

2014 Annual Report

Guardian Capital Group Limited



GUARDIAN
CAPITAL

Our history. Your future.

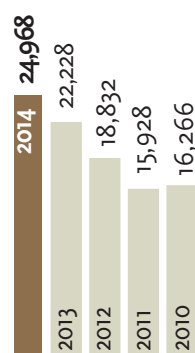
Financial Highlights

“On behalf of your Board of Directors, I am pleased to report to you that Guardian enjoyed another successful year in 2014...” *see more on page 4*

James Anas, Chairman of the Board

Assets Under Management

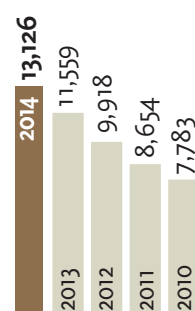
As at December 31
(\$ in millions)



Assets under management increased 12% in 2014, as a result of a combination of the overall positive performance of the financial markets and net new monies received from new and existing clients.

Assets Under Administration

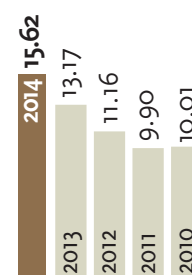
As at December 31
(\$ in millions)



Assets under administration increased 14% in 2014, as a result of market performance, the recruitment of new advisors, and additional assets provided by clients, with the additions coming from each of the three financial advisory subsidiaries.

Shareholders' Equity (per share, diluted)

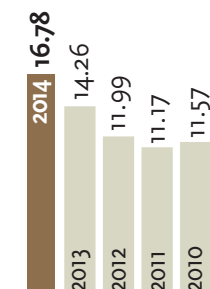
As at December 31
(in \$)



The Company's Shareholders' Equity, increased 19% in 2014, indicating the growth in the net value of all of the Company's recorded assets and liabilities, reflecting both the increase in the value of its Securities Holdings and the profitable operations, net of amounts returned to shareholders during the year.

Value of the Company's Corporate Holdings of Securities (per share, diluted)

As at December 31
(in \$)



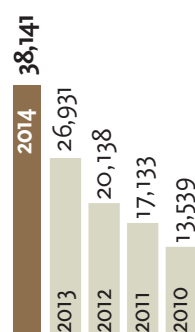
The fair value of the Company's Corporate Holdings of Securities, increased 18% in 2014, reflecting the growth in the fair value of the Company's investments, substantially the Bank of Montreal shares.

“In 2014, our company, once again set new historical highs for such key financial metrics as assets under management, assets under administration, shareholders’ equity, operating earnings and adjusted cash flow from operations...” *see more on page 5*

George Mavroudis, President and Chief Executive Officer

Operating Earnings

For the years ended
December 31
(\$ in thousands)

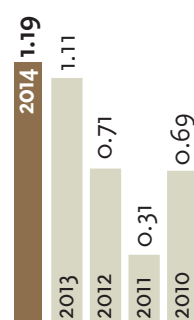


Operating Earnings increased 42% in 2014, reflecting substantial improvements in the Company’s Investment Management and Financial Advisory businesses.

Net Earnings Available to Shareholders

(per share, diluted)

For the years ended
December 31 (in \$)

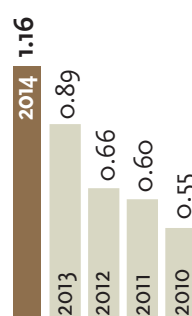


Net Earnings available to shareholders, increased 7% in 2014, reflecting the improved Operating Earnings partially offset by decreased Net Gains on the sale of securities.

Adjusted Cash Flow From Operations

(per share, diluted)

For the years ended
December 31 (in \$)

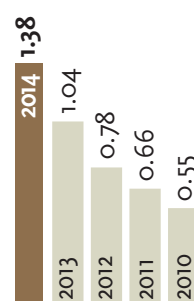


Adjusted Cash Flow from Operations, increased 30% in 2014, reflecting the improvements in Operating Earnings.

EBITDA

(per share, diluted)

For the years ended
December 31 (in \$)



EBITDA increased 33% in 2014, reflecting the improvements in the Company’s operations during the year.

From the Chairman of the Board

Dear Fellow Shareholders,

On behalf of your Board of Directors, I am pleased to report to you that Guardian enjoyed another successful year in 2014, and continued to add value for our shareholders. In fact, record revenues, earnings and assets under management and administration were achieved, reinforcing our confidence in our strategic priorities.

In May, 2014, your Board approved an increase in the quarterly dividend of 18%, to 6.5 cents. Guardian returned to its shareholders \$12.9 million in 2014, made up of dividends of \$7.2 million and share purchases of \$5.7 million. With the growth in earnings in 2014, your Board has declared a quarterly dividend of \$0.075 per share, an increase of 15%, payable on April 17, 2015, to the shareholders of record on April 10, 2015.

Your company's strategy for accelerated international expansion came to fruition during the year, with the acquisition of GuardCap Asset Management Limited in the United Kingdom, and we look forward to future growth from this new venture.

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

Most of all, I want to, once again, recognize the dedicated efforts of Guardian's associates across all of our businesses, who have contributed to our successes. We congratulate all of them for their outstanding efforts and commitment.

I thank all of the members of your Board of Directors for their counsel throughout the year.

Your ongoing support and trust is valued. We look forward to reviewing our progress further with you at the Annual Meeting.

Respectfully,

A handwritten signature in blue ink, appearing to read "James Anas". The signature is fluid and cursive, with the first name "James" being more prominent than the last name "Anas".

James Anas
Chairman of the Board

February 26, 2015

From the President and Chief Executive Officer

Dear Shareholders,

In 2014, Guardian once again set new historic highs for such key financial metrics as assets under management, assets under administration, shareholders' equity, operating earnings and adjusted cash flow from operations. This annual report highlights key financial results, and provides evidence of the many areas in which we have achieved success throughout the year. Guardian's approach to achieving these results has been based on a belief that patient, steady, conservative and controlled investment is the preferred route to sustainable growth and provides the greatest value over the long term to our clients, employees and shareholders.

Key among the ingredients to achieving the above success has been the company's stability. At Guardian, we define stability in terms of our clients, employees and financial resources. We continue to gain and retain clients across all of our business platforms and, more importantly, to build on these relationships for the long term. The stability of our client base is a result of placing the client first, delivering good quality work that meets their objectives, and ultimately earning their trust that we will continue to deliver future successes on their behalf. A growing and stable client base has encouraged an environment which allows us to recruit and retain the brightest and best employees. Finally, the third leg to our stool of stability consists of the financial resources of the company, provided by the strength of our balance sheet, and our profitability. These financial resources provide great confidence to our clients, employees and business partners, that our long-term commitment is matched by our significant financial strength. This stability has been and will continue to be a major driver of Guardian's overall success.

Operating earnings in 2014 have grown significantly compared to prior years, as many of the businesses that we have been patient to seed over the years have continued to deliver improved results. The institutional investment business segment continued to grow assets under management, with a balanced and diversified client base, consisting of traditional pension, corporate and endowment institutions, and retail financial intermediaries that regard Guardian's investment solutions as quality offerings for their various wealth platforms. Guardian's private client investment counseling business continues to attract new high net worth clients, growing assets under management to more than \$2 billion dollars. Overall, our combined investment management businesses succeeded in reaching \$25 billion in assets under management. Worldsource, our financial advisory business segment which serves independent financial advisors across Canada, also contributed improved operating earnings through strong recruitment and new life insurance sales.

Despite delivering record operating earnings, we continue to balance the need to deliver improved current profitability with the need to invest in new initiatives to deliver future growth in earnings. Over the past year, we have, in accordance with our strategies, explored several new initiatives, including acquisitions, but have maintained our discipline and remain very selective in our approach. Clearly, any new initiative must provide us the confidence it will be financially worthwhile; additionally, it must deliver on one or more of our three key strategic objectives: 1) providing an opportunity to develop a sustainable business; 2) diversifying from our concentrated exposure to Canadian equities; and 3) building a global footprint. One new initiative which we are confident will meet our key strategic objectives is the establishment of a presence in London, UK, with the acquisition of an emerging markets equity team, followed by the recruitment to our organization of additional investment professionals, including an experienced fundamental global equity team. The UK business is in its infancy,

continued →

but we have plans to build a high-quality investment team there, focusing on both emerging market and global equity fundamental strategies. These strategies share the characteristics of constructing portfolios with a focused list of securities of our highest conviction, and yet delivering results with less risk than the benchmark indices. Guardian's stability and patience in investing over the long term were critical factors in the recruitment of many of those who have joined us to build this business unit. We anticipate that our commitment in building this team in London, together with our successes in the growth of our systematic global equity team in Toronto, will provide long-term sustainable growth, diversified from our traditional Canadian focus, in the years ahead.

As we deliver improved financial results, we plan to share the rewards with our shareholders, in the form of sustainable and growing dividend payments and, where market conditions permit, an active share buyback program. This past year, we returned more than \$12.8 million to shareholders through dividends and share repurchases, including raising the dividend by 18% to \$0.065 per share per quarter.

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

Warmest regards,

A handwritten signature in blue ink, appearing to read 'G. Mavroudis', with a long horizontal flourish extending to the right.

George Mavroudis,
President and Chief Executive Officer

February 26, 2015

Review of Operations

INSTITUTIONAL INVESTMENT MANAGEMENT

Institutional investment management services are provided by Guardian Capital LP (“GCLP”), which serves pension plan sponsors, broker dealer third-party platforms, closed-end funds and mutual funds, operating and endowment funds, and foundations. GCLP’s capabilities span a range of asset classes, geographic regions, and specialty mandates. One of the largest independent investment management firms in Canada, GCLP is the successor to our investment management business, which was founded in 1962. In 2014, GCLP diversified its investment management capabilities by acquiring a London, UK-based investment management firm, which was renamed GuardCap Asset Management Limited (“GuardCap”).

Assets under management (“AUM”) in GCLP were \$22.8 billion at the end of 2014, up from \$20.4 billion at the end of 2013. The increase in assets under management was due both to strong net inflow of new monies from clients across the institutional and retail intermediary client base, and overall positive growth in equity markets. The S&P/TSX Composite benchmark, in which a majority of our assets under management are invested, rose 10.6% and provided a healthy balance of growth in AUM. In addition, continued stability in the investment team and organization, and strong client service and business development efforts, set the stage for overall growth.

Canadian Equity

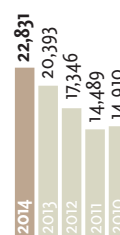
In 2014, performance of our Canadian equity strategies was mixed. Many strategies added value relative to the main S&P/TSX Composite benchmark, while others lagged. Looking at the past three years, all remain in significant value-added territory and this should continue to provide support for further growth in 2015. Client demand for strategies with a bias toward income generation continued to be strong in 2014, particularly among the retail investors. Our leading expertise in managing Equity Income and Growth & Income strategies for well over 15 years, and our partnership with several leading retail intermediaries, resulted in significant net new monies from our retail partners. We believe this theme will continue to remain popular with retail investors, as yield on fixed income continues to shrink and dividends provide a compelling alternative for income generation; this should support further growth in 2015. At times when many institutional investors are shrinking their allocation to Canadian equities, we are proud to have experienced continued growth in this area, and intend to continue providing the solutions that investors desire. Guardian has one of the deepest Canadian Equity investment teams in the industry, with ten investment professionals who have an average of 25 years of experience overseeing a total of approximately \$13.7 billion in assets under management.

Global Equity

The recent and longer-term performance history of our Global Dividend Equity strategy was instrumental in placing us on several key retail intermediary platforms over the past few years. This acquired shelf space, along with a demand by retail investors for strategies with a bias toward income generation and lower volatility, continued to provide us with strong cash inflow momentum in 2014, which was a large contributor to the growth in AUM for the global equity team this past year. As a result of these strong cash inflows for the Global Dividend Equity strategy, the team at the end of 2014 is reporting total global equity AUM of \$2.5 billion, representing growth of over 40% during the year. Absolute and relative performance for our global equity strategies in 2014 was very strong and helped lift the longer-term performance that had been affected by weaker returns in recent years. A return to strong relative value-added performance will help regain the confidence within the consultant and institutional client channels. The appetite of retail investors for income-generating equities mentioned above in the context of Canadian equities also applies in global markets. We have recently initiated a significant retail distribution relationship in the U.S., and early signs show that these investors are also embracing our Global Dividend Equity strategy.

With the addition of the investment professionals at GuardCap in 2014, we have added expertise in managing emerging markets and global equities. While our team based in Toronto mainly follows a quantitative approach, our team based in London follows a fundamental approach, and offers highly concentrated strategies. We believe these strategies complement each other and provide a broader set of choices to investors. The longer-term

\$22.8B



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

performance of the strategies managed by GuardCap are very strong and should appeal to the growing number of investors seeking high-conviction portfolios. We are continuing to build the team in London and expect to add additional resources in 2015 to complement the current team of six investment professionals.

Fixed Income

The fixed income team faced a more challenging relative return year in 2014. Our focus on higher-quality securities, combined with a short-duration bias, positioning was not rewarded. Nevertheless, our consistent conservative style of management continues to appeal to investors seeking safety in their bond allocations, as evidenced by the growth experienced in our Liability Duration Investing (“LDI”) strategies. Our approach to LDI is to construct portfolios tied to the liability structure of our clients, while seeking to add modest value above the rate of growth in underlying liabilities.

The ongoing investor appetite for higher-yielding securities supported continued growth in our high-yield bond strategies. However, we expect bond yields to rise eventually, and therefore the prospects of adding significant absolute returns from core bond investments will be limited. This will be a challenging environment for many strategies that have performed well over the last 20 to 30 years. As a result, we have initiated new strategies over the past several years, including a short-duration bond strategy focusing on high-quality corporate issues, and a variation on this strategy incorporating an allocation to high-yield bonds. We also launched a more benchmark-free fixed income product, with a focus on producing a reliable income payout of 5.75% per annum, while attempting to preserve capital in a changing rate environment by allowing the portfolio manager to roam between high-yield, investment-grade and government bonds, having the ability to both lever and short any of these credits. This strategy has so far consistently generated returns in excess of its target payout through some difficult bond markets, and has surpassed \$40 million in assets under management. We believe this strategy will increasingly become a compelling choice for investors. The product is being offered through an offering memorandum, and represents our initial efforts to carve a niche in alternative fixed income strategy. We intend to be well-prepared to meet investor needs in a changing fixed income landscape.

Balanced Funds

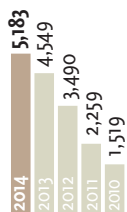
Balanced or multi-asset class strategies, have historically been a relatively small component of our AUM, but have witnessed increased momentum over the past few years. Investors have started recognizing Guardian’s ability to customize balanced funds, by selecting strategies from its wide range of Canadian and foreign equity solutions, combined with a solid fixed income offering. We continued to add balanced fund clients in 2014, and expect to continue the momentum in 2015, particularly with smaller endowments, foundations and third-party retail platforms.

Investment Client Distribution

The composition of our client base remains broadly diversified, with approximately 50% of assets from institutional corporate and pension accounts, and 50% from retail intermediary clients. Retail intermediary includes sub-advisory relationships with mutual funds and closed-end funds, and our leading position in the separately-managed wrap account programs with the top broker-dealers in the country. The separately-managed wrap account assets continued to deliver excellent growth in net new assets over the 2014 calendar year, as we finished the year with more than \$5.2 billion in AUM in this channel. Many of our existing broker-dealer partners, in particular the big six Canadian banks, consider us as a preferred provider of core investment solutions on their managed account platforms. Our independence as a wholesaler of diversified investment solutions that deliver consistent returns and our strong investment team continuity, coupled with our excellence in servicing the advisors in these large broker-dealer distribution channels, positions us as a strong partner for their fast-growing managed fee-based programs.

In 2011 and 2012 we experienced our highest levels of requests for proposals and finalist opportunities for any two-year period. Over the past two years, we received fewer requests for proposals, partly attributable to a general trend experienced by the overall market and partly because searches that were in demand were in areas that we currently do not serve, such as a host of private assets in equity and infrastructure searches. Search activity also tends to be slower in a relatively strong market environment, as investors are less inclined or pressured to initiate changes in their lists of managers. Much of our growth in institutional assets over the past year came from existing clients, who continue to add net new inflows to their existing mandates with us. We remain committed to serving the institutional pension market and their consultants, as this channel requires a constant connection with the key decision-makers, so that when certain needs arise, we are a familiar alternative to meet them. Our broad strength in relative performance for our domestic equities is an area where we continue to have respect as a top manager, for consideration by the consultant community. Unfortunately, barring any major competitor setbacks, this is an asset class that involves taking away market share from others, rather than a segment of the market that is experiencing overall growth. Global equity searches continue to be an area where we can see overall market demand and growth. The recent strong performance of our quantitative equity strategies and the addition of compelling strategies offered by GuardCap will help us take advantage of this trend.

\$5.2B



Wrap Assets
Under
Management

as at Dec. 31
(\$ mil)

Part of a successful distribution strategy is the ability to launch new investment mandates and relevant investment vehicles, to market to specific segments of the market. In 2013 we successfully launched our first private direct real estate fund, subscribed largely by a select group of corporate third party clients, together with Guardian's corporate assets, for an aggregate capital commitment of \$80 million. In 2014, we successfully deployed the majority of this capital through the acquisition of one property at a time to construct a portfolio of diversified real estate holdings. We shall continue in the year ahead to raise further capital, to grow our core balanced direct real estate fund. In 2014, our other new product development efforts were focused largely on growing our global equity assets under management. We launched several new initiatives to open investment strategies and markets, including a proprietary UCITs vehicle in Dublin, which is a prospectus mutual fund, to market our new fundamental concentrated global equity strategy to European institutional investors; and a 40 Act fund, a US prospectus mutual fund, partnering with a US mutual fund company, where our systematic global equity team is sub-advising the fund with our relatively strong global dividend strategy. These new initiatives are evidence of our desire to expand our client base, either directly or through partnerships, into new geographic regions, with solutions that have wide appeal to a large and diverse investor universe. Building the infrastructure involves a great deal of time and cost, but we expect that over the course of the next few years, these new initiatives will deliver growth in assets under management and further diversify our client base.

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

PRIVATE WEALTH MANAGEMENT

Guardian Capital Advisors LP ("GCA") provides portfolio management services to private wealth clients, foundations and endowments within Canada and abroad. We assist our private clients to achieve their investment objectives, by constructing tax-efficient, fully-discretionary segregated or investment fund solutions that are tailored to the individual client. Our investment process combines the depth of proprietary research available from Guardian's institutional investment management teams with the experience of dedicated private wealth client portfolio managers. We work not only with the clients themselves, but also with their financial, legal, accounting and other advisors, to ensure that the services we provide are properly integrated with the overall financial objectives of our clients. Through offices in Vancouver, Calgary and Toronto, clients and their advisors have local direct access to experienced investment professionals, supported by the vast intellectual resources of the firm, to construct custom-designed solutions for each client. A strong administrative and support team ensures that client requirements are met in a timely manner.

GCA's assets under management and supervision were \$2.1 billion at the end of 2014, compared to \$1.8 billion at the end of 2013. We believe that a focus on risk management, as well as on enhanced returns over the long term, will provide the desired benefits to our client base, which are protection against short-term volatility, long-term growth and tax-efficient cash flows. GCA continues to attract new clients, both directly and through referrals from financial advisors. The majority of our client base is domestic, divided almost equally between Eastern and Western Canada. Our business development efforts will continue to focus on promoting awareness in the legal, accounting, family office and financial advisory communities.

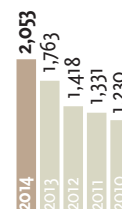
INTERNATIONAL PRIVATE BANKING

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

Alexandria Trust Corporation ("ATC") is a licensed and regulated domestic trust company based in Barbados, which provides fiduciary and corporate administration services to international clients. The acquisition completed in 2013 added to our presence on the island and solidified our offerings to existing and new clients. With enhanced commitment to provide corporate and trust management services to international clients in Barbados, we gained new clients in 2014, who have historically refrained from retaining us due to our limited presence.

Alexandria Bancorp Limited ("ABL") is a private bank based in the Cayman Islands, which was established in 1990. ABL is licensed and regulated by the Cayman Islands Monetary Authority to provide investment management, fiduciary and banking services to international clients. ABL has substantial investment management capabilities, both through its own Alexandria Fund and its managed segregated account platform. In 2015, in coordination with our expanded offering in Barbados through ATC, ABL plans to continue to strengthen its international referral network and to improve its pooled investment alternatives.

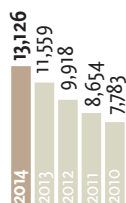
\$2.1B



Private Wealth
Assets Under
Management

as at Dec. 31
(\$ mil)

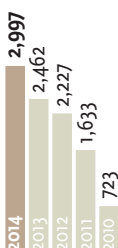
\$13.1B



Total Assets Under Administration

as at Dec. 31
(\$ mil)

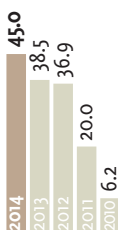
\$3.0B



Insurance Assets Under Administration

as at Dec. 31
(\$ mil)

\$45M



Premiums on Annual Insurance Policies Sold

for the years ended Dec. 31
(\$ mil)

FINANCIAL ADVISORY

Worldsource Wealth Management Inc. (“Worldsource”) is an integrated financial advisory platform, with independent financial advisors offering mutual funds, securities and life insurance products to Canadians from coast to coast. Total assets under administration (“AUA”) in Worldsource were \$13.1 billion at December 31, 2014, compared to \$11.6 billion at the end of 2013. The operating earnings from the Financial Advisory segment for 2014 were \$6.4 million, a \$4.2 million increase from the same period in 2013. The operating improvements in this segment is even more significant when compared to a loss of \$3 million in 2011.

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

The Dealers completed a successful 2014, ending the year with \$10.1 billion in AUA, an 11% increase compared to \$9.1 billion in 2013. The increase in AUA and operating earnings were attributable to successful recruiting programs, higher sales productivity and improved cost management. The Dealers’ net commission revenues have grown but the gross sales commissions continue to trend lower in 2014, due to a general move by advisors away from deferred sales charge “rear-load” funds to lower sales commission rate “front-load” funds. The front load funds generally have higher continuing or “trailer” fees, so that future periods will benefit from the build-up of these continuing commissions. We believe that the move toward greater trailer fee revenue better aligns the advisors’ businesses with the clients’ interests. It also improves the advisors’ and the Dealers’ business models, by providing for higher recurring revenue as opposed to the historical reliance on active sales commission activity. Due to the volatility in the equity markets, advisors and their clients remain cautious, as they continue to allocate a significant amount of their investments into balanced and equity income strategies. With the recent volatility in oil prices and the resulting volatility in the Canadian equity market, investors are also increasingly seeking diversification into global equity solutions.

During 2014, the Dealers began working more closely with their independent advisors, to create an investment solutions program where Guardian’s investment management capabilities will be leveraged to convert more Worldsource AUA into Guardian AUM. We have seen some success in 2014 as \$398 million in AUM at the end of 2014 originated from the Dealers, with the Private Client business being the main beneficiary of the referred assets. We plan to continue to focus on increasing our AUM through the Dealers’ network of advisors.

IDC WIN is a national insurance Managing General Agency (“MGA”), which is 79% owned by Worldsource and which provides sales, marketing and administrative support to licensed insurance advisors. IDC WIN is a leader in the MGA market in Canada, and has a significant competitive advantage for meaningful growth and profitability, as the industry continues to consolidate. The annual premiums on insurance policies sold (“Annual Premiums Sold”) were \$45.0 million in 2014, compared to \$38.5 million in 2013, a 17% increase. Segregated fund and accumulation annuity AUA was \$3.0 billion as at December 31, 2014, up from \$2.5 billion as at the end of 2013, a 20% increase. Led by the growth in Annual Premiums Sold and strong segregated fund sales in 2014, IDC WIN has generated net commission revenue of \$17.1 million, compared to \$14.1 million in 2013. Included in the 2014 net commission revenue are annual service fees of \$6.4 million which grew by \$1.1 million from 2013. Each dollar of Annual Premiums Sold generates sales commission at the time of the sale and adds continuing annual service fee revenue based on the Annual Premiums Sold, 12 months after the sale, for the duration of the policies.

Management's Discussion and Analysis

In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited ("Guardian") pertains to the year ended December 31, 2014, with comparatives for the year 2013. Readers are encouraged to refer to the discussions and analyses contained in the 2013 Annual Report and the First, Second and Third Quarter 2014 Reports. This discussion and analysis has been prepared as of February 26, 2015.

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

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

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

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

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company, which serves the wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: institutional and private client investment management; financial advisory, which includes an insurance managing general agency ("MGA"), a mutual fund dealer, and a securities dealer; and corporate activities and investments. As at December 31, 2014, Guardian had \$25 billion of assets under management ("AUM"), \$13 billion of assets under administration ("AUA") and \$45 million in annual premiums on insurance policies sold ("Annual Premiums Sold") during the year. In addition, Guardian has a diversified portfolio of securities which, together with its investment in Bank of Montreal shares, had a fair value of approximately \$525 million at the end of the year.

2014 HIGHLIGHTS

Guardian had a successful 2014, reaching historic highs in many of its key measures. The AUM reached \$25 billion for the first time in 2014. The AUA and Annual Premiums Sold reached \$13 billion and \$45 million, respectively, each being new highs. The operating earnings continued to show strong growth, surpassing \$38 million, a 42% increase from the prior year. The operating segments contributed 68% of the operating earnings, compared to 56% in the prior year. The financial advisory segment contributed \$6.4 million in operating earnings, an increase of just under 200% from 2013 and even a more significant achievement compared to a loss of \$3 million in 2011.

Guardian strengthened and diversified its investment management capabilities through an acquisition of a London UK-based emerging market investment management firm and recruitment of new investment professionals. Guardian entered into new geographical markets and launched new products, including a UCITS fund in Europe.

USE OF NON-IFRS MEASURES

Guardian's management uses certain measures to evaluate and assess the performance of its business. Two of the measures that Guardian uses, EBITDA and adjusted cash flow from operations, are not in accordance with International Financial Reporting Standards ("IFRS"). Non-IFRS measures do not have standardized meanings prescribed by IFRS, and are therefore unlikely to be strictly comparable to similar measures presented by other companies.

However, Guardian's management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these measures in analyzing Guardian's results.

EBITDA

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

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

For the years ended December 31 (\$ in thousands)	2014	2013
Net earnings, as reported	\$ 37,613	\$ 34,743
Add (deduct):		
Net (gains) losses on securities held for sale	(360)	58
Income tax expense	7,663	3,767
Net (gains)	(6,775)	(11,637)
Stock-based compensation	1,348	1,247
Interest expense	981	1,130
Amortization	3,591	3,706
Non-controlling interests	(1,169)	(707)
EBITDA	\$ 42,892	\$ 32,307

Adjusted Cash Flow From Operations

Adjusted cash flow from operations is used by management to indicate the amount of cash either provided by or used in Guardian's operating activities, and many companies similar to Guardian use a similar measure in this manner. The most comparable IFRS measure is "Net cash from operating activities", which is disclosed in Guardian's Consolidated Statements of Cash Flow.

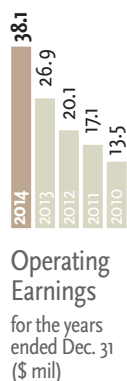
The following is a reconciliation of this non-IFRS measure to the IFRS measure:

For the years ended December 31 (\$ in thousands)	2014	2013
Net cash from operating activities, as reported	\$ 38,083	\$ 30,669
Net change in non-cash working capital items	(1,004)	(2,631)
Non-controlling interests	(854)	(416)
Adjusted cash flow from operation	\$ 36,225	\$ 27,622

CONSOLIDATED FINANCIAL RESULTS

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

For the years ended December 31 (\$ in thousands, except per share amounts)	2014	2013	% change
Net revenue	\$ 119,275	\$ 101,278	+ 18 %
Expenses	81,134	74,347	+ 9 %
Operating earnings	38,141	26,931	+ 42 %
Net gains	6,775	11,637	- 42 %
Earnings before income taxes and net gains (losses) on securities held for sale	44,916	38,568	+ 16 %
Income tax expense	7,663	3,767	+ 103 %
Net earnings before net gains (losses) on securities held for sale	37,253	34,801	+ 7 %
Net gains (losses) on securities held for sale	360	(58)	+ 721 %
Net earnings	\$ 37,613	\$ 34,743	+ 8 %
Available to shareholders			
Net earnings	\$ 37,017	\$ 34,432	+ 8 %
EBITDA	42,892	32,307	+ 33 %
Adjusted cash flow from operations	36,225	27,622	+ 31 %
Available to shareholders, per share, diluted			
Net earnings	\$ 1.19	\$ 1.11	+ 7 %
EBITDA	1.38	1.04	+ 33 %
Adjusted cash flow from operations	1.16	0.89	+ 30 %



As at December 31 (\$ in millions, except per share amounts)	2014	2013	% change
Assets under management	\$ 24,968	\$ 22,228	+ 12 %
Assets under administration	13,126	11,559	+ 14 %
Shareholders' equity	489	415	+ 18 %
Value of corporate holdings of securities	525	449	+ 17 %
Per share, diluted			
Shareholders' equity	\$ 15.62	\$ 13.17	+ 19 %
Value of corporate holdings of securities	16.78	14.26	+ 18 %
For the years ended December 31 (\$ in millions)			
Annual premiums on insurance policies sold	\$ 45.0	\$ 38.5	+ 17 %

The operating earnings for 2014 were \$38.1 million, compared to \$26.9 million in 2013, a 42% increase. Each operating segment contributed positively to the increase in Guardian's operating earnings. Reducing the current year's operating earnings are \$1.5 million in operating losses from the recently acquired GuardCap and the real estate investment management business. As we continue to build out these two businesses, we expect their expenses to outpace their revenue growth in the near term. A more detailed discussion is provided under "Revenues and Expenses" below.

The net gains for the year was \$6.8 million, a decrease of \$4.9 million compared to 2013. The decrease was largely due to a decrease in the number of Bank of Montreal shares sold in 2014 compared to 2013.

Higher income tax expense in 2014 was the result of higher operating income, offset by the reduction in net gains during the year, compared to 2013.

The increase in net gains on securities held for sale was due to the recording of increases in the market value of investments in mutual funds which were launched in 2014, and were classified into securities held for sale category.

Net earnings available to shareholders for 2014 were \$37.0 million, compared to \$34.4 million in 2013, an 8% increase. The higher net earnings available to shareholders is largely due to significantly higher operating earnings in 2014, offset by the reduction in net gains.

EBITDA for 2014 was \$42.9 million, compared to \$32.3 in 2013, a 33% increase. The increase was caused by the improvements in operating results from all of Guardian's operating segments.

Adjusted cash flow from operations for the year amounted to \$36.2 million, compared to \$27.6 million in 2013, a 31% increase. The differences between net earnings and adjusted cash flow from operations arise primarily due to the impact of future income taxes, amortization expense and stock-based compensation, as well as the exclusion of gains or losses from the calculation of cash flow from operations.

REVENUES AND EXPENSES

Investment Management Revenues

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

The following is a summary of the assets under management:

Years ended December 31 (\$ in millions)	2014	2013
Assets under management, beginning of year	\$ 22,228	\$ 18,832
Net additions from clients during year	1,046	1,699
Market appreciation	1,694	1,697
Assets under management, end of year	\$ 24,968	\$ 22,228
Composed of:		
Institutional	\$ 22,831	\$ 20,393
Private client and international private banking	2,137	1,835
Total	\$ 24,968	\$ 22,228
Institutional AUM is composed of:		
Canadian equities	\$ 13,695	\$ 12,556
Global equities	2,460	1,720
Fixed Income	6,676	6,117
Total institutional AUM	\$ 22,831	\$ 20,393

Guardian's total AUM was \$25.0 billion at December 31, compared to \$22.2 billion at the end of the prior year, a 12% increase. The increase in AUM was due to a combination of continued success in attracting new inflows of client assets and market appreciation.

Management fees, net of referral fees paid, for the year 2014 were \$61.3 million, 20% higher than the \$50.9 million for 2013. Institutional management fees increased 22% to \$49.0 million in 2014 from \$40.3 million in 2013, as a result of increases in AUM and the continuing growth in higher-margin AUM. Private client management fees, net of referral fees paid, increased 20% during the year to \$9.9 million from \$8.2 million in 2013, reflecting the continuing increase in AUM in this area. Management fees earned from international private banking, were substantially unchanged at \$2.4 million for the year.

Financial Advisory Commission Revenues

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

Total AUA at Guardian at the end of 2014 amounted to \$13.1 billion, 14% higher than the \$11.6 billion at the end of 2013. The increase in AUA was due to net new sales, recruitment of new advisors, and the positive effects of market performance during the year.

The Annual Premiums Sold in 2014 by the MGA subsidiary were \$45.0 million, compared to \$38.5 million in 2013 a 17% increase. The Annual Premiums Sold generate sales commissions in the year they are sold, and add continuing annual service fees in subsequent years. This continuing stream of service fee revenue was \$6.4 million in 2014 and \$5.2 million in 2013.

Net commission revenue from the financial advisory business amounted to \$28.0 million in 2014, 21% higher than the \$23.1 million in 2013. This increase was due to the increase in continuing service fees as described above, successful sales and recruitment efforts and the positive market performance.

Administrative Services Income

Administrative services income in 2014 was composed of \$6.2 million of registered plan and other fees earned in the financial advisory area, \$3.4 million in fund administration revenue earned from Guardian's proprietary mutual funds and other fees earned in the domestic investment management area and \$1.6 million of trust, corporate administration and other fees earned mainly in the international private banking area, for a total of \$11.2 million, compared with \$9.7 million in 2013. The increase resulted from growth in the number of client accounts in both the financial advisory area and the international private banking areas, and in the AUM in our mutual funds.

Dividend and Interest Income

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

For the years ended December 31 (\$ in thousands)	2014	2013	% change
Dividend income	\$ 17,665	\$ 16,720	+ 6 %
Interest income	1,107	840	+ 32 %
Total dividend and interest income	\$ 18,772	\$ 17,560	+ 7 %

Dividend and interest income increased by 7% in the year, largely due to the increased distribution income from the investment in the real estate fund. The largest component of the dividend income is from the Bank of Montreal shares, which was \$14.6 million in 2014 (2013 – \$14.5 million).

Expenses

Guardian's operating expenses, excluding commissions, referral fees, amortization and interest, were \$76.6 million in 2014, compared with \$69.5 million in 2013, an increase of 10%. Included in the increased expenses for 2014 were \$2.8 million of additional expenses due to the inclusion of GuardCap and the full year's expenses related to the real estate investment management business in 2014. In addition to the expenses of the two new businesses, the increased operating expenses resulted largely from increased incentive compensation expenses and additions of new staff and other expenses to support the growing businesses.

The decrease in amortization in 2014, from \$3.7 million to \$3.6 million, was largely as a result of a financial advisory intangible asset being fully amortized in Q2 of 2013, offset by the amortization of the intangible assets acquired as part of the GuardCap acquisition and the recruitment of advisors. Interest expense reduced to \$1.0 million in 2014, compared to \$1.1 million in 2013, as a result of lower bank loans and borrowings during 2014.

NET GAINS

For the years ended December 31 (\$ in thousands)	2014	2013
Net gains in consolidated mutual funds	\$ 36	\$ 137
Net gains on securities directly held	7,548	11,939
Net gains on securities	7,584	12,076
Net foreign exchange (losses)	(1,071)	(751)
Net gains on disposal of intangible assets	262	312
Net gains	\$ 6,775	\$ 11,637
Net gains (losses) on securities held for sale	\$ 360	\$ (58)

Net gains in 2014 decreased compared to 2013, largely due to the sale of 160,000 shares of the Bank of Montreal in 2013, compared to only 65,000 shares in 2014. The net losses on foreign exchange mainly relate to exchange losses on Canadian dollars held by an international subsidiary whose functional currency is the US dollar. On translation of this subsidiary's results to Canadian dollars upon consolidation, Guardian recorded equal but offsetting gains in other comprehensive income.

LIQUIDITY AND CAPITAL RESOURCES

The strength of Guardian's balance sheet has enabled Guardian to attract Associates, provide clients with a high comfort level, make appropriate use of borrowings, and develop its businesses. It has also allowed Guardian to maintain the appropriate levels of working capital in each of its areas of operation. The strong cash flow enables Guardian to meet all of its financial commitments, to finance the expansion of its businesses and to make the necessary capital expenditures for the development of those businesses.

During 2014, Guardian made payments of \$1.6 million on the acquisition of GuardCap, and \$1.3 million on the purchase of the remaining shares of an MGA subsidiary, invested over \$37 million in new investment funds and strategies, including those managed by GuardCap, and \$9.4 million in a real estate fund managed by a subsidiary. In addition, Guardian returned \$12.9 million to the shareholders in the form of dividends and share purchases. These payments were funded using a combination of cash flow from operations and redeployment of its holdings securities.

Guardian's total bank borrowings at December 31, 2014 amounted to \$51.3 million, compared with \$55.9 million at December 31, 2013. The total credit available, under various borrowing arrangements, amounts to \$83 million.

We are confident that the strength of Guardian's balance sheet will continue to provide benefits in the future. Guardian's shareholders' equity as at December 31, 2014 amounted to \$489 million, or \$15.62 per share, diluted, compared to \$415 million, or \$13.17 per share, diluted, as at December 31, 2013. Guardian's holdings of securities as at December 31, 2014 had a fair value of \$525 million, or \$16.78 per share, diluted, compared with \$449 million, or \$14.26 per share, diluted, as at December 31, 2013.

SECURITIES HOLDINGS

As at December 31 (\$ in thousands, except per share amounts)	2014	2013
Securities at fair value:		
Short-term securities	\$ 5,373	\$ 1,850
Bonds	1,077	1,030
Mutual funds	49,145	34,441
Bank of Montreal common shares	388,944	339,754
Other equity securities	33,189	54,187
Real estate funds	22,239	12,492
Total securities holdings	499,967	443,754
Securities held for sale	25,385	5,425
Total securities	\$ 525,352	\$ 449,179
Total securities per share, diluted	\$ 16.78	\$ 14.26

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, 2014 (\$ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	\$ 51,312	\$ 51,312	\$ —	\$ —	\$ —
Client deposits	61,747	61,747	—	—	—
Accounts payable and other liabilities	35,061	33,964	—	1,097	—
Payable to clients	46,160	46,160	—	—	—
Investment commitment – real estate fund	3,512	3,512	—	—	—
Operating lease obligations	16,770	1,948	4,067	2,678	8,077
Total contractual obligations	\$ 214,562	\$ 198,643	\$ 4,067	\$ 3,775	\$ 8,077

Guardian's contractual commitments are supported by its strong financial position, including its securities holdings, referred to above under the heading "Liquidity and Capital Resources". The Payable to clients, in Guardian's securities dealer subsidiary, which can fluctuate with client activities, is offset by the Receivable from clients and broker. Client deposits, in the offshore banking subsidiary, are supported by Interest-bearing deposits with banks. Guardian has committed to invest \$25 million into a real estate limited partnership which is managed by a subsidiary, of which \$21.5 million has been invested as at December 31, 2014. The balance is expected to be invested as appropriate real estate product becomes available to the limited partnership, at which time Guardian's management will decide on the appropriate strategy for funding this commitment.

SELECTED ANNUAL INFORMATION

Years ended December 31 (\$ in thousands, except per share amounts)	2014	2013	2012
Net revenue	\$ 119,275	\$ 101,278	\$ 86,360
Net earnings available to shareholders	37,017	34,432	22,556
Per share			
Net earnings			
Basic	\$ 1.23	\$ 1.13	\$ 0.72
Diluted	1.19	1.11	0.71
Dividends paid	0.24	0.30	0.17
As at December 31	2014	2013	2012
Total assets	\$ 736,757	\$ 645,060	\$ 510,752

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

SUMMARY OF QUARTERLY RESULTS

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

Quarters ended (\$ in thousands)	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Net revenue	\$ 31,490	\$ 30,806	\$ 29,257	\$ 27,722	\$ 27,907	\$ 25,173	\$ 25,041	\$ 23,157
Operating earnings	10,335	10,051	9,199	8,556	8,564	6,898	6,390	5,079
Net gains (losses)	403	(12)	2,737	3,647	7,218	3,183	666	570
Net earnings before net gains (losses) on securities held for sale	8,530	8,033	10,066	10,624	14,879	8,602	6,255	5,065
Net gains (losses) on securities held for sale	(92)	(156)	222	386	238	432	(1,243)	515
Net earnings available to shareholders	8,223	7,715	10,163	10,916	14,980	8,946	4,963	5,543
Shareholders' equity (in dollars)	488,835	482,242	463,306	438,363	414,985	393,670	354,622	366,519
Per average Class A and Common Share								
Net earnings before net gains (losses) on securities held for sale:								
- Basic	\$ 0.28	\$ 0.26	\$ 0.33	\$ 0.35	\$ 0.48	\$ 0.28	\$ 0.20	\$ 0.16
- Diluted	0.27	0.25	0.32	0.34	0.47	0.27	0.20	0.16

SUMMARY OF QUARTERLY RESULTS *(continued)*

Quarters ended (\$ in thousands)	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Net earnings available to shareholders:								
- Basic	\$ 0.27	\$ 0.26	\$ 0.34	\$ 0.36	\$ 0.49	\$ 0.29	\$ 0.16	\$ 0.18
- Diluted	0.27	0.25	0.33	0.35	0.48	0.29	0.16	0.18
Shareholders' equity								
- Basic	\$ 16.33	\$ 16.08	\$ 15.34	\$ 14.49	\$ 13.68	\$ 12.94	\$ 11.64	\$ 11.97
- Diluted	15.62	15.39	14.72	13.93	13.17	12.51	11.27	11.59

Management fees earned in the investment management segment are highly correlated to the growth in AUM and generally not subject to seasonal fluctuations. Guardian may also earn performance management fees on certain accounts, which are determined on an annual and a quarterly basis, and these may be significant. The seasonality which in the past existed in the financial advisory segment, with some concentration of commissions in the traditional "RSP season" in the first quarter of each year, has now largely dissipated. This change is due to the overriding influence of worldwide market movements, which can affect client and advisor behavior throughout the year, and the continuing move toward "trailer" fees and away from "front-load" sales commissions and the increasing significance of commissions from the life insurance MGA, which are less influenced by the "RSP season" and the financial market movements. Some seasonality in the commission revenues is now beginning to occur in the MGA business, where the last quarter of the year sees an increase in revenues from "volume bonuses" earned from the life insurance companies. These volume bonuses are increasing each year and are becoming more significant as the business continues to grow.

The steady increase in net revenue during the periods shown above have generally resulted from two influences. Firstly, reflecting the growth in AUM, management fees in the investment management business have increased steadily and substantially throughout 2013 and 2014. Secondly, there has been significant growth in commissions earned in the financial advisory business as a result of the continued business growth, organically and through recruitment of advisors.

Since gains and losses are recorded on disposal of available for sale securities or other assets when realized, and on changes in the value of held for trading and held for sale securities, and such amounts can vary from quarter to quarter, the amounts included in "Net gains (losses)" and "Net gains (losses) on securities held for sale" each quarter have fluctuated, as shown in the quarterly results above. The significant net gains recorded in the third and fourth quarters of 2013, and the first and second quarters of 2014 contributed significantly to the increases in "Net earnings available to shareholders" in those quarters and the significant net loss on securities held for sale in the second quarter of 2013, contributed to the reduction in "Net earnings available to shareholders".

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

RISK FACTORS

Guardian applies many of the same risk management principles to its business as a whole, as it does to the management of risks on behalf of its clients. One of the principles is that risk can pose challenges, as well as provide opportunities, depending upon the effectiveness of the way in which it is managed. Readers are encouraged to refer to note 21 to the Consolidated Financial Statements, contained in Guardian's 2014 Annual Report, for additional information on financial risk management.

Market Risk

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

Portfolio Value and Concentration Risk

Guardian's corporate holdings of securities are subject to price fluctuation risk. Guardian manages this risk through professional in-house investment management expertise, which takes a disciplined approach to investment management. All securities are held by well-known independent custodians chosen by Guardian.

With the exception of the investment of \$388.9 (2013 – \$339.8) million in the Bank of Montreal shares, which is a significant portion of Guardian's securities holdings, the holdings are diversified, from both an asset class and a geographical perspective. Guardian has accepted the concentration risk associated with its holding of Bank of Montreal shares, as the bank is a diversified company, with a history of steady dividend payments.

Foreign Currency Risk

Guardian's investments in its foreign subsidiaries are subject to the risk of foreign currency exchange rate fluctuations. The effects of changes in foreign currency exchange rates on the values of these investments are not included in Net earnings, but are recorded as changes in the "foreign currency translation adjustment" in Guardian's Statements of Comprehensive Income, and the cumulative effect is included in Accumulated other comprehensive income in the Shareholders' Equity section of the Consolidated Balance Sheets. This foreign currency exposure is not actively managed, due to the long-term nature of these investments, but is closely monitored by management. From time to time, the foreign subsidiaries hold unhedged Canadian dollars, which can result in foreign exchange gains or losses being recorded by the subsidiaries. Upon translation of their results on consolidation, Guardian recognizes equal and offsetting gains or losses in "Other comprehensive income". This is not considered to be a currency risk as there is no economic risk to Guardian.

Credit Risk

Guardian's credit risk is generally considered to be low. Because of the nature of Guardian's business, its receivables are mainly from large institutions, which are considered to pose a relatively low credit risk, or from individuals, which are secured by marketable securities. Guardian periodically reviews the financial strength of all of its counterparties, and if the circumstances warrant it Guardian takes appropriate action to reduce its exposure to certain counterparties. The credit risk associated with Guardian's investment in fixed-income mutual funds is managed by monitoring the activities of the portfolio manager who, through diversification and credit quality reviews of the funds' investments, manage the funds' credit risk.

Interest Rate Risk

Guardian manages interest rate risk in its international banking operations, through matching the interest rates and maturity dates of client deposit liabilities with the assets, interest-bearing deposits with banks. The interest rate risk associated with Guardian's investment in fixed-income mutual funds is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments.

Liquidity Risk

Guardian manages liquidity risk through the monitoring and managing of cash flows from various segments of the business, and by establishing sufficient borrowing facilities with major Canadian banks, which currently total \$83 million through three credit facilities. The maturities of Guardian's contractual commitments are outlined under "Contractual Commitments" in this discussion and analysis. The combination of the cash flows from operations, borrowing facilities and the holding of securities provides sufficient resources to manage its liquidity risk.

Regulatory Risk

Compliance with and changes to government regulations, including those related to income and other taxes, can have an effect on Guardian's business. Examples are the changes in future income tax rates, which have had significant effects on Guardian's income tax expense, and net earnings, in 2006, 2007, 2009 and 2012. Because there had been a downward trend in income tax rates prior to 2012, the effects on earnings in earlier years had been positive, but they were negative in 2012, and further negative effects could result if tax rates increase again in the future. Another area in which regulation affects Guardian's business is in the regulatory requirements of the government and self-regulatory agencies under which our regulated subsidiaries operate, including the new jurisdictions into which Guardian has expanded during 2014. Through a combination of in-house expertise and external advisors, when appropriate, Guardian and its subsidiaries are able to comply with these regulatory requirements and adapt to changes in them.

Performance Risk

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

Financial Advisory Risk

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

Competition Risk

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

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets, liabilities, contingencies, revenues and expenses. These estimates and assumptions are listed in note 2 (c) to Guardian's 2014 Consolidated Financial Statements. The most significant accounting estimates are related to the impairment assessment of goodwill and the determination of fair value of securities classified as level 3 within the fair value hierarchy.

The impairment assessment of goodwill includes a comparison of the carrying value and the recoverable amount of each business unit to verify that the recoverable amount of the business unit is greater than its carrying value. In 2014 and 2013, the recoverable amounts were estimated using the fair value less cost to sell method for each of the business units. Guardian used valuation approaches to determine fair value based on a multiple of AUM, AUA, annual service fee revenues and first year's commissions. These multiples are developed by management based on recent transactions and research reports by independent research analysts. These valuation approaches are most sensitive to the levels of AUM, AUA and annual service fees.

A financial instrument is classified as level 3 when the fair value of the instrument is determined using valuation techniques based on inputs which are not observable in the market. The fair values of securities classified as level 3 in note 4 (e) to Guardian's 2014 Consolidated Financial Statements were based on a valuation approach using a multiple of AUM. The multiple was developed based on prior tender offers and recent research reports by independent research analysts for similar types of business. This valuation approach is most sensitive to the level of AUM.

FUTURE CHANGES IN ACCOUNTING POLICIES

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

Financial Instruments

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

Revenue

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

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, 2014 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, 2014, under

the supervision of the Chief Executive Officer and the Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the design and operation of those disclosure controls and procedures and internal controls over financial reporting were effective.

OUTLOOK

In last year's annual report, we commented on our expectations that 2014 would be a year in which global monetary easing would continue, despite an improving economy in the US. We expected that the high levels of accommodating quantitative easing (QE) by the Fed would eventually lead to calls for a greater level of tightening by the Fed and, indeed, we witnessed in late 2014 the unwinding of their QE program. As global central banks were committed to coordinating further monetary easing in the near term, and any interest rate increases are likely to take longer to materialize, investors were likely to continue increasing their equity risk appetites, and thus we expected positive support for global equity markets in 2014. The results for large segments of the developed stock market didn't disappoint. During the year, the S&P/TSX Composite returned 10.6% and the S&P 500 returned 13.7%, or 24% in Canadian dollars. Globally, stock markets largely lagged the North American markets for the year. The MSCI Europe Index declined -5.7%. The larger European countries saw modest positive returns: France (+2.6%), Germany (+2.1%), and the U.K. (+0.5%). Returns in the Eurozone peripheral countries were mixed with Ireland (+16.5%) and Spain (+8.6%) among the best performers. Returns in Italy (+3.0%) was modest, with the worst performance coming from Greece (-31.6%) and Portugal (-29.7%). In Asia, Japan (+9.5%) was the best performer. In the Emerging Markets, India (+26.4%) was the best performer amongst the BRIC countries, followed by China (+8.0%), Brazil (-3.2%), and Russia (-12.8%).

As we look into 2015, we remain positive about the global equity markets as we have been throughout 2013 and 2014. Most recently, the Fed indicated that it will hold rates near zero at least through the first quarter of 2015, and would be "patient" in its approach to raising its benchmark lending rate from a range of zero to 0.25% (where it has been since December 2008). The U.S. dollar has been strong, based on the anticipated divergence in monetary policy between the Fed, the European Central Bank, and the Bank of Japan. As the Fed moves toward raising short rates, we expect a flow of funds out of the money market and bonds into stocks, supporting a P/E multiple revision upward. When short rates do begin to rise, this may cause another pull-back in the market, but history would suggest that if the rise is due to a strong economy, earnings growth will continue to drive stocks higher, until short rates have had several increases and the yield curve inverts.

Heading into 2015, Canadian economic conditions leave plenty of room for debate and handwringing but, on a relative basis, things are still moving in a positive direction. The Canadian economy's performance in 2014 may have disappointed some observers, given the tremendous growth and momentum south of the border, however, considering the persistent backdrop of predictions of a housing bubble, the imminent collapse of a highly indebted consumer and slumping commodity prices, the economy continues to be rather resilient. Recent reports suggest the economy is likely headed for even tougher sledding, as the headwinds from lower oil prices start to have a broader impact. Nevertheless, the Canadian economy will likely continue to muddle through, with modest and uneven growth that trails the U.S. economy. Given that oil is Canada's largest export, the Bank of Canada expects that lower oil price will clearly have an impact on growth in 2015. The volatility in oil prices increases the volatility in the main Canadian equity market, the S&P/TSX composite. However, we expect the resource side of the market to improve from current depressed levels and, coupled with strong US economic recovery, the Canadian economy and equity markets should continue to produce positive returns in 2015. Guardian is highly geared toward the equity markets, across its main business segments and its corporate investment portfolio. An environment that continues the bull market in equities will be positive for Guardian's overall performance, as our largest revenue sources, commission revenue and management fees, are aligned toward higher levels of AUM and AUA.

Guardian's AUM increased to \$25.0 billion by year end, which is approximately \$2.8 billion in growth from the prior year end. Growth in AUM was due to both positive Canadian and global equity markets and to growth from net additions from clients of more than \$1 billion, making it the third consecutive year in which net additions from clients were greater than \$1 billion. Looking to the year ahead, we feel that our strong retail intermediary flows from the broker dealer wrap programs, and our select retail mutual fund and exchange traded fund partners, will provide for continued strong net additions from clients. We do bear some degree of risk of loss of client assets due to re-balancing occurring at the client portfolio level, or internalization of mandates. However, the increased diversity of both our client base and the firm's strategies allows for opportunities to mitigate such losses. In 2015, we see limited concern for loss of clients for performance reasons, as the relative performance of our strategies has on balance been good in delivering against our clients' objectives. We believe growth in net additions from clients will continue to be led in the near term by our strength in the performance of the systematic suite of strategies and, more specifically, the strong relative results of the Global Dividend strategy. Although the systematic equity team had a challenging first half in 2013, which gave us some concern entering

2014, they have since rebounded strongly in their relative performance, including top quartile performance across several of their strategies in 2014. We also expect that, with strong relative returns from our newly created fundamental global equity team, we will begin to attract net additions from clients to this strategy by year end; however, significant growth is likely a couple of years away.

Guardian's financial advisory business, through its subsidiary Worldsource Wealth Management, reported significantly improved operating earnings in 2014 over the prior year with total operating earnings of \$6.4 million, compared to \$2.2 million in 2013. The operating improvement in this segment is even more significant when compared to a loss of \$3 million in 2011. The improved operating earnings were due to continued strong commission growth from new life insurance sales in its Managing General Agency, and multi-year efforts to improve revenue and expense management in its Mutual Fund and Securities dealerships. The total assets under administration at Worldsource were \$13.1 billion at 31 December 2014, compared to \$11.6 billion at the end of 2013. In 2015, we expect improving operating earnings from our financial advisory business, with the continued delivery of strong life insurance sales and the recruitment of additional independent advisors across our Worldsource platform. Going forward, having achieved an efficient, stable base of profitable business across our independent advisor platform, we are focused on how best to leverage our relationships with advisors and related industry partners to deliver investment solutions managed by Guardian, in order to expand the Worldsource AUA into including some Guardian AUM on the same platform. Furthermore, we continue to look for consolidation opportunities for smaller competitors, to accelerate growth beyond organic recruitment and gain greater scale for all of our financial advisory segments. There is a greater degree of probability that we can continue such growth by acquisition in our MGA in 2015.

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

Ten Year Review

Notes (a), (g)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
(\$ in millions)										
Assets under management	\$ 24,968	\$ 22,228	\$ 18,832	\$ 15,928	\$ 16,266	\$ 13,986	\$ 11,764	\$ 16,885	\$ 17,305	\$ 18,444
Assets under administration	13,126	11,559	9,918	8,654	7,783	7,074	6,005	6,303	5,677	4,837
(\$ in thousands)										
Net revenue	\$ 119,275	\$ 101,278	\$ 86,360	\$ 73,693	\$ 64,928	\$ 61,147	\$ 66,918	\$ 69,607	\$ 66,247	\$ 58,908
Operating expenses (b)	81,134	74,347	66,222	56,560	51,389	52,419	58,665	51,617	48,159	44,162
Operating earnings	38,141	26,931	20,138	17,133	13,539	8,728	8,253	17,990	18,088	14,746
Net gains (losses)	6,775	11,637	1,337	(131)	2,982	1,217	(4,484)	4,215	4,134	1,597
Net gains (losses) on securities held for sale	360	(58)	4,559	(5,493)	6,443	—	—	—	—	—
Net earnings available to shareholders	37,017	34,432	22,556 ^(f)	10,003	23,015	14,274 ^(c)	7,299 ^(d)	26,492 ^(c)	22,959 ^(c)	12,821
Shareholders' equity (e)	488,835	414,985	353,756	322,618	331,856	317,784	204,051	334,696	212,016	192,240
Securities holdings (at fair value)	525,352	449,179	379,956	364,182	383,604	362,512	241,549	380,433	443,108	407,117
(In dollars)										
Per average common and Class A share										
Net earnings available to shareholders for the year										
Basic	\$ 1.23	\$ 1.13	\$ 0.72 ^(f)	\$ 0.31	\$ 0.70	\$ 0.41 ^(c)	\$ 0.19 ^(d)	\$ 0.69 ^(c)	\$ 0.60 ^(c)	\$ 0.33
Diluted	1.19	1.11	0.71 ^(f)	0.31	0.69	0.41 ^(c)	0.19 ^(d)	0.68 ^(c)	0.58 ^(c)	0.32
Per common and Class A share										
Dividends paid	0.240	0.300	0.170	0.160	0.150	0.150	0.150	0.135	0.120	0.105
Shareholders' equity(e)										
Basic	16.33	13.68	11.44	10.12	10.16	9.37	5.69	8.79	5.48	5.04
Diluted	15.62	13.17	11.16	9.90	10.01	9.19	5.65	8.67	5.36	4.87
Share prices										
Common high	21.45	18.00	11.65	12.75	9.75	9.97	11.10	15.50	14.00	13.00
low	15.30	11.50	9.41	9.49	7.90	4.65	4.26	10.65	11.25	9.63
Class A high	18.85	16.82	10.55	11.63	9.00	8.25	11.02	13.50	13.13	12.13
low	15.10	10.40	9.00	8.70	7.35	3.00	3.02	10.33	10.12	9.00
(In thousands)										
Year end common and Class A shares outstanding										
Basic	29,940	30,333	30,917	31,890	32,652	33,932	35,874	38,095	38,669	38,149
Diluted	31,300	31,510	31,696	32,604	33,162	34,563	36,104	38,605	39,576	39,492

NOTES:

- Comparative figures reflect the May, 2006 2-for-1 stock split.
- Excluding commissions paid, referral fees and income taxes.
- Net earnings available to shareholders reflect a reduction in future income taxes, resulting from the reduced income tax rates enacted during the year, as follows: 2009 - \$2.0 million, \$0.06 per share diluted; 2007 - \$6.6 million, \$0.16 per share diluted; 2006 - \$3.3 million, \$0.08 per share diluted.
- Net earnings available to shareholders in 2008 reflect a \$1.3 million (\$0.03 per share) reduction in future income taxes, resulting from the reversal of future income taxes relating to Guardian's foreign subsidiaries, as well as the recording of restructuring costs of \$2.3 million (\$0.06 per share).
- Shareholders' equity in 2007 and subsequent years reflects the recording of the corporate holdings of securities at fair value, in accordance with required new accounting policies adopted effective January 1, 2007.
- Net earnings available to shareholders in 2012 reflect a \$1.1 million (\$0.03 per share) increase in future income taxes, resulting from increased income tax rates enacted during the year.
- Results in 2010 to 2014 are in accordance with IFRS; 2009 and previous years are as reported under previous Canadian GAAP.

Management's Statement on Financial Reporting

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

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

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized on pages 30 to 34. Management maintains a system of internal controls over the financial reporting process designed to provide reasonable assurance that relevant and reliable financial information is produced. Management also administers a program of ethical business conduct compliance.

KPMG LLP, the Company's independent auditors, have audited the accompanying financial statements. Their report follows. The Audit Committee of the Board of Directors, composed of independent directors, meets regularly with management and KPMG LLP to review their activities and to discuss the external audit process, internal controls, accounting policies and financial reporting matters. KPMG LLP has unrestricted access to the Company, the Audit Committee and the Board of Directors.

The Audit Committee has reviewed the financial statements and Management's Discussion and Analysis and recommended their approval to the Board of Directors. Based on this recommendation, the financial statements and Management's Discussion and Analysis have been approved by the Board of Directors.



George Mavroudis,
President and Chief Executive Officer



Donald Yi,
Chief Financial Officer

February 26, 2015

Independent Auditors' Report

TO THE SHAREHOLDERS OF GUARDIAN CAPITAL GROUP LIMITED

We have audited the accompanying consolidated financial statements of Guardian Capital Group Limited, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013, the consolidated statements of operations, comprehensive income, equity and cash flow for the years ended December 31, 2014 and December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

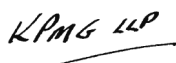
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Guardian Capital Group Limited as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flow for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.



*Chartered Professional Accountants,
Licensed Public Accountants,
Toronto, Canada*

February 26, 2015

Consolidated Balance Sheets

As at December 31 (\$ in thousands)	2014	2013
Assets		
Current assets		
Cash	\$ 29,230	\$ 28,446
Interest-bearing deposits with banks	61,729	57,285
Accounts receivable and other	29,293	25,986
Receivables from clients and broker	46,160	42,215
Prepaid expenses	1,854	1,577
	168,266	155,509
Securities (note 4)		
Securities holdings	499,967	443,754
Securities held for sale	25,385	5,425
	525,352	449,179
Other assets		
Deferred tax assets (note 11c)	3,060	3,757
Intangible assets (note 5)	23,791	20,611
Equipment (note 6)	3,656	3,674
Goodwill (note 7)	12,299	11,111
Investment in associate (note 23d)	333	333
Other (note 25)	—	886
	43,139	40,372
Total assets	\$ 736,757	\$ 645,060
Liabilities		
Current liabilities		
Bank loans and borrowings (note 8)	\$ 51,312	\$ 55,929
Client deposits	61,747	57,312
Accounts payable and other	31,688	27,408
Income taxes payable	2,276	1,092
Payable to clients	46,160	42,215
	193,183	183,956
Other liabilities	1,097	—
Deferred tax liabilities (note 11c)	50,243	43,316
Total Liabilities	244,523	227,272
Equity		
Shareholders' equity		
Capital stock (note 12a and 12b)	21,434	21,679
Treasury stock (note 13a)	(19,890)	(18,700)
Contributed surplus	10,841	9,583
Retained earnings	269,752	245,961
Accumulated other comprehensive income	206,698	156,462
	488,835	414,985
Non-controlling interests	3,399	2,803
Total equity	492,234	417,788
Total liabilities and equity	\$ 736,757	\$ 645,060

See accompanying notes to consolidated financial statements.

On behalf of the Board:


Barry J. Myers,
Director


George Mavroudis,
Director

Consolidated Statements of Operations

For the years ended December 31 (\$ in thousands, except per share amounts)	2014	2013
Revenue		
Gross commission revenue	\$ 100,802	\$ 84,824
Commissions paid to advisors	(72,780)	(61,735)
	28,022	23,089
Management fee income, net (note 14)	61,322	50,940
Administrative services income	11,159	9,689
Dividend and interest income (note 15)	18,772	17,560
Net revenue	119,275	101,278
Expenses		
Employee compensation and benefits (note 16)	51,430	46,758
Amortization	3,591	3,706
Interest	981	1,130
Other expenses	25,132	22,753
	81,134	74,347
Operating earnings	38,141	26,931
Net gains (note 17a)	6,775	11,637
Earnings before income taxes and net gains (losses) on securities held for sale	44,916	38,568
Income tax expense (note 11a)	7,663	3,767
Net earnings before net gains (losses) on securities held for sale	37,253	34,801
Net gains (losses) on securities held for sale (note 17b)	360	(58)
Net earnings	\$ 37,613	\$ 34,743
Net earnings before net gains (losses) on securities held for sale, available to:		
Shareholders	\$ 36,657	\$ 34,490
Non-controlling interest	596	311
Net earnings before net gains (losses) on securities held for sale	\$ 37,253	\$ 34,801
Net earnings before net gains (losses) on securities held for sale, available to shareholders per Class A and Common share (note 18):		
Basic	\$ 1.21	\$ 1.13
Diluted	1.18	1.11
Net earnings available to:		
Shareholders	\$ 37,017	\$ 34,432
Non-controlling interest	596	311
Net earnings	\$ 37,613	\$ 34,743
Net earnings available to shareholders per Class A and Common share (note 18):		
Basic	\$ 1.23	\$ 1.13
Diluted	1.19	1.11

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 (\$ in thousands)	2014	2013
Net earnings	\$ 37,613	\$ 34,743
Other comprehensive income		
Available for sale securities:		
Net change in fair value	55,405	57,660
Income tax provision	7,244	6,478
	48,161	51,182
Transfer to net earnings of unrealized (gains) upon disposal	(7,208)	(10,793)
Reversal of income taxes	384	150
	(6,824)	(10,643)
	41,337	40,539
Changes in foreign currency translation adjustment on foreign subsidiaries	8,899	6,206
Other comprehensive income	50,236	46,745
Comprehensive income	\$ 87,849	\$ 81,488
Comprehensive income available to:		
Shareholders	\$ 87,253	\$ 81,177
Non-controlling interests	596	311
Comprehensive income	\$ 87,849	\$ 81,488

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity

For the years ended December 31 (\$ in thousands)	2014	2013
Total equity, beginning of year	\$ 417,788	\$ 357,750
Shareholders' equity, beginning of year	414,985	353,756
Capital stock		
Balance, beginning of year	21,679	22,113
Acquired and cancelled (note 12c)	(245)	(434)
Capital stock, end of year	21,434	21,679
Treasury stock		
Balance, beginning of year	(18,700)	(17,750)
Acquired (note 13a)	(1,285)	(1,644)
Disposed (note 13a)	95	694
Treasury stock, end of year	(19,890)	(18,700)
Contributed surplus		
Balance, beginning of year	9,583	8,636
Stock-based compensation expense	1,348	1,247
Equity-based entitlements redeemed	(90)	(300)
Contributed surplus, end of year	10,841	9,583
Retained earnings		
Balance, beginning of year	245,961	231,040
Net earnings available to shareholders	37,017	34,432
Dividends declared and paid (note 12e)	(7,246)	(9,211)
Capital stock acquired and cancelled (note 12c)	(5,412)	(7,464)
Acquisition of non-controlling interests (note 25)	(640)	(2,831)
Other	72	(5)
Retained earnings, end of year	269,752	245,961
Accumulated other comprehensive income		
Balance, beginning of year	156,462	109,717
Unrealized gains on available for sale securities, net of income taxes		
Balance, beginning of year	155,611	115,072
Net change during year	41,337	40,539
Balance, end of year	196,948	155,611
Foreign currency translation adjustment on foreign subsidiaries		
Balance, beginning of year	851	(5,355)
Net change during year	8,899	6,206
Balance, end of year	9,750	851
Accumulated other comprehensive income, end of year	206,698	156,462
Shareholders' equity, end of year	488,835	414,985
Non-controlling interests		
Balance, beginning of year	2,803	3,994
Net earnings available to non-controlling interests	596	311
Acquisition of non-controlling interests (note 25)	—	(1,502)
Non-controlling interests, end of year	3,399	2,803
Total equity, end of year	\$ 492,234	\$ 417,788

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

For the years ended December 31 (\$ in thousands)	2014	2013
Operating activities		
Net earnings	\$ 37,613	\$ 34,743
Adjustments for:		
Income taxes paid	(6,232)	(3,966)
Income tax expense	7,663	3,767
Net gains	(6,775)	(11,637)
Net loss (gains) on securities held for sale	(106)	178
Amortization of intangible assets	2,890	2,819
Amortization of equipment	701	887
Stock-based compensation	1,348	1,247
Other non-cash expenses	(23)	—
	37,079	28,038
Net change in non-cash working capital items (note 20)	1,004	2,631
Net cash from operating activities	38,083	30,669
Investing activities		
Net disposition (acquisition) of securities	13,614	(371)
Acquisition of securities held for sale	(26,811)	(9,970)
Proceeds from sale of securities held for sale	—	4,126
Acquisition of intangible assets	(3,684)	(4,378)
Proceeds from disposition of intangible assets	832	1,798
Acquisition of equipment	(556)	(2,109)
Business acquisitions (note 24)	(1,231)	(356)
Net cash (used in) investing activities	(17,836)	(11,260)
Financing activities		
Dividends	(7,246)	(9,211)
Acquisition of capital stock	(5,657)	(7,898)
Acquisition of treasury stock	(1,285)	(1,644)
Disposition of treasury stock	95	760
Net (repayment) proceeds of bank loans and borrowings	(5,351)	11,737
Acquisition of non-controlling interest (note 25)	(1,271)	(4,333)
Net cash (used in) financing activities	(20,715)	(10,589)
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	518	676
Net change in net cash	51	9,496
Net cash, beginning of year	27,717	18,221
Net cash, end of year	\$ 27,768	\$ 27,717
Net cash represented by:		
Cash	\$ 29,230	\$ 28,446
Net bank indebtedness	(1,462)	(729)
	\$ 27,768	\$ 27,717

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

These consolidated financial statements include the accounts of Guardian Capital Group Limited and its subsidiaries (the “Company”). The Company is incorporated under the laws of the Province of Ontario, and its principal business office is located at Suite 3100, 199 Bay Street, Toronto, Ontario. The Company provides investment management and financial advisory services to a wide range of clients in Canada and abroad, and maintains and manages a proprietary investment portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), which comprises standards and interpretations approved by either the International Accounting Standards Board (“IASB”), the IFRS Interpretations Committee or their predecessors.

These financial statements were authorized for issuance by the Board of Directors of the Company on February 26, 2015.

(b) Basis of presentation

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

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

Certain reclassifications have been made to the 2013 comparative financial information in order to conform to the current year’s presentation.

(c) Estimates and judgments

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

- (i) Determination of when control of another entity exists;
- (ii) Valuation of certain securities that do not have quoted market prices;
- (iii) Assessment of goodwill and available for sale securities for impairments;
- (iv) Assessment of provisions; and
- (v) Measurement of share-based payments.

(d) Basis of consolidation

(i) Subsidiaries

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

The Company considers several factors in determining whether it has power over another entity which it will be able to use to obtain benefits.

- a. When voting rights are relevant in determining power over an entity, the Company considers its: existing voting rights; potential voting right that are currently exercisable and have no substantive barriers to exercise; agreements with other vote holders; rights from other contractual arrangements; economic interests; or a combination of the foregoing. Offsetting these factors, the Company considers matters which prevent it from the exercise of power.
- b. When voting rights are not relevant in determining power over an entity the Company considers: evidence of its practical ability to direct the activities of the entity for the Company’s benefit; indications of a special relationship between it and the entity; and whether it has a significant exposure to variability of returns. In evaluating these three factors, the Company gives greater weight to evidence of its ability to direct the activities of the entity.

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

(ii) Transactions eliminated on consolidation

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

(e) Joint ventures

Joint ventures are those entities over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Joint ventures are accounted for using the equity method. The investments are carried in the balance sheets at cost as adjusted by post-acquisition changes in the Company's share of the net assets of the joint venture.

(f) Foreign currency translation

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

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

(g) Financial instruments

The Company's financial assets may be classified as held-for-trading ("Held for Trading"), available for sale ("Available for Sale") or loans and receivables ("Loans & Receivables"). Financial liabilities are classified as either Held for Trading or other financial liabilities ("Other Financial Liabilities").

(i) Measurement of financial instruments

All of the Company's financial instruments are initially measured at fair value. Subsequent to initial recognition, financial instruments classified as Held for Trading or Available for Sale are measured:

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

(ii) Changes in fair value

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

(iii) Classification of the Company's financial instruments

The Company's financial instruments are classified as follows:

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

(iv) Fair value hierarchy

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

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

(v) Offsetting financial assets and financial liabilities

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

(h) Non-current assets held for sale

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

(i) Impairment of securities and other financial assets

For securities and other financial assets other than those classified as Held for Trading, an assessment is made each period by management as to whether

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

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

(j) Intangible assets

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

- (i) New business costs – They are amortized over a number of years, ranging from three to fifteen years;
 - (ii) Computer software – The initial cost of the main computer processing system used by the mutual fund dealer subsidiary is amortized over ten years, with subsequent improvements to this system being amortized over five years, and other computer software being amortized over three to five years; and
 - (iii) Rights to future revenues – They are amortized over fifteen years.
- Amortization methods and useful lives of the intangible assets are reviewed annually and adjusted, if appropriate. Intangible assets are derecognized upon disposal or when they are fully amortized and no longer in use.

(k) Equipment

Equipment is carried at cost less accumulated amortization, and accumulated impairment losses, and is amortized over its expected useful life, as outlined below:

- (i) Computer hardware – The majority of computer hardware is amortized on a straight-line basis over three to five years;
- (ii) Furniture and equipment – The majority of furniture and equipment is amortized on a diminishing balance basis at a rate of 20% per annum, and works of art included within furniture and equipment are not amortized; and
- (iii) Leasehold improvements – Leasehold improvements are amortized on a straight-line basis over the remaining terms of the leases.

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

(l) Goodwill

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

(m) Impairment of non-financial assets

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

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

(n) Bank loans and borrowings

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

(o) Provisions

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

(p) Treasury stock

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

(q) Revenue

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

- (i) Gross commission revenue earned and commissions paid to advisors are recorded on a trade date basis.
- (ii) Management fees – The Company provides investment management and investment advisory services to clients, in consideration for management fees, which are generally calculated based on the fair value of the assets managed, in accordance with the agreements with the clients. The fees are earned over the time during which the assets are managed or advised on by the Company. Certain clients also pay performance fees, if the performance of such clients' assets under management exceeds that of certain performance benchmarks by an agreed level over a stated time period. Such fees are recorded when the services have been provided, the amount of the fees can be reliably measured, and it is probable that the fees will be received. Management fees are presented net of referral fees paid to third party agents.
- (iii) Administrative services income – The Company earns income from certain clients and advisors, associated with the maintenance of accounts with the Company, and the provision of general corporate, trust or other services. Such income is recognized, on an accrual basis, as the services continue to be performed on an ongoing basis, as based on agreements with the clients or advisors. When the Company holds assets or liabilities on a fiduciary basis in providing these services, those assets and liabilities and the income and expenses associated with them are excluded from these consolidated financial statements.
- (iv) Dividend and interest income is recorded as follows:
 - a. Dividends are recognized when the Company's right to receive payment is established.
 - b. Interest is recorded as earned over the period of time during which the interest-paying investment is held, on an effective yield basis.

(r) Employee compensation and benefits

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

(s) Stock-based compensation

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

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

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

(t) Interest expense

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

(u) Pensions

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

(v) Net gains or losses

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

(w) Income tax

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

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the balance sheets and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and

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

(x) Earnings per share

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

(y) Related parties

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

3. CHANGES IN ACCOUNTING POLICIES

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

(a) Financial Instruments

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

(b) Revenue

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

4. SECURITIES

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

As at December 31	2014	2013
Securities holdings		
Available for sale securities		
Short-term securities (a)	\$ 5,373	\$ 1,850
Bonds	1,077	1,030
Mutual funds	49,145	34,441
Bank of Montreal common shares	388,944	339,754
Other equity securities	31,882	52,931
Real estate funds (b)	22,239	12,492
	498,660	442,498
Held for trading securities		
Equity securities (c)	1,307	1,256
Total securities holdings	499,967	443,754
Securities held for sale (d)	25,385	5,425
Total securities (e)	\$ 525,352	\$ 449,179

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

(b) During the prior year, the Company made a commitment to invest \$25,000 in real estate, through a real estate limited partnership managed by a subsidiary of the Company. As at December 31, 2014, the Company had invested \$21,488 (2013 – \$12,136).

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

(d) Securities held for sale are the Company's interest in mutual funds which the Company controls and intends to dispose of control through either sales or dilution within 12 months from the date of acquisition. These securities are carried at fair value, with subsequent changes in fair value recognized in the consolidated statements of operations.

(e) The Company's securities have been categorized based upon a fair value hierarchy, as follows:

As at December 31	2014	2013
Level 1	\$ 497,140	\$ 431,133
Level 2	22,239	12,136
Level 3	5,973	5,910
Total securities	\$ 525,352	\$ 449,179

During 2014 and 2013, there have been no transfers of securities between Levels.

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

For the years ended December 31	2014	2013
Level 3 securities, beginning of year	\$ 5,910	\$ 4,091
Increase in estimated fair value, recognized in other comprehensive income	368	1,819
Disposals	(305)	—
Level 3 securities, end of year	\$ 5,973	\$ 5,910

The fair value of a security comprising substantially all of the Level 3 securities is based on a valuation approach using a multiple of assets under management.

5. INTANGIBLE ASSETS

For the years ended December 31	2014				2013			
	New business costs	Computer software	Rights to future revenue	Total	New business costs	Computer software	Rights to future revenue	Total
Cost:								
Balance, beginning of year	\$ 10,549	\$ 3,659	\$ 20,794	\$ 35,002	\$ 8,064	\$ 3,351	\$ 20,000	\$ 31,415
Purchases	263	38	3,383	3,684	1,740	304	2,334	4,378
Arising on acquisition (note 24)	1,159	—	—	1,159	863	—	—	863
Reclassification (note 25)	—	—	2,049	2,049	—	—	—	—
Disposals	—	—	(689)	(689)	(158)	—	(1,540)	(1,698)
Foreign exchange translation adjustments	76	5	—	81	40	4	—	44
Balance, end of year	12,047	3,702	25,537	41,286	10,549	3,659	20,794	35,002
Accumulated amortization:								
Balance, beginning of year	7,383	2,373	4,635	14,391	6,323	1,899	3,599	11,821
Amortization expense	948	428	1,515	2,891	1,068	470	1,281	2,819
Reclassification (note 25)	—	—	318	318	—	—	—	—
Disposals	—	—	(119)	(119)	(10)	—	(245)	(255)
Foreign exchange translation adjustments	9	5	—	14	2	4	—	6
Balance, end of year	8,340	2,806	6,349	17,495	7,383	2,373	4,635	14,391
Carrying value, end of year	\$ 3,707	\$ 896	\$ 19,188	\$ 23,791	\$ 3,166	\$ 1,286	\$ 16,159	\$ 20,611

6. EQUIPMENT

For the years ended December 31	2014			2013		
	Office equipment	Leasehold improvements	Total	Office equipment	Leasehold improvements	Total
Cost:						
Balance, beginning of year	\$ 6,309	\$ 3,083	\$ 9,392	\$ 5,847	\$ 1,827	\$ 7,647
Purchases	379	177	556	548	1,561	2,109
Reclassification (note 25)	97	15	112	—	—	—
Disposals	—	—	—	(143)	(310)	(453)
Foreign exchange translation adjustments	79	7	86	57	5	62
Balance, end of year	6,864	3,282	10,146	6,309	3,083	9,392

EQUIPMENT (continued)

For the years ended December 31	2014			2013		
	Office equipment	Leasehold improvements	Total	Office equipment	Leasehold improvements	Total
Accumulated amortization:						
Balance, beginning of year	4,375	1,343	5,718	3,754	1,456	5,210
Amortization expense	490	211	701	712	175	887
Reclassification (note 25)	12	13	25	—	—	—
Disposals	—	—	—	(117)	(293)	(410)
Foreign exchange translation adjustments	39	7	46	26	5	31
Balance, end of year	4,916	1,574	6,490	4,375	1,343	5,718
Carrying value, end of year	\$ 1,948	\$ 1,708	\$ 3,656	\$ 1,934	\$ 1,740	\$ 3,674

7. GOODWILL

For the years ended December 31	2014		2013
Balance, beginning	\$ 11,111	\$	11,111
Arising on acquisition (note 24)	1,188		—
Balance, end of year	\$ 12,299	\$	11,111

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

As at December 31	2014		2013
Financial advisory:			
Mutual fund distributor	\$ 4,227	\$	4,227
Life insurance managing general agency	6,884		6,884
Investment management:			
Fundamental global and emerging markets	1,188		—
Total goodwill	\$ 12,299	\$	11,111

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

Impairment tests were performed upon the goodwill associated with each CGU in both 2014 and 2013, in each year based upon each of the CGU's estimated fair value, less cost to sell. Management used a multi-factor model to determine fair value, with the principal assumptions being values assigned as multiples of key business analytics pertaining to each CGU. Management considers that the key business analytics are client assets under management in the investment management CGU, client assets under administration in both financial advisory CGUs and annual net service fees and net first year commissions in the Life insurance managing general agency. It is management's opinion that estimating fair value based on these analytics is in accordance with established industry practice, and that the multiples used are consistent with market transactions. Based on the results of this testing, there were no indications that the goodwill was impaired in 2014 or 2013.

The most sensitive assumptions used in the above testing were:

As at December 31	2014	2013
Mutual fund distributor:		
Multiple of assets under administration	1.00%	1.00%
Life insurance managing general agency:		
Multiple of annual net service revenue	6	6
Fundamental global and emerging markets:		
Multiple of assets under management	1.75%	—

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

As at December 31	2014	2013
Mutual fund distributor	\$ 74,462	\$ 63,445
Life insurance managing general agency	27,254	23,727
Fundamental global and emerging markets	119	—

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

Management believes that a reasonable possible change in key assumptions would not cause the carrying value in either financial advisory CGUs to exceed its fair value less the costs to sell. A reduction of greater than 0.1% in the multiple used to value the investment management CGU would cause the carrying value of that CGU to exceed its fair value less the costs to sell.

8. BANK LOANS AND BORROWINGS

As at December 31	2014	2013
Net bank indebtedness (a)	\$ 1,462	\$ 729
Bankers' acceptances payable (b)	49,600	55,100
Bank loan (b)	250	100
Total bank loans and borrowings	\$ 51,312	\$ 55,929

(a) Net bank indebtedness

Net bank indebtedness consists of net overdraft borrowing under a line of credit from a major Canadian chartered bank, which is available to a maximum of \$11,000 (2013 – \$11,000), due on demand, secured by a general security agreement and securities valued at \$65,712 (2013 – \$56,624), and bearing interest at the bank prime rate plus 0.25%. Under this line of credit, the Company may offset certain overdraft positions against certain cash balances to establish a net position. As at December 31, 2014, the Company's net bank indebtedness was comprised of overdraft positions of \$23,909 (2013 – \$32,578) and cash balances of \$22,447 (2013 – \$31,849).

(b) Bankers' acceptances payable and bank loan

Under written loan agreements, the Company has \$70,000 (2013 – \$70,000) in lending facilities from a major Canadian chartered bank. Borrowings under these facilities may be in the form of either demand loans bearing a rate of bank prime (2013 – bank prime) or bankers' acceptances for periods ranging from 30 to 270 days, at rates negotiated in the bankers' acceptance market plus 0.50% (2013 – 0.50%). These facilities are secured by a general security agreement, the deposit of treasury stock held by the EPSP Trust valued at \$39,229 at December 31, 2014 (2013 – \$33,043), and other securities valued at \$69,819 at December 31, 2014 (2013 – \$90,174). Subsequent to year end, the lending facilities were increased to \$90,000.

During the year, the Company's insurance managing general agency subsidiary secured a \$2,000 loan facility with a Canadian chartered bank, bearing interest at prime, secured by a general security agreement. No amounts were drawn from this facility during the year.

9. PROVISIONS

From time to time in connection with its operations, the Company is named as a defendant in actions for damages and costs allegedly sustained by the plaintiffs. While it is often not possible to estimate the outcome of the various proceedings at any time, the Company has made provisions, where possible, for the estimated outcome of such proceedings. As at December 31, 2014 and 2013, there were no material provisions recorded. Should any additional loss result from the resolution of such claims, such loss will be accounted for as a charge to income in the year in which it is identified.

10. OPERATING LEASES

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

As at December 31	2014	2013
Payable within one year	\$ 1,948	\$ 1,683
Payable after one year and within five years	6,745	6,897
Payable after five years	8,077	9,447
Total lease obligations	\$ 16,770	\$ 18,027

During the year ended December 31, 2014, the Company recognized \$1,984 (2013 – \$2,043) of base rental costs in respect of these non-cancellable leases.

11. INCOME TAXES

(a) The components of the income tax expense are as follows:

For the years ended December 31	2014	2013
Current tax expense		
Tax on profits for the current year	\$ 7,109	\$ 4,190
Adjustments in respect of prior periods	122	(28)
	7,231	4,162
Deferred tax expense		
Origination and reversal of temporary differences	432	(370)
Adjustments in respect of prior periods	—	(27)
Change in future periods' income tax rates	—	2
	432	(395)
Income tax expense	\$ 7,663	\$ 3,767

(b) The income tax expense in the consolidated statements of operations is less than the tax computed using combined Federal and Provincial statutory income tax rates of 26.5% (2013 – 26.5%) of the current year for the following reasons:

For the years ended December 31	2014	2013
Tax at the combined Federal and Provincial statutory income tax rate for the current year	\$ 11,903	\$ 10,221
Increase (decrease) in the expense due to:		
Tax exempt income from securities	(3,868)	(3,880)
Rate differential on earnings of foreign subsidiaries	(661)	(1,313)
Adjustments to deferred tax assets and liabilities for changes in temporary differences	29	2
Non-taxable portion of capital gains	(585)	(1,271)
Non-deductible expenses	433	254
Tax losses not recognized as deferred tax assets	286	—
Other	126	(246)
Income tax expense	\$ 7,663	\$ 3,767

The combined statutory income tax rate is the aggregate of the Federal income tax rate of 15.0% (2013 – 15.0%) and the Provincial income tax rate of 11.5% (2013 – 11.5%).

(c) Deferred tax assets and liabilities are recognized as follows:

For the year ended December 31, 2014

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

For the year ended December 31, 2013

	Bank of Montreal shares	Other securities	Capital loss carryforwards	Non-capital loss carryforwards	Equipment and intangibles	Other temporary differences	Total
Deferred tax assets							
Balance at beginning of year	\$ —	\$ —	\$ —	\$ 2,968	\$ 491	\$ 376	\$ 3,835
Recognized in net earnings	—	—	—	92	16	(186)	(78)
Balance at end of year	\$ —	\$ —	\$ —	\$ 3,060	\$ 507	\$ 190	\$ 3,757
Deferred tax liabilities							
Balance at beginning of year	\$ 36,371	\$ 187	\$ (227)	\$ (13)	\$ 2,130	\$ (1,024)	\$ 37,424
Recognized in net earnings	—	(50)	9	—	(208)	(187)	(436)
Recognized in other comprehensive income	6,298	30	—	—	—	—	6,328
Balance at end of year	\$ 42,669	\$ 167	\$ (218)	\$ (13)	\$ 1,922	\$ (1,211)	\$ 43,316

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

(d) Analysis of tax recognized on securities held for sale:

For the years ended December 31	2014	2013
Net gains (losses) on securities held for sale before tax	\$ 431	\$ 28
Current tax expense	87	49
Deferred tax expense (recovery)	(16)	37
Net gains (losses) on securities held for sale after tax	\$ 360	\$ (58)

The difference between the Company's statutory rate and the effective rate on securities held for sale in the current year is due to the non-taxable portion of capital losses and, in the prior year, it was due to the combination of non-taxable gains and the lower tax rates on earnings in foreign subsidiaries.

e) The aggregate amount of temporary differences between costs for accounting purposes and costs for income tax purposes because of earnings accumulated in certain subsidiaries is \$119,291 (2013 – \$105,204), which amount may be subject to income tax if such subsidiaries are disposed of or the earnings are otherwise distributed. Deferred tax has not been provided on these temporary differences, as the Company does not intend to dispose of such subsidiaries or distribute such earnings.

12. CAPITAL STOCK

(a) Authorized

- 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.
- 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.
- 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	2014		2013	
	Shares	Amount	Shares	Amount
i) Class A shares				
Outstanding, beginning of year	27,534	\$ 20,487	28,072	\$ 20,913
Acquired and cancelled	(324)	(245)	(574)	(434)
Converted from Common	158	37	36	8
Outstanding, end of year	27,368	20,279	27,534	20,487
ii) Common shares				
Outstanding, beginning of year	4,935	1,192	4,971	1,200
Converted from Common	(158)	(37)	(36)	(8)
Outstanding, end of year	4,777	1,155	4,935	1,192
Total outstanding, end of year	32,145	\$ 21,434	32,469	\$ 21,679

(c) Issuer Bid

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

For the years ended December 31	2014	2013
Class A shares purchased and cancelled	324	574
Consideration paid	\$ 5,657	\$ 7,898
Average issue price, charged to share capital	245	434
Excess consideration charged to retained earnings	\$ 5,412	\$ 7,464

(d) Stock Option Plan

The Company maintains a Stock Option Plan for designated officers, directors and employees. Each stock option entitles the holder to purchase one class A share, subject to certain predetermined vesting arrangements and other conditions. During 2014 and 2013 there were no options outstanding.

(e) Dividends

During the year, dividends of \$0.24 per share (2013 – \$0.30 per share) were declared and paid on the common and class A shares outstanding. The Company also declared dividends of \$0.065 and \$0.075 per share payable on January 16, 2015 and April 17, 2015, respectively, on the common and class A shares outstanding. These dividends, which will be recognized on the record dates, have not been reflected in these financial statements.

13. TREASURY STOCK

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

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

For the years ended December 31	2014		2013	
	Shares	Amount	Shares	Amount
Balance, beginning of year	2,136	\$ 18,700	2,126	\$ 17,750
Acquired	84	1,285	121	1,644
Disposed	(16)	(95)	(111)	(694)
Balance, end of year	2,204	\$ 19,890	2,136	\$ 18,700

During the year the Company disposed of 16 of its class A shares for an amount equal to their costs. During the prior year the Company disposed of 81 of its class A shares and 30 of its common shares, for net proceeds of \$760. The shares disposed of in the prior year had a total cost of \$694, and the excess was credited to retained earnings.

As at December 31, 2014, the treasury stock was composed of 63 common shares (2013 – 63) and 2,141 class A shares (2013 – 2,073 shares).

(b) EPSP Trust – Stock-based entitlements

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

i) Option-like entitlements

The option-like entitlements allow the employees to purchase shares from the EPSP Trust at prices equal to the amount of the bank loan per share pertaining to those shares, subject to predetermined vesting arrangements and other conditions. Due to the nature of these entitlements and the conditions attached to them, the contractual life of the entitlement is indeterminable.

A summary of the changes in the option-like entitlements is as follows:

For the years ended December 31	2014		2013	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Option-like entitlements, beginning of year	1,497	\$ 8.95	1,552	\$ 8.86
Entitlements exercised	(1)	9.69	55	6.50
Option-like entitlements, end of year	1,496	\$ 8.95	1,497	\$ 8.95

As at December 31, 2014, there were outstanding option-like entitlements for 33 common shares (2013 – 33) and 1,463 class A shares (2013 – 1,464).

Because these entitlements have option-like characteristics, they are accounted for as options and valued using the Black-Scholes option pricing model. The value of the entitlements provided is recorded as compensation cost over the vesting period of the entitlements, and is credited to contributed surplus. On exercise of an entitlement, treasury stock is reduced for the value of the entitlement exercised. No option-like entitlements were provided during 2014 or 2013:

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

	Number of shares	Weighted average exercise price	Number of shares vested	Weighted average exercise price
As at December 31, 2014				
\$5.01 – \$7.50	355	\$ 6.15	350	\$ 6.16
\$7.51 – \$10.00	877	9.35	610	9.19
\$10.01 – \$12.50	264	11.36	264	11.36
	1,496	\$ 8.95	1,224	\$ 8.79
As at December 31, 2013				
\$5.01 – \$7.50	355	\$ 6.15	344	\$ 6.17
\$7.51 – \$10.00	878	9.35	471	9.10
\$10.01 – \$12.50	264	11.36	265	11.36
	1,497	\$ 8.95	1,080	\$ 8.72

ii) Equity-based entitlements

Equity-based entitlements allow the employees to purchase shares from the EPSP Trust at zero cost, subject to predetermined vesting arrangements and

other conditions. When such purchases by employees occur, the Company pays to the EPSP Trust the amount of the bank loan attributable to the shares purchased. Due to the nature of these entitlements and the conditions attached to them, the contractual life of the entitlement is indeterminable.

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

For the years ended December 31	2014	2013
Equity-based entitlements, beginning of year	639	574
Entitlements provided	84	121
Entitlements exercised	(15)	(47)
Entitlements forfeited	—	(9)
Equity-based entitlements, end of year	708	639

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

Equity-based entitlements provided during the year ended December 31, 2014 had a fair value of \$1,285 (2013 – \$1,644).

14. MANAGEMENT FEE INCOME, NET

Management fee income is presented net of referral fees which are paid to referring agents, amounting to \$3,487 for the year ended December 31, 2014 (2013 – \$2,549).

15. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the years ended December 31	2014	2013
Dividend income	\$ 17,665	\$ 16,720
Interest income	1,107	840
Total dividend and interest income	\$ 18,772	\$ 17,560

Included in the dividend income are dividends earned on the Bank of Montreal shares of \$14,634 in 2014 (2013 – \$14,483).

16. EMPLOYEE COMPENSATION AND BENEFITS

Employee compensation and benefits are composed of the following:

For the years ended December 31	2014	2013
Salaries and other compensation, payroll taxes and benefits	\$ 49,491	\$ 44,937
Contributions to defined contribution pensions plans	591	574
Stock-based compensation	1,348	1,247
	\$ 51,430	\$ 46,758

17. NET GAINS AND NET GAINS ON SECURITIES HELD FOR SALE

(a) Net gains

Net gains are composed of the following:

For the years ended December 31	2014	2013
Held for trading securities (i)	\$ 36	\$ 137
Available for sale securities (ii)	7,548	11,939
Net gains on securities	7,584	12,076
Foreign exchange (iii)	(1,071)	(751)
Gains on disposition of equipment and intangible assets	262	312
Net gains	\$ 6,775	\$ 11,637

(i) Net gains on held for trading securities include net gains on securities owned by consolidated mutual funds.

(ii) Included in net gains on available for sale securities are gains of \$2,447 (2013 – \$5,049) from the sale of 65 (2013 – 160) shares of Bank of Montreal. A tax expense of \$128 (2013 – \$188) was recorded in income tax expenses in the consolidated statements of operations.

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

(b) Net gains (losses) on securities held for sale

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

For the years ended December 31	2014	2013
Net increase (decrease) in fair value	\$ 177	\$ (178)
Other income	254	206
Income tax expense	71	86
Net gains (losses) on securities held for sale	\$ 360	\$ (58)

Net gains (losses) on securities held for sale include the net change in fair value of those securities, income and expenses from the mutual funds held in this category.

18. NET EARNINGS PER SHARE

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

For the years ended December 31	2014	2013
Weighted average number of class A and common shares outstanding		
Basic	30,175	30,532
Effect of outstanding entitlements and options from stock based compensation plans	1,294	1,050
Diluted	31,469	31,582
Net earnings available to shareholders of class A and common shares		
Basic	\$ 37,017	\$ 34,432
Effect of outstanding entitlements and options from stock based compensation plans	413	494
Diluted	\$ 37,430	\$ 34,926

The effects of 900 (2013 – 1,111) 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) the investment management segment, which involves the earning of management fees relating to investment management services provided to clients; b) the financial advisory segment which relates to the earning of sales commissions and administrative services revenue from assets under administration; and c) the corporate activities and investments segment, which relates substantially to the investment of the Company's securities holdings, as well as corporate management and development activities. The allocation of costs to individual business segments is undertaken to provide management information on the cost of providing services and a tool to manage and control expenditures. The following table discloses certain information about these segments:

	Investment management		Financial advisory		Corporate activities and investments		Inter-segment transactions		Consolidated	
For the years ended December 31	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue										
Gross commission revenue	\$ –	\$ –	\$ 101,589	\$ 85,302	\$ –	\$ –	\$ (787)	\$ (478)	\$ 100,802	\$ 84,824
Commissions paid to advisors	–	–	(72,780)	(61,735)	–	–	–	–	(72,780)	(61,735)
	–	–	28,809	23,567	–	–	(787)	(478)	28,022	23,089
Management fee income, net	60,723	50,528	–	–	–	–	599	412	61,322	50,940
Administrative services income	4,931	3,509	6,228	6,180	–	–	–	–	11,159	9,689
Dividend and interest income	88	–	765	715	17,945	16,912	(26)	(67)	18,772	17,560
Net revenue	65,742	54,037	35,802	30,462	17,945	16,912	(214)	(133)	119,275	101,278
Expenses										
Employee compensation and benefits	29,726	25,810	13,956	13,786	7,748	7,162	–	–	51,430	46,758
Amortization	213	213	2,745	2,744	633	749	–	–	3,591	3,706
Interest	196	282	178	163	821	818	(214)	(133)	981	1,130
Other expenses	16,079	14,621	12,483	11,575	(3,430)	(3,443)	–	–	25,132	22,753
	46,214	40,926	29,362	28,268	5,722	5,286	(214)	(133)	81,134	74,347
Operating earnings	19,528	13,111	6,440	2,194	12,173	11,626	–	–	38,141	26,931
Net gains	–	–	264	312	6,511	11,325	–	–	6,775	11,637
Earnings before income taxes and net gains (losses) on securities held for sale	19,528	13,111	6,704	2,506	18,684	22,951	–	–	44,916	38,568
Income taxes	4,906	3,076	1,996	553	761	138	–	–	7,663	3,767
	14,622	10,035	4,708	1,953	17,923	22,813	–	–	37,253	34,801

BUSINESS SEGMENTS (continued)

	Investment management		Financial advisory		Corporate activities and investments		Inter-segment transactions		Consolidated	
For the years ended December 31	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net gains (losses) on securities held for sale	—	—	—	—	360	(58)	—	—	360	(58)
Net earnings (loss)	\$ 14,622	\$ 10,035	\$ 4,708	\$ 1,953	\$ 18,283	\$ 22,755	\$ —	\$ —	\$ 37,613	\$ 34,743
Net earnings available to:										
Shareholders	\$ 14,622	\$ 10,035	\$ 4,112	\$ 1,642	\$ 18,283	\$ 22,755	\$ —	\$ —	\$ 37,017	\$ 34,432
Non-controlling interests	—	—	596	311	—	—	—	—	596	311
	\$ 14,622	\$ 10,035	\$ 4,708	\$ 1,953	\$ 18,283	\$ 22,755	\$ —	\$ —	\$ 37,613	\$ 34,743
Capital expenditure on segment assets										
Intangibles	\$ 1,184	\$ 821	\$ 3,659	\$ 4,267	\$ —	\$ 174	\$ —	\$ —	\$ 4,843	\$ 5,262
Equipment	206	18	210	1,970	140	121	—	—	556	2,109
As at December 31										
Segment assets and liabilities										
Assets	\$ 130,626	\$ 128,123	\$ 105,154	\$ 97,494	\$ 587,100	\$ 515,645	\$ (86,123)	\$ (96,202)	\$ 736,757	\$ 645,060
Liabilities	85,292	75,459	116,910	113,319	128,444	134,696	(86,123)	(96,202)	244,523	227,272

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

	Canada		Rest of the world		Inter-segment transactions		Consolidate	
For the years end December 31	2014	2013	2014	2013	2014	2013	2014	2013
Net revenue	\$ 113,734	\$ 96,007	\$ 6,869	\$ 5,271	\$ (1,328)	\$ (866)	\$ 119,275	\$ 101,278
As at December 31								
Segment non-current assets								
Intangible assets	\$ 21,879	\$ 19,778	\$ 1,912	\$ 833	\$ —	\$ —	\$ 23,791	\$ 20,611
Equipment	3,165	3,219	491	455	—	—	3,656	3,674
Goodwill	11,111	11,111	1,188	—	—	—	12,299	11,111

20. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

For the years ended December 31	2014	2013
Decrease (increase) in non-cash working capital assets		
Interest-bearing deposits with banks	\$ 291	\$ (51,311)
Accounts receivable and other	(3,039)	(2,158)
Receivables from clients and broker	(3,945)	(5,395)
Prepaid expenses	12	(200)
Increase (decrease) in non-cash working capital liabilities		
Client deposits	(148)	51,344
Accounts payable and other	3,888	4,956
Payable to clients	3,945	5,395
Net change	\$ 1,004	\$ 2,631

21. FINANCIAL RISKS MANAGEMENT

The Company's goal in managing financial risk is to evaluate the risks being taken against the benefits that are targeted to be achieved and, where those risks are deemed acceptable, to mitigate those risks, where practicable. A discussion on the Company's risk management practices is included under the heading "Risk Factors" in the Management's Discussion and Analysis, on pages 17 to 19 of the Company's 2014 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 \$388,944 (2013 – \$339,754) investment in the Bank of Montreal shares, which is a significant portion of the Company's securities holdings. The Company monitors the investment in the Bank of Montreal shares on a continuous basis. A change in the price of the Bank of Montreal shares by 10% would result in an unrealized gain or loss of \$38,894 (2013 – \$33,975) being recorded in other comprehensive income.

(b) Market Risk

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

(i) Price Risk

The Company is exposed to price risk with its securities. Unrealized changes in the values of its securities are recognized in net earnings (for held for trading securities and securities held for sale) and in other comprehensive income (for available for sale securities). This risk is managed through the use of professional in-house portfolio management expertise, which takes a disciplined approach to investment management. The securities holdings, excluding the Bank of Montreal shares, are also diversified by asset class and, as shown in the chart below, by geographical region. The chart also indicates the gain or loss which would be recognized in net earnings and other comprehensive income as a result of a 10% change in the market prices:

	Fair value of held for trading securities and securities held for sale	Unrealized gain or loss recognized in net earnings from 10% market change in region	Fair value of available for sale securities, excluding Bank of Montreal shares, short-term securities and bonds	Unrealized gain or loss recognized in other comprehensive income from 10% market change in region
As at December 31, 2014				
Canada	\$ 1,307	±\$ 131	\$ 43,298	±\$ 4,330
United States	—	—	11,514	1,151
Rest of the World	25,385	2,539	48,454	4,845
	\$ 26,692	±\$ 2,670	\$ 103,266	±\$ 10,326
As at December 31, 2013				
Canada	\$ 6,682	±\$ 668	\$ 28,046	±\$ 2,805
United States	—	—	11,222	1,122
Rest of the World	—	—	60,596	6,059
	\$ 6,682	±\$ 668	\$ 99,864	±\$ 9,986

(ii) Currency Risk

The Company's main exposure to currency risk is on its investments in its foreign subsidiaries, amounting to \$109,915 (2013 – \$97,688). Changes in the value of these investments caused by changes in the US dollar and UK pounds exchange rates are reflected in other comprehensive income in the period in which the change occurs. This foreign currency exposure is not actively managed, due to the long-term nature of these investments, but is monitored by management. From time to time, a foreign subsidiary holds unhedged Canadian dollars, which can result in foreign exchange gains or losses being recorded by the subsidiary. Upon translation of their results on consolidation, the Company recognizes equal and offsetting gains or losses in other comprehensive income. This is not considered to be a currency risk as there is no economic risk to the Company.

(iii) Interest Rate Risk

The Company is exposed to interest rate risk through its bank loans and borrowings of \$51,312 as at December 31, 2014 (2013 – \$55,929). 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 2014, with all other variables held constant, the Company's interest expense would have been increased by approximately \$560 (2013 – \$541). The Company holds a \$7,593 as at December 31, 2014 (2013 – \$5,963) investment in fixed-income mutual funds managed by its subsidiaries. The interest rate risk associated with these securities is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments. The Company is also exposed to interest rate risk in its international banking operation, through the assets interest-bearing deposits with banks of \$61,729 as at December 31, 2014 (2013 – \$57,285), and the client deposits liability of \$61,747 as at December 31, 2014 (2013 – \$57,312). This risk is low, as it is managed through the matching of interest rates and maturities on these balances.

(c) Credit Risk

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

As at December 31	2014	2013
Cash	\$ 29,230	\$ 28,446
Interest-bearing deposits with banks	61,729	57,285
Accounts receivable and other	29,293	25,986
Receivable from clients and broker	46,160	42,215
Fixed Income mutual funds	7,735	5,963
Short-term securities	5,373	1,850
Bonds	1,077	1,030
	\$ 180,597	\$ 162,775

The Company considers its exposure to credit risk to be low. The cash and interest-bearing deposits with banks and the majority of the accounts receivable are due from major institutions. The Company reviews the credit worthiness of any banks with which it places deposits, and does not deal with a bank if it is not satisfied with the bank's financial strength. The credit exposure on receivables from clients is offset with securities, which are held in the client margin accounts of the securities dealer subsidiary. There are controls on the amounts that these clients may borrow, depending upon the securities that are pledged. The credit risk associated with the Company's investment in a fixed-income mutual fund is managed by monitoring the activities of the portfolio manager who, through diversification and credit quality reviews of the fund's investments, manage the fund's credit risk. The short-term securities and bonds are short-duration, investment-quality securities.

(d) Liquidity Risk

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

22. CAPITAL MANAGEMENT

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

- (a) maintain a strong capital base to provide investor, creditor, regulator and client confidence; and
- (b) provide returns to shareholders by the payment of dividends, the repurchase of the Company's shares, and the enhancement of long-term value.

The allocation of capital to, and the return from, the Company's businesses are monitored by senior management. Certain of the Company's operating subsidiaries are subject to various types of capital requirements imposed by the regulatory authorities to which they report. During the year, and at year end, the subsidiaries complied with those requirements. As at December 31, 2014, the Company's regulated businesses had total regulatory capital amounting to \$108,579 (2013 – \$106,925). These amounts are, in all cases, in excess of the regulatory requirements, and are adjusted by the Company as necessary from time to time. The Company's borrowing facility, through which bankers' acceptances are issued, is subject to certain terms and conditions. During the year, and at year end, the Company complied with those terms and conditions.

23. RELATED PARTIES**(a) Parent company**

Minic Investments Limited ("Minic") is a corporation of which A. Michael Christodoulou, a director and officer of the Company, is currently President. Minic is owned by The Christodoulou 2004 Family Trust, a discretionary trust of which the children of the late John Christodoulou are possible beneficiaries. As at December 31, 2014, Minic beneficially owned 49.1% (2013 – 48.2%) of the Company's outstanding common shares. In 2014 and 2013, 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	2014	2013
Short-term employment benefits	\$ 3,241	\$ 3,167
Post-employment benefits	18	14
Stock-based compensation	630	575
	\$ 3,889	\$ 3,756

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	2014	2013
Investment management services	\$ 11	\$ 35

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

As at December 31		2014	2013
	Country of organization	Voting ownership interest	
Guardian Capital LP	Canada	100%	100%
Guardian Capital Advisors LP	Canada	100%	100%
Guardian Capital Enterprises Limited	Canada	100%	100%
GuardCap Asset Management Limited	United Kingdom	100%	n/a
Guardian Capital Real Estate Inc.	Canada	100%	75%
Worldsource Wealth Management Inc.	Canada	100%	100%
Worldsource Financial Management Inc.	Canada	100%	100%
Worldsource Securities Inc.	Canada	100%	100%
IDC Worldsource Insurance Network Inc.(i)	Canada	79%	79%
Guardian Capital Holdings International Ltd.	Cayman Islands	100%	100%
Alexandria Bancorp Limited	Cayman Islands	100%	100%
Alexandria Global Investment Management Ltd.	Cayman Islands	100%	100%
Alexandria Trust Corporation	Barbados	100%	100%

As at December 31		2014	2013
	Country of organization	Voting ownership interest	
Guardian Capital Group Limited Employee Profit Sharing Plan Trust (ii)	Canada	0%	0%
Guardian Growth & Income Fund	Canada	97%	97%
Guardian Strategic Income Fund (iii)	Canada	14%	63%
Aston Guardian Capital Global Dividend Fund (iv)	USA	73%	n/a
Guardian Emerging Markets Equity Fund (iv)	Canada	100%	n/a
Guardian UCITS Fund PLC (iv)	Ireland	100%	n/a

(i) The principal place of business for IDC Worldsource Insurance Network Inc. ("IDC WIN"), the Company's insurance managing general agency ("MGA") subsidiary, is located at Suite 700, 625 Cochrane Drive, Markham, Ontario. The non-controlling interests have a 21% 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	2014	2013
Non-controlling interest, beginning of year	\$ 2,803	\$ 3,994
Acquisition of non-controlling interests	—	(1,502)
Net earnings available to non-controlling interests	596	311
Non-controlling interest, end of year	\$ 3,399	\$ 2,803

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

As at December 31	2014	2013
Cash	\$ 177	\$ 1,623
Other current assets	2,389	2,775
Intangible assets	12,874	9,590
Other non-current assets	1,104	1,726
	\$ 16,544	\$ 15,714
Current liabilities	\$ 6,095	\$ 7,500
Non-current liabilities	198	144
	\$ 6,293	\$ 7,644
For the years ended December 31	2014	2013
Revenue	\$ 17,424	\$ 14,104
Net earnings	3,698	2,309
Comprehensive income	3,698	2,309

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

(iii) The Company disposed of control of the Guardian Strategic Income Fund during the year through a deemed sale transaction. As at December 31, 2014, the Company's holdings in the fund was valued at \$5,929 and the fund's total net asset value was \$41,217.

(iv) The Company does not control Aston Guardian Capital Global Dividend Fund, Guardian Emerging Markets Equity Fund, or GuardCap UCITS Funds PLC (the "Funds"), as the Company intends to dispose of control of the Funds either through a sale or deemed sale transaction, which meets the criteria as established under its policy for non-current assets held for sale. The Company's holdings in the Funds and the Funds' total net asset values are summarized below:

As at December 31, 2014	Company's holdings	Total net asset value
Aston Guardian Capital Global Dividend Fund	\$ 3,661	\$ 5,020
Guardian Emerging Markets Equity Fund	4,285	4,298
GuardCap UCITS Funds PLC	17,429	17,429

(d) The Company's significant joint venture is as follows:

As at December 31	2014	2013
	Country of organization	Voting ownership interest
Guardian Ethical Management Inc.	Canada	50%

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

As at December 31	2014	2013
Cash	\$ 1,359	\$ 1,123
Other current assets	286	526
	\$ 1,645	\$ 1,649
Current liabilities	\$ 982	\$ 983
For the years ended December 31	2014	2013
Net revenue	\$ 1,644	\$ 1,819
Net earnings	—	—
Comprehensive income	—	—

(e) Interest in unconsolidated structured entities

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

As at December 31	2014	2013
Net assets of unconsolidated collective investment vehicles	\$ 2,174,143	\$ 1,578,474
Company's interests in unconsolidated investment vehicles		
Securities holdings	\$ 64,677	\$ 45,521
Securities held for sale	25,385	5,425
	\$ 90,062	\$ 50,946
For the years ended December 31	2014	2013
Net revenues earned directly from unconsolidated collective investment vehicles	\$ 5,411	\$ 3,215

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

24. ACQUISITIONS

(a) GuardCap Asset Management Limited

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

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

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

The net cash paid for the acquisition was \$1,231, which is comprised of the cash consideration paid of \$1,597, less cash acquired of \$366. The deferred payment is the present value of an estimated payment which is expected to be made on or about April 14, 2018, calculated based on the level of AUM then achieved in certain investment strategies to a maximum of \$2,750 US. This payable is recorded under other liabilities on the consolidated balance sheet, based on the current exchange rate. Intangible assets are investment management contracts which have an expected life of 15 years. The goodwill recognized on the acquisition represents the value of the acquired business arising from key employees, potential synergies, and a broader platform for business growth.

Since its acquisition, GuardCap has contributed net revenue of \$1,298 and a net loss of \$1,508 to the Company's 2014 results. If the acquisition had occurred on January 1, 2014, management estimates that GuardCap would have earned net revenue of \$1,818 and a net loss of \$1,571, and as a result, the Company's reported net revenue and net earnings for the year end December 31, 2014 would have been approximately \$119,795 and \$37,550, respectively. In determining these amounts, management has assumed that the fair value adjustments determined above, which arose on the date of acquisition, would have been the same if the acquisition had occurred on January 1, 2014.

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

(b) Purchase of corporate management services business

On March 31, 2013, the Company, through its Barbados subsidiary Alexandria Trust Corporation ("ATC"), acquired the net operating assets and client relationships of a corporate management services business (the "Acquiree") located in Barbados. This acquisition provides greater scale to ATC's existing business and strengthens ATC's presence as a provider of corporate and trust management services to international clients in Barbados. The consideration paid by the Company for the acquisition was \$884, consisting of a cash payment of \$356 on closing, with the balance due over a period of five years. The future payments may be reduced based on revenues earned from the client relationships acquired. The Company has determined, based on the nature of the relationships acquired, that the maximum payment will be made.

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

Fair value of consideration paid:	
Cash on closing	\$ 356
Payment to be made over a period of five years after closing	528
Total consideration paid	884
Fair value of identifiable net assets acquired:	
Intangible assets	863
Accounts receivable and other	29
Accounts payable and other	(8)
Net value of net assets acquired	884
Goodwill	\$ Nil

Subsequent to its acquisition, the Acquiree has contributed net revenue of \$310 and net earnings of \$125 to the Company's 2013 results. If the acquisition had occurred on January 1, 2013, management estimates that the Acquiree would have earned net revenue of \$407 and net earnings of \$160 and, as a result, the Company's reported net revenue and net earnings for the year ended December 31, 2013 would have been approximately \$101,375 and \$34,778, respectively. In determining these amounts, management has assumed that the fair value adjustments determined above, which arose on the date of acquisition, would have been the same if the acquisition had occurred on January 1, 2013. Management has also assumed the amortization of intangible assets of \$66 and a provision for income taxes of \$nil for the year 2013.

25. ACQUISITION OF NON-CONTROLLING INTERESTS

On July 1, 2014, the Company's insurance managing general agency ("MGA") subsidiary acquired the remaining shares of another partially-owned insurance MGA subsidiary for cash consideration of \$1,271. The consideration paid in excess of the carrying value was charged to shareholders' equity, as follows:

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

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

On April 1, 2013, the Company purchased, for cash consideration of \$4,333, a portion of the non-controlling interest in its MGA subsidiary, thereby increasing the Company's interest from 67% to 79.3%. As this transaction is between owners, this payment has been recognized in the equity accounts as follows:

Consideration paid	\$ 4,333
Carrying value of non-controlling interests	1,502
Excess consideration charged to retained earnings	\$ 2,831

Directors Principal Executives

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Kevin R. Hall
Managing Director

Robert K. Hammill
Managing Director

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Managing Director

Srikanth G. Iyer
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Managing Director

D. Edward Macklin
Managing Director

John G. Priestman
Managing Director

Michele J. Robitaille
Managing Director

Michael P. Weir
Managing Director

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Managing Director

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Vice-President and Secretary

Simon Bowers
Vice-President, Private Client Trading

Darryl M. Workman
Vice-President, Operations and Administration

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Ernest B. Dunphy
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Private Client
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Thierry Di Nallo
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Christie F. Rose
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Managing Director

Linda Kenny
Chief Financial Officer

Paige Wadden
Head of Compliance

Katharine Baran
Vice-President, Head of Operations and Technology

Areef Samji
Controller

Ronald Madzia
President, IDC Worldsource Insurance Network Inc.

GUARDCAP ASSET MANAGEMENT LIMITED

Portfolio Managers:

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Chief Investment Officer

Michael Boyd
Portfolio Manager

Clive Lloyd
Portfolio Manager

Giles Warren
Portfolio Manager

Michael Hughes
Senior Vice-President, Client Portfolio Manager

ALEXANDRIA BANCORP LIMITED

Robert F. Madden
General Manager

ALEXANDRIA TRUST CORPORATION

Robert F. Madden
Director

Corporate Offices

*Commerce Court West
Suite 3100, P.O. Box 201
Toronto, Ontario M5L 1E8
Telephone: (416) 364-8341
Fax: (416) 364-2067
Website: www.guardiancapital.com*

Investor Relations

*George Mavroudis
email: info@guardiancapital.com*

Auditors

KPMG LLP

Principal Bankers

*Canadian Imperial Bank of Commerce
Bank of Montreal*

Toronto Stock Exchange Listing

<i>Shares</i>	<i>Symbol</i>
<i>Common</i>	<i>GCG</i>
<i>Class A</i>	<i>GCG.A</i>

Annual Meeting

*May 21, 2015
11:00 a.m.
King Gallery
The Suites at One King West
1 King Street West
Toronto, Ontario*

Custodian and Fund Administrator

RBC Investor Services Trust

Registrar and Transfer Agent

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



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