they are intended to be the primary investors in and owners of the fund. The Company provides investment management services and in certain circumstances administration services to these funds. These funds, which are separate legal entities, are to be financed by investments made by clients and, to a limited extent, the Company. However, there are periods when the Company may control a fund, due to the management of and the size of its economic interest in the fund, and as a result the Company will consolidate that fund.

i. Consolidated investment funds

The Company consolidates an investment fund when it controls the fund. This is frequently during the initial launch period of a fund when the Company provides the initial seed capital. In addition, control of the fund may change during other periods, for example due to ongoing investments into or out of a fund. Subsequent to control being lost, the Company may continue to maintain an investment in the fund. Investment funds sponsored by the Company which were consolidated at any time during 2022 or 2021, and the Company's ownership interest at the end of each of those years are as follows:

For the years ended December 31	Country of organization	Voting ownership interest	
		2022	2021
Guardian Directed Equity Path ETF	Canada	46%	54%
Guardian i3 Global REIT ETF (a)	Canada	46%	19%
Guardian i3 US Quality Growth ETF	Canada	56%	51%
Guardcap UCITS Funds PLC, Emerging Markets Equity Fund	Ireland	89%	88%
Guardcap UCITS Funds PLC, Alta All Cap Equity Fund	Ireland	100%	100%
Alta Quality Growth Fund	United States	67%	68%
Guardian Dividend Growth Fund	United States	99%	100%
Guardian Fundamental Global Equity Fund	United States	32%	86%
Guardian Aurora Master Fund, LP	Cayman Islands	65%	44%
The Alexandria Directed Equity Path Fund	Cayman Islands	100%	100%

- a. Guardian i3 Global REIT ETF was acquired and consolidated on August 11, 2020 until deconsolidation on November 30, 2021. This Fund was reacquired and consolidated again starting on July 1, 2022.

ii. Unconsolidated investment funds

A summary of the unconsolidated investment funds that are managed by the Company, and the Company's interest in and transactions with those funds, are summarized in the following tables:

As at December 31	2022	2021
Net assets of unconsolidated investment funds	\$ 7,917,426	\$ 9,301,567
Company's interests in unconsolidated investment funds	120,717	88,936
<hr/>		
For the years ended December 31		
Net revenue for investment management and administration services earned directly from unconsolidated investment funds	\$ 37,271	\$ 43,834

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

In addition to the Net revenue shown above, certain investors pay fees for investment management services directly to the Company, rather than through the fund. These fees have not been included in the above amounts.

24. ACQUISITIONS

(A) ACQUISITIONS

i. Rae & Lipskie Investment Counsel Inc.

On September 1, 2022, the Company acquired a 60% interest in Rae & Lipskie Investment Counsel Inc. ("RaeLipskie"), a Waterloo, Ontario-based private wealth management firm with over \$1,000,000 in assets under management. The key employees of RaeLipskie retained the remaining 40% ownership interest and have signed employment agreements to remain with the Company. This strategic acquisition continues to expand and enhance Guardian's wealth management offering.

Total consideration for the transaction is \$9,728 which is comprised of \$7,200 on closing, the present value of a promissory note payable between two to four years and variable earn-outs payable over a five-year period and an adjustment for net working capital. The promissory note has a face value of \$1,800 and is subject to various adjustments which are dependent on the level AUM achieved upon maturity. The variable earn-outs are based on the annual financial performance of RaeLipskie.

The provisional accounting for the transactions is as follows:

Fair value of consideration		
Cash	\$	7,200
Promissory note		1,543
Variable earn-outs		288
Working capital adjustments		697
	\$	9,728
<hr/>		
Fair value of identifiable net assets acquired		
Net working capital, including cash of \$793	\$	1,162
Equipment and right of use asset		493
Intangibles		9,219
Lease liability		(425)
Deferred taxes		(2,257)
		8,192
Goodwill		6,432
Non-controlling interests		(4,896)
	\$	9,728

The Company has recognized non-controlling interests at fair value.

The intangible assets acquired represent RaeLipskie's existing contracts with clients and the goodwill, which is not deductible for tax purposes, represents the retention of key employees, access to established distribution, networks in a key market and other potential synergies.

As part of the transaction, the Company provided an option to the minority shareholders of Raelipskie to sell their remaining interests to the Company, and the Company received an option to buy the remaining minority interest on the same terms and conditions. These options become exercisable commencing on the fifth anniversary of the acquisition and expire on the fifteenth anniversary of the acquisition, and have exercise prices which are determined based on the level of revenue achieved by Raelipskie. On acquisition, the Company has recognized a liability of \$4,431 in respect of the options held by the non-controlling interests, based on the estimated present value of the expected payment required by the Company on the earliest date the options become exercisable.

Raelipskie's contribution to the Company since acquisition are as follows:

For the period from September 1, 2022 to December 31, 2022

Net revenues	\$	2,384
Net income and comprehensive income		248
Net income and comprehensive income attributable to shareholders		136

ii. Guardian Partners Inc.

On March 1, 2021, the Company acquired a 100% interest in BNY Mellon Wealth Management, Advisory Services, Inc., BNY Mellon's Canadian based wealth management business, for a purchase price of \$10,000 in cash on closing and an adjustment for excess net working capital, which was paid on July 14, 2021. The transaction expands the Company's wealth management capabilities in the ultra-high net worth and family office segment and adds in excess of \$5.0 billion of client assets. Subsequent to the transaction, the Company renamed the subsidiary Guardian Partners Inc. ("GPI"). The key employees of the subsidiary were retained as part of the transaction.

The accounting for the transaction is as follows:

Fair value of consideration

Cash	\$	10,000
Estimated net working capital adjustment		2,299
	\$	12,299

Fair value of identifiable net assets acquired

Intangibles – customer relations	\$	6,105
Net current assets, including cash of \$1,181		2,637
Equipment and right of use assets		692
Lease obligations		(219)
Deferred taxes		(1,618)
		7,597
Goodwill		4,702
	\$	12,999

Goodwill, which is not deductible for income tax purposes, represents the retention of the key employees access to established distribution networks in key markets, addition of new products and other potential synergies.

The costs associated with this transaction were approximately \$153. GPI's contributions to the Company since acquisition in 2021 are as follows:

For the period from March 1, 2021 to December 31, 2021

Net revenues	\$	5,455
Net income and comprehensive income		(837)
Net income and comprehensive income attributable to shareholders		(837)

iii. AFL Groupe Financier Inc.

On October 4, 2021, the Company acquired the assets AFL Groupe Financier Inc. ("AFL"), a MGA headquartered in Quebec City, Quebec. The transaction further increases the Company's expansion into the province of Quebec.

The consideration for the transaction is \$6,625, which is comprised of \$6,294 paid on closing, and \$331, payable one year subsequent to closing.

The accounting for the transaction is as follows:

Fair value of consideration	
Cash	\$ 6,294
Deferred payment	331
	\$ 6,625
Fair value of identifiable net assets acquired	
Intangibles – rights to future revenues	\$ 4,619
Net current assets	50
Equipment and right of use assets	480
Lease obligations	(475)
	4,674
Goodwill	1,951
	\$ 6,625

Goodwill, which is expected to be deductible for income tax purposes, represents the expectation that IDC WIN will be able to maximize the value of contracts with major life insurance carriers, and that synergies will be achieved to increase the profitability of the acquired business.

The costs associated with this transaction were approximately \$97, and these were expensed in the current year. AFL's contributions to the Company since acquisition in 2021 are as follows:

For the period from October 1, 2021 to December 31, 2021	
Net revenues	\$ 378
Net income and comprehensive income	153
Net income and comprehensive income attributable to shareholders	153

iv. Pro-forma information on acquisitions

If the acquisition date for each of the above acquisitions had been January 1 of the year in which the acquisition had happened rather than the actual date then the Company estimates that its reported would have been as follows:

For the years ended December 31	2022	2021
Net revenues	\$ 205,934	\$ 287,368
Net earnings	(57,485)	191,291

(B) CASH USED FOR (ACQUIRED IN) ACQUISITIONS

An analysis of the cash used for (acquired in) acquisitions is as follows:

For the years ended December 31	2022	2021
Raelipskie	\$ 7,813	\$ –
Guardian Partners Inc.	–	12,299
AFL	331	6,294
Acquisitions closed prior to 2021	2,728	977
Less cash acquired in above transactions	(793)	(1,181)
	\$ 10,079	\$ 18,389

25. DISCONTINUED OPERATIONS

On November 30, 2022, the Company entered into an agreement to sell its subsidiaries, IDC Worldsource Insurance Networks Inc. (“IDC WIN”), Worldsource Financial Management Inc. and Worldsource Securities Inc. (collectively “Worldsource Subsidiaries”) to the Desjardins Group for \$750,000, subject to customary price adjustments for excess working capital. The proceeds of disposition will be divided between the Company and the non-controlling interests in IDC WIN. These subsidiaries comprise a significant portion of the Company’s Wealth Management business segment. The transaction closed on March 1, 2023.

The book value of the assets and liabilities of the Worldsource Subsidiaries were re-classed as assets and liabilities of discontinued operations on the Company's Consolidated Balance Sheet and are as follows:

As at December	2022	
Assets		
Cash	\$	52,744
Receivables from clients and broker		90,929
Other current assets		28,574
Intangibles		83,264
Goodwill		32,622
Other non-current assets		9,090
Assets of discontinued operations	\$	297,223
Liabilities		
Payable to clients	\$	90,930
Other current liabilities		40,395
Non-current liabilities		10,667
Liabilities of discontinued operations	\$	141,992

The above cash balance of \$52,744 was included as cash used in Discontinued operations, as part of the Company's Investing activities in the Consolidated Statements of Cash Flow.

The summarised operating results of the Worldsource Subsidiaries which are included in the Company's Consolidated Statement of Operations and Comprehensive Income as Net earnings from discontinued operations are as follows:

For years ended December 31,	2022		2021	
Net revenue	\$	99,551	\$	91,086
Expenses		74,103		64,238
Operating earnings		25,448		26,848
Net gains		5,030		2,936
Income taxes		(8,227)		(7,998)
Net earnings from discontinued operations	\$	22,251	\$	21,786
Net earnings from discontinued operations attributable to:				
Shareholders	\$	18,425	\$	18,092
Non-controlling interests		3,826		3,694
	\$	22,251	\$	21,786
Per share (note 18):				
Basic	\$	0.76	\$	0.72
Diluted		0.76		0.68

The summarised cash flows for the Worldsource subsidiaries which have been included in the Company's Consolidated Statements of Cash Flow are as follows:

For years ended December 31,	2022		2021	
Net cash from (used in)				
Operating activities	\$	23,524	\$	29,671
Investing activities		(7,975)		(12,677)
Financing activities		(3,249)		(2,123)
	\$	12,300	\$	14,871

THE TEAM AT GUARDIAN

DIRECTORS

James S. Anas †,§
A. Michael Christodoulou
Petros Christodoulou §
Marilyn De Mara §
Harold W. Hillier §
George Mavroudis
Edward T. McDermott §
Barry J. Myers §
Hans-Georg Rudloff §

COMMITTEES

Audit

James S. Anas §
Harold W. Hillier §
Marilyn De Mara §
Barry J. Myers †,§

Compensation

James S. Anas §
Harold W. Hillier †,§
Edward T. McDermott §
Hans-Georg Rudloff §

Corporate governance & nominating

A. Michael Christodoulou
Marilyn De Mara §
Edward T. McDermott †,§
Barry J. Myers §

PRINCIPAL EXECUTIVES

George Mavroudis
President and Chief Executive Officer
C. Verner Christensen
Senior Vice-President and Secretary
A. Michael Christodoulou
Senior Vice-President, Strategic Planning
and Development
Paula Dunlop
Executive Vice-President, Human Resources
Robin Lacey
Head of Institutional Asset Management
Matthew D. Turner
Senior Vice-President and Chief
Compliance Officer
Donald Yi
Chief Financial Officer
Ernest B. Dunphy
Vice-President and Controller
Eddy Fung
Vice-President, Retail Finance and
Administration
Rachel Hindson
Vice-President, Legal
Angela Shim
Vice-President, Corporate Initiatives

SUPPLEMENTARY INFO

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Annual Meeting

May 12, 2023

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1 King St West, Toronto, ON

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KPMG LLP

Toronto Stock Exchange Listing

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Class A: GCG.A

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Bank of Montreal

† Chairman
§ Independent Director



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