GUARDIAN CAPITAL GROUP LIMITED

Report to Shareholders

FIRST QUARTER 2011

GUARDIAN CAPITAL
GROUP LIMITED

TO OUR SHAREHOLDERS:

We present the Company's operating results for the three months ended March 31, 2011.

For the three months ended March 31 *($ in thousands, except per share amounts)*	**2011**	2010
Net revenue	**$ 17,623**	$ 15,668
Net gains on securities	**784**	994
Net earnings	**4,633**	4,170
Cash flow from operations before change in non-cash working capital items	**4,651**	4,000
Per Share		
Basic net earnings	**$ 0.14**	$ 0.12
Diluted net earnings	**0.14**	0.12
Basic cash flow from operations before change in non-cash working capital items	**$ 0.14**	$ 0.12
Diluted cash flow from operations before change in non-cash working capital items	**0.14**	0.12

These are the Company's first interim financial statements presented in accordance with International Financial Reporting Standards (IFRS). Accordingly, these financial statements contain significant disclosures which are in addition to those contained in past interim financial statements, and all financial information for past periods from January 1, 2010 has been restated in accordance with IFRS.

As part of the implementation of IFRS, the Company has reported the net gains or losses on securities separately from net revenue, as it is believed that this presentation provides a more informative disclosure for readers of our financial statements.

Asset under management were $16.4 billion as at March 31, 2011, compared to $16.3 billion as at December 31, 2010 and $14.5 billion as at March 31, 2010. Assets under administration were $8.1 billion as at March 31, 2011, compared to $7.8 billion as at December 31, 2010, and $7.2 billion as at March 31, 2010.

Net earnings for the quarter were $4.6 million or $0.14 per share, diluted, compared to $4.2 million or $0.12 per share, diluted, in the first quarter of 2010.

Cash flow from operations for the quarter was $4.7 million or $0.14 per share, diluted, compared to $4.0 million or $0.12 per share, diluted, in the first quarter of 2010.

The fair value of the Company's holdings of securities as at March 31, 2011 was $411.1 million, or $12.42 per share, diluted, compared with $383.6 million, or $11.57 per share, diluted, at December 31, 2010.

On behalf of the Board, May 19, 2011

[signed "John Christodoulou"]

Chairman & Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at *($ in thousands)*	**March 31 2011**	December 31 2010	January 1 2010
ASSETS			
Current assets			
Cash	**$ 5,183**	$ 5,194	$ 8,227
Interest-bearing deposits with banks	**8,680**	12,356	10,469
Accounts receivable and other	**16,287**	15,823	17,631
Loans receivable	**5,945**	6,462	3,961
Receivables from clients and broker	**20,861**	27,676	21,591
Prepaid expenses	**1,060**	1,142	1,133
	58,016	68,653	63,012
Securities holdings (note 4)	**411,122**	383,604	363,559
Other assets			
Deferred tax assets	**2,818**	2,679	3,243
Intangible assets	**5,436**	5,521	6,069
Equipment	**1,789**	1,870	1,953
Goodwill	**5,249**	5,249	5,249
	15,292	15,319	16,514
Total Assets	**$ 484,430**	$ 467,576	$ 443,085
LIABILITIES			
Current liabilities			
Bank loans and borrowings (note 5)	**$ 53,044**	$ 46,500	$ 46,097
Client deposits	**8,399**	11,984	10,488
Accounts payable and other	**13,184**	16,366	14,861
Payable to clients	**20,861**	27,676	21,591
Due on securities sold short	**570**	664	804
	96,058	103,190	93,841
Other liabilities			
Deferred tax liabilities	**34,882**	31,494	31,490
Total Liabilities	**130,940**	134,684	125,331
EQUITY			
Shareholders' equity			
Capital stock (note 6)	**22,934**	22,934	24,132
Treasury stock (note 6)	**(13,320)**	(11,443)	(13,783)
Contributed surplus	**6,704**	6,549	5,972
Retained earnings	**184,775**	185,379	186,526
Accumulated other comprehensive income	**150,905**	128,437	114,821
	351,998	331,856	317,668
Non-controlling interests	**1,492**	1,036	86
Total Equity	**353,490**	332,892	317,754
Total Liabilities and Equity	**$ 484,430**	$ 467,576	$ 443,085

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the three months ended March 31 *($ in thousands, except per share amounts)*	2011	2010
Revenue		
Gross commission revenue	$ 16,593	$ 15,784
Commissions paid to advisors	(13,677)	(13,125)
	2,916	2,659
Management fee income, net (note 7)	9,424	7,965
Administrative services income	1,255	1,340
Dividend and interest income (note 8)	4,028	3,704
Net revenue	17,623	15,668
Expenses		
Employee compensation and benefits	8,416	8,167
Amortization	626	630
Interest	369	257
Other expenses	4,063	3,585
	13,474	12,639
Operating earnings	4,149	3,029
Net gains on securities (note 9)	784	994
Earnings before income taxes	4,933	4,023
Income tax expense (recovery)	300	(147)
Net earnings	$ 4,633	$ 4,170
Net earnings attributable to:		
Shareholders	$ 4,598	$ 4,133
Non-controlling interests	35	37
Net earnings	$ 4,633	$ 4,170
Net earnings per Class A and Common share:		
Basic	$ 0.14	$ 0.12
Diluted	0.14	0.12

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the three months ended March 31 *($ in thousands)*	2011	2010
Net earnings	$ 4,633	$ 4,170
Other comprehensive income		
Available for sale securities:		
Net change in fair value	27,366	31,743
Income tax expense on net change	3,385	3,720
	23,981	28,023
Transfer to income of unrealized (gains) losses upon disposal	565	(1,052)
Reversal of income taxes	--	114
	565	(938)
	24,546	27,085
Change in foreign currency translation adjustment on foreign subsidiary	(2,078)	(2,352)
Other comprehensive income	22,468	24,733
Comprehensive income	$ 27,101	$ 28,903
Comprehensive income attributable to:		
Shareholders	$ 27,066	$ 28,866
Non-controlling interests	35	37
Comprehensive income	$ 27,101	$ 28,903

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the three months ended March 31 *($ in thousands)*	**2011**	2010
Shareholders' equity		
Capital stock (note 6b)		
Balance, beginning of period	**$ 22,934**	$ 24,132
Acquired and cancelled (note 6c)	**--**	(817)
Capital stock, end of period	**22,934**	23,315
Treasury stock (note 6d)		
Balance, beginning of period	**(11,443)**	(13,783)
Shares acquired	**(1,877)**	(350)
Treasury stock, end of period	**(13,320)**	(14,133)
Contributed surplus		
Balance, beginning of period	**6,549**	5,972
Stock-based compensation expense recorded	**155**	232
Contributed surplus, end of period	**6,704**	6,204
Retained earnings		
Balance, beginning of period	**185,379**	186,526
Net earnings attributable to shareholders	**4,598**	4,133
Dividends paid	**(5,202)**	(4,949)
Excess of purchase price over issue price of Company's Capital stock acquired (note 6c)	**--**	(7,359)
Retained earnings, end of period	**184,775**	178,351
Accumulated other comprehensive income		
Unrealized gains on available for sale securities, net of income taxes		
Balance, beginning of period	**132,589**	114,821
Net change in fair value during period	**23,981**	28,023
Transfer to income of losses (gains) on disposal	**565**	(938)
Balance, end of period	**157,135**	141,906
Foreign currency translation adjustment on a self-sustaining foreign subsidiary		
Balance, beginning of period	**(4,152)**	--
Change during the period	**(2,078)**	(2,352)
Balance, end of period	**(6,230)**	(2,352)
Accumulated other comprehensive income, end of period	**150,905**	139,554
Total shareholders' equity, end of period	**351,998**	333,291
Non-controlling interests		
Balance, beginning of period	**1,036**	86
Net earnings attributable to non-controlling interests	**35**	37
Net subscriptions	**421**	168
Non-controlling interests, end of period	**1,492**	291
Total equity		
Balance, beginning of period	**332,892**	317,754
Comprehensive income	**27,101**	28,903
Dividends paid	**(5,202)**	(4,949)
Stock-based compensation expense recorded	**155**	232
Treasury stock acquired	**(1,877)**	(350)
Net subscriptions from non-controlling interests	**421**	168
Capital stock acquired and cancelled	**--**	(817)
Excess of purchase price over issue price of capital stock acquired	**--**	(7,359)
Total equity, end of period	**$ 353,490**	$ 333,582

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the three months ended March 31 *($ in thousands)*	**2011**	2010
Operating Activities		
Net earnings	**$ 4,633**	$ 4,170
Adjustments for:		
Income taxes (paid) recovered	**(279)**	109
Income tax expense (recovery)	**300**	(147)
Net (gain) on securities	**(784)**	(994)
Amortization of intangible assets	**525**	505
Amortization of equipment	**101**	125
Stock-based compensation	**155**	232
	4,651	4,000
Net change in non-cash working capital items (note 10)	**(3,188)**	(994)
Net cash from operating activities	**1,463**	3,006
Investing activities		
Acquisition of securities	**(22,421)**	(28,189)
Proceeds from sale of securities	**21,600**	29,925
Acquisition of intangible assets	**(441)**	(322)
Acquisition of equipment	**(34)**	(136)
Disposition of intangible assets	**--**	49
Net cash from (used in) investing activities	**(1,296)**	1,327
Financing activities		
Acquisition of capital stock	**--**	(8,176)
Dividends paid	**(5,202)**	(4,949)
Acquisition of treasury stock	**(1,877)**	(350)
Proceeds of bank loan	**1,877**	350
Net subscriptions from non-controlling interests	**421**	168
Net cash from (used in) financing activities	**4,781**	(12,957)
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	**(64)**	(81)
Net change in cash, net of bank indebtedness	**(4,678)**	(8,705)
Cash, net of bank indebtedness, beginning of period	**137**	5,913
Cash, net of bank indebtedness, end of period	**$ (4,541)**	$ (2,792)
Represented by		
Cash	**$ 5,183**	$ 7,015
Bank indebtedness	**(9,724)**	(9,807)
	$ (4,541)	$ (2,792)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. REPORTING ENTITY

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and using the accounting policies which the Company expects to adopt in its financial statements for the year ending December 31, 2011.

As these interim financial statements are the Company's first financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS and which were not included in the Company's most recent financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") have been included in these financial statements.

These interim statements should be read in conjunction with the Company's 2010 annual financial statements. An explanation of how the transition to IFRS has affected the Company's previously reported financial position and results of operations is provided in note 13 to these financial statements.

These financial statements were authorized for issuance by the Board of Directors of the Company on May 19, 2011.

(b) Basis of presentation

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

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

(c) Estimates and judgments

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

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

(d) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

(e) Foreign currency translation
Amounts denominated in foreign currencies included in these consolidated financial statements are translated into Canadian dollars as follows:
(i) Foreign currency denominated monetary items and non-monetary items measured at fair value are translated at the reporting date exchange rates, and purchases and sales of securities and revenues and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains and losses, if any, resulting from the foregoing, are included in the statements of operations.

(ii) The accounts of certain subsidiaries of the Company are maintained in foreign currencies, and the subsidiaries represent self-sustaining foreign operations. 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 self-sustaining foreign operations are recorded as a foreign currency translation adjustment in the statements of comprehensive income (loss), and the cumulative balance is included in accumulated other comprehensive income (loss) in the shareholders' equity section of the balance sheets.

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

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

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

(ii) Changes in fair value
During each reporting period, changes in the fair value of financial assets classified as Available for Sale are reflected in other comprehensive income, and changes in fair value of financial 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. Cash is classified as Held for Trading.
b. Interest-bearing deposits with banks, accounts receivable and other, loans receivable, receivables from clients and broker and promissory notes are classified as Loans & Receivables.
c. Substantially all of the securities holdings are classified as Available for Sale.
d. Equity and debt securities held by consolidated mutual funds, due on securities sold short by consolidated mutual funds, and derivative contracts, if any, held directly by the Company, are classified as Held for Trading.
e. Bank loans and borrowings, client deposits, accounts payable and other, and payable to clients are classified as Other Financial Liabilities.

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

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

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

(g) Impairment of securities and other financial assets
For securities and other financial assets other than those classified as Held for Trading, an assessment is made each period by management 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 market value and any cumulative loss amount recognized in other comprehensive income is reclassified to net income. Such an impairment loss is included in the statement of operations.

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

(h) Intangible assets
Intangible assets represent new business costs (costs respecting new advisors and branches joining the Company, and account transfer costs), computer software and the Company's rights to future revenues. Intangibles are carried at cost less accumulated amortization and accumulated impairment losses. They are amortized over their estimated useful lives, as outlined below:

(i) New business costs – Where there is a commitment by advisors to stay with the Company for a specified number of years, they are amortized over that number of years, which is generally three to five years;

(ii) Computer software – The initial cost of the main computer processing system used by the mutual fund dealer subsidiary is amortized on a straight-line over ten years, with subsequent improvements to this system being amortized over five years, and other computer software being amortized over three to five years; and

(iii) Rights to future revenues – These are amortized over fifteen years.

Amortization methods and useful lives of the intangible assets are reviewed annually and adjusted, if appropriate. Intangible assets are derecognized upon disposal or when they are fully amortized or considered to no longer have any residual value.

(i) Equipment

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

(i) Computer hardware – The majority of computer hardware is amortized on a straight-line basis over three years;

(ii) Furniture and equipment – The majority of furniture and equipment is amortized on a diminishing balance basis at a rate of 20% per annum, and works of art included within furniture and equipment are not amortized; and

(iii) Leasehold improvements – Leasehold improvements are amortized on a straight-line basis over the remaining terms of the leases.

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

(j) Goodwill

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

(k) Impairment of non-financial assets

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

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

(l) Bank loans and borrowings

(i) Bank indebtedness

Bank indebtedness is a financial liability owed on lines of credit to banks. Bank indebtedness may also consist of bank indebtedness net of cash in bank, when the Company has a legal right of offset and intends to settle on a net basis or realize the asset and settle the liability simultaneously.

(ii) Bank loan and bankers acceptances payable

Bank loan and bankers acceptances are financial liabilities and are initially recorded at fair value and subsequently at amortized cost, which approximates fair value.

(m) Provisions

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

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

(o) Revenue
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The various types of revenues and the associated accounting policies adopted by the Company are as follows:
(i) Gross commission revenue earned and commissions paid to advisors are recorded on a trade date basis.

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

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

(iv) Dividend and interest income are recorded as follows:
  a. Dividends are recognized when the Company's right to receive payment is established.

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

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

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

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

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

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

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

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

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

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

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

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

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

3. FUTURE CHANGES IN ACCOUNTING POLICIES

(a) Financial instruments
IFRS 9, *Financial Instruments*, ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace a portion of IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

(b) Related party disclosures – revised definition of related parties
On November 4, 2009, the IASB issued a revised version of IAS 24, *Related Party Disclosures* ("IAS 24"). IAS 24 requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. IAS 24 has simplified the definition of a related party and removed certain of the disclosures required by the predecessor standard. The revised standard is effective for annual periods beginning on or after January 1, 2011. The Company is currently evaluating the impact of IAS 24 on its consolidated financial statements.

4. SECURITIES HOLDINGS

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

As at March 31, 2011 and December 31, 2010	**2011**	2010
Available for sale securities		
Short-term securities (a)	**$ 11,729**	$ 11,675
Mutual funds	**49,870**	49,652
Equity securities	**331,812**	305,306
	393,411	366,633
Held for trading securities		
Equity securities (b)	**15,667**	14,927
Total securities at fair value (c)	**409,078**	381,560
Securities at amortized cost (d)		
Promissory notes	**2,044**	2,044
Total securities holdings	**$ 411,122**	$ 383,604

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

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

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

As at March 31, 2011 and	Level 1		Level 2		Level 3		Total	
December 31, 2010	2011	2010	2011	2010	2011	2010	2011	2010
Securities at fair value	$405,492	$377,608	$ --	$ --	$3,586	$3,952	$409,078	$381,560
Due on securities sold short	(570)	(664)	--	--	--	--	(570)	(664)
Net	$404,922	$376,944	$ --	$ --	$3,586	$3,952	$408,508	$380,896

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

For the three months ended March 31	**2011**	2010
Level 3 securities, beginning of period	**$ 3,952**	$ 1,384
Increase (decrease) in value	**(366)**	436
Level 3 securities, end of period	**$ 3,586**	$ 1,820

(d) As at March 31, 2011, repayment of the balance of these notes is due in fourteen blended quarterly installments of principal and interest, calculated at 10.25% per annum. The following is the estimated fair value of these notes:

As at March 31, 2011 and December 31, 2010	**011**	2010
Promissory notes - Fair value	**$ 4,312**	$ 4,243

5. BANK LOANS AND BORROWINGS

As at March 31, 2011 and December 31, 2010	2011	2010
Bank indebtedness (a)	$ 9,724	$ 5,057
Bank loan (b)	13,320	11,443
Bankers' acceptances payable (c)	30,000	30,000
Total	$ 53,044	$ 46,500

(a) Bank indebtedness
Bank indebtedness consists of overdraft borrowing under a line of credit from a major Canadian chartered bank, which is available to a maximum of $11,000, due on demand, secured by a General Security Agreement, and bearing interest at the bank prime rate plus 0.25%.

(b) Bank loan
Through the EPSP Trust, the Company has a bank demand loan from a major chartered bank, which bears interest at the bank prime rate plus 0.25%, and is secured by the deposit as collateral of the treasury stock held by the EPSP Trust valued at $16,824 at March 31, 2011 (December 31, 2010 - $12,926), and other securities valued at $9,126 at March 31, 2011 (December 31, 2010 - $8,450).

(c) Bankers' acceptances payable
The company has outstanding notes payable under bankers' acceptances, which are guaranteed by a major Canadian chartered bank. The balance at March 31, 2011 is due at various dates over a period of 61 days. Under this borrowing facility, bankers' acceptances may be issued for periods from 30 to 270 days, at rates negotiated in the bankers' acceptance market. The borrowing facility is secured by a General Security Agreement.

6. CAPITAL STOCK

(a) Authorized

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

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

(b) Issued and Outstanding

	2011		2010	
For the three months ended March 31	Shares	Amount	Shares	Amount
i) Class A shares				
Outstanding, beginning of period	28,815	$ 21,650	30,180	$ 22,794
Acquired and cancelled	--	--	(1,081)	(817)
Converted from common shares	148	36	37	9
Outstanding, end of period	28,963	21,686	29,136	21,986
ii) Common shares				
Outstanding, beginning of period	5,316	1,284	5,537	1,338
Converted to class A shares	(148)	(36)	(37)	(9)
Outstanding, end of period	5,168	1,248	5,500	1,329
Total issued and outstanding	34,131	$ 22,934	34,636	$ 23,315

(c) Issuer Bid

Under its Normal Course Issuer Bid, no shares were purchased by the Company during the three months ended March 31, 2011. During the three months ended March 31, 2010, the Company acquired 1,081 of its Class A shares for $8,176, of which $7,359, the excess of the purchase price over the issue price, was charged directly to retained earnings.

(d) Treasury Stock

The Company purchases and holds shares in its capital stock through an Employee Profit Sharing Plan Trust (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 summary of the changes in the Company's treasury stock is as follows:

	2011		2010	
For the three months ended March 31	**Shares**	**Amount**	Shares	Amount
Balance, beginning of period	**1,479**	**$ 11,443**	1,785	$ 13,783
Shares acquired	**201**	**1,877**	43	350
Balance, end of period	**1,680**	**$ 13,320**	1,828	$ 14,133

As at March 31, 2011, the treasury stock was composed of 63 common shares (2010 – 163) and 1,617 class A shares (2010 – 1,665 shares).

(e) EPSP Trust – Stock-based entitlements

The stock-based entitlements provided by the Company to certain senior 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:

	2011		2010	
For the three months ended March 31	**Number of Shares**	**Weighted Average Purchase Price**	Number of Shares	Weighted Average Purchase Price
Option-like entitlements, beginning and end of period	**954**	**$ 8.32**	1,299	$ 8.18

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.

As at March 31, 2011, there were outstanding option-like entitlements for 63 common shares (2010 – 163) and 891 class A shares (2010 –1,136). No option-like entitlements were provided during the three-month periods ended March 31, 2011 and 2010.

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 three months ended March 31	Number of Shares 2011	2010
Entitlements, beginning of period	**525**	486
Entitlements provided	**--**	43
Entitlements, end of period	**525**	529

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.

No equity-based entitlements were provided during the three months ended March 31, 2011. Equity-based entitlements provided during the three months ended March 31, 2010 had a fair value of $350.

(f) Stock Option Plan

A summary of the changes in the Company's outstanding stock options is as follows:

For the three months ended March 31	2011 Class A Shares	2011 Weighted Average Exercise Price	2010 Class A Shares	2010 Weighted Average Exercise Price
Options, beginning and end of period	**36**	**$ 10.50**	506	$ 11.69

(g) Weighted average shares outstanding

For the three months ended March 31	2011	2010
Weighted average number of Class A and Common shares outstanding (in thousands):		
Basic	**32,568**	33,197
Effect of outstanding dilutive instruments	**134**	158
Diluted	**32,702**	33,355

7. MANAGEMENT FEE INCOME, NET

Management fee income is presented net of referral fees which are paid to referring agents, amounting to $466 for the three months ended March 31, 2011 (2010 - $360).

8. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the three months ended March 31	2011	2010
Dividend income	**$ 3,755**	$ 3,608
Interest income	**273**	96
Total Dividend and interest income	**$ 4,028**	$ 3,704

9. NET GAINS ON SECURITIES

Net gains on securities are composed of the following:

For the three months ended March 31	2011	2010
Held for trading securities (a)	**$ 204**	$ 85
Available for sale securities	**580**	890
Securities at amortized cost	**--**	19
Total gain on securities	**$ 784**	$ 994

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

10. NET CHANGE IN NON-CASH WORKING CAPITAL

For the three months ended March 31	**2011**	2010
Decrease (Increase) in interest-bearing deposits with banks	**$ 3,422**	$ (1,856)
(Increase) decrease in accounts receivable and other	**(488)**	1,133
Decrease (increase) in loans receivable	**360**	(17)
Decrease in receivables from clients and broker	**6,816**	4,207
Decrease in prepaid expenses	**80**	357
(Decrease) increase in client deposits	**(3,339)**	1,828
(Decrease) in accounts payable and other	**(3,223)**	(2,439)
(Decrease) in payable to clients	**(6,816)**	(4,207)
Net change	**$ (3,188)**	$ (994)

11. BUSINESS SEGMENTS

The Company operates in the following three main 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 development activities. The allocation of costs to individual 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		Consolidated	
For the three months ended March 31	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Gross Commission revenue	**$ --**	$ --	**$ 16,593**	$15,784	**$ --**	$ --	**$ 16,593**	$ 15,784
Commissions paid to advisors	**--**	--	**(13,677)**	(13,125)	**--**	--	**(13,677)**	(13,125)
	--	--	**2,916**	2,659	**--**	--	**2,916**	2,659
Management fee income, net	**9,424**	7,965	**-**	--	**--**	--	**9,424**	7,965
Administrative services income	**188**	206	**1,063**	1,134	**4**	--	**1,255**	1,340
Dividend and interest income	**120**	49	**118**	45	**3,790**	3,610	**4,028**	3,704
Net revenue	**9,732**	8,220	**4,097**	3,838	**3,794**	3,610	**17,623**	15,668
Expenses								
Employee compensation and benefits	**4,563**	4,491	**2,051**	1,926	**1,802**	1,750	**8,416**	8,167
Amortization	**50**	42	**562**	539	**14**	49	**626**	630
Interest	**46**	33	**11**	9	**312**	215	**369**	257
Other net expenses	**2,804**	2,351	**2,111**	1,782	**(852)**	(548)	**4,063**	3,585
	7,463	6,917	**4,735**	4,256	**1,276**	1,466	**13,474**	12,639
Operating earnings (loss)	**2,269**	1,303	**(638)**	(418)	**2,518**	2,144	**4,149**	3,029
Net gain on securities	**--**	--	**--**	--	**784**	994	**784**	994
Earnings before income taxes	**2,269**	1,303	**(638)**	(418)	**3,302**	3,138	**4,933**	4,023
Income tax expense (recovery)	**557**	351	**(139)**	(102)	**(118)**	(396)	**300**	(147)
Net earnings	**$ 1,712**	$ 952	**$ (499)**	$ (316)	**$ 3,420**	$ 3,534	**$ 4,633**	$ 4,170
Net earnings attributable to:								
Shareholders	**$ 1,712**	$ 952	**$ (499)**	$ (316)	**$ 3,385**	$ 3,416	**$ 4,598**	$ 4,133
Non-controlling interests	**--**	--	**--**	--	**35**	37	**35**	37
Net earnings	**$ 1,712**	$ 952	**$ (499)**	$ (316)	**$ 3,420**	$ 3,453	**$ 4,633**	$ 4,170
Capital expenditures on segment assets:								
Intangible assets	**$ 163**	$ 17	**$ 278**	$ 305	**$ -**	$ -	**$ 441**	$ 322
Equipment	**11**	9	**17**	60	**6**	67	**34**	136
As at March 31, 2011 and December 31, 2010								
Segment assets and liabilities:								
Assets	**$ 35,108**	$30,924	**$ 45,524**	$50,819	**$ 403,798**	$385,833	**$484,430**	$467,576
Liabilities	**20,159**	18,294	**25,529**	33,406	**85,252**	82,984	**130,940**	134,684

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

	Canada		Rest of the World		Consolidated	
For the three months ended March 31	**2011**	2010	**2011**	2010	**2011**	2010
Net revenue	**$ 16,537**	$14,841	**$ 1,086**	$ 827	**$17,623**	$15,668
As at March 31, 2011 and December 31, 2010						
Non-current assets						
Intangible assets	**$ 5,403**	$ 5,491	**$ 33**	$ 30	**$ 5,436**	$ 5,521
Equipment	**1,293**	1,353	**496**	517	**1,789**	1,870
Goodwill	**5,249**	5,249	**--**	--	**5,249**	5,249

12. 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 27 and 28 of the Company's First Quarter 2011 Interim Report. The following are the more significant risks associated with financial instruments to which the Company is subject:

(a) Market Risk

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

(i) Currency Risk
The Company's main direct exposure to currency risk is on its investments in its foreign subsidiaries, amounting to $82,267 US ($79,766 Canadian) at fair value as at March 31, 2011. Changes in the value of these investments caused by changes in the US dollar exchange rate are reflected in the Consolidated Statement of Comprehensive Income in the period in which the change occurs. A strengthening of the Canadian dollar against the US dollar by 10%, with all other factors remaining unchanged, would result in a loss of $7,977 Canadian being recorded in other comprehensive income in the Consolidated Statement of Comprehensive Income. A weakening of the Canadian dollar against the US dollar would have an equal but opposite effect.

(ii) Interest Rate Risk
The Company is exposed to interest rate risk in its international banking operations, through the assets interest-bearing deposits with banks of $8,680 and loans receivable of $5,945, and the client deposits liability of $8,399. This risk is managed through the matching of interest rates and maturities on these balances.

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

As at March 31, 2011 and December 31, 2010	**2011**		2010	
	Fair value of marketable investments excluding Bank of Montreal shares and short-term investments, net of securities sold short	**Unrealized gain or loss from 10% market change in region**	Fair value of marketable investments excluding Bank of Montreal shares and short-term investments, net of securities sold short	Unrealized gain or loss from 10% market change in region
Canada	**$ 33,397**	**±$ 3,340**	$ 32,271	±$ 3,227
United States	**8,705**	**± 871**	8,943	± 894
Rest of the World	**54,363**	**± 5,436**	54,576	± 5,458
Total	**$ 96,465**	**±$ 9,647**	$ 95,790	±$ 9,579

(b) Concentration Risk

The Company is exposed to concentration risk associated with the $312,042 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 $31,204 being recorded in the Consolidated Statement of Comprehensive Income.

(c) Credit Risk

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

As at March 31, 2011 and December 31, 2010	**2011**	2010
Cash	**$ 5,183**	$ 5,194
Interest-bearing deposits with banks	**8,680**	12,356
Accounts receivable and other	**16,287**	15,823
Loans receivable	**5,945**	6,462
Receivable from clients and broker	**20,861**	27,676
Securities at amortized cost – promissory notes	**2,044**	2,044
Loan guarantees	**482**	482
Total, before collateral and credit enhancements	**$ 59,482**	$ 70,037

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

(d) Liquidity Risk

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

13. TRANSITION TO IFRS

The Company adopted IFRS effective January 1, 2011, with a transition date of January 1, 2010. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP. The Company's financial statements for the year ending December 31, 2011 with be the first annual financial statements that comply with IFRS. The Company will ultimately prepare its opening balance sheet as at January 1, 2010 and financial statements for 2010 and 2011 by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening balance sheet as at January 1, 2010 and financial statements for 2010 and 2011 may differ from these financial statements.

(a) Elected exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), the Company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described as follows:

(i) Business combinations – The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3 *Business Combinations* retrospectively to past business combinations. Accordingly, The Company has not restated business combinations that took place prior to the transition date.

(ii) Stock-based payment transactions – The Company has elected to not apply IFRS 2, *Share-based payments* to equity instruments issued on or before November 7, 2002 or those which vested before the transition date.

(iii) Equipment and intangible assets – The Company has elected to use the Canadian GAAP carrying values as the deemed costs for all equipment and intangible assets for its transition date balance sheet under IFRS.

(iv) Cumulative foreign currency translation – The Company has elected to set the cumulative foreign currency translation differences to zero and reclassify to retained earnings the balances under Canadian GAAP at the date of transition.

(b) Mandatory exemption from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, the Company has applied certain mandatory exemptions from full retrospective application of IFRS. The mandatory exemptions applied from full retrospective application of IFRS are described as follows:

(i) Estimates – Hindsight was not used to create or revise estimates and, accordingly, the estimates made by the Company under Canadian GAAP are consistent with their application under IFRS.

(ii) The Company prospectively applied the requirements of IAS 27, *Consolidated and Separate Financial Statements,* regarding losses in a subsidiary attributable to non-controlling interests in excess of the non-controlling interests' equity.

(c) Reconciliation of equity

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

As at	*See notes – Pages 22 and 23*	December 31, 2010	March 31, 2010	January 1, 2010
Shareholders' equity and total equity				
Balance under Canadian GAAP		$ 330,588	$ 332,819	$ 317,784
Differences increasing (decreasing) reported shareholders' equity:				
Accumulated currency translation adjustment	*(i)*	--	--	--
Changes in substantively enacted tax rates	*(ii)*	--	--	--
Fair value of securities	*(iv)*	3,633	1,468	1,026
Reclassification of securities	*(v)*	614	146	--
Intra-group transactions	*(vi)*	(1,052)	(896)	(896)
Employee compensation and benefits	*(vii)*	(227)	(246)	(246)
Acquisition of subsidiary	*(viii)*	(1,700)	--	--
		1,268	472	(116)
Shareholders' equity under IFRS		331,856	333,291	317,668
Non-controlling interests				
Balance under Canadian GAAP		--	--	--
Differences increasing (decreasing) reported non-controlling interests:				
Reclassification from liabilities	*(iii)*	1,036	291	86
Non-controlling interests under IFRS		1,036	291	86
Total equity under IFRS		$ 332,892	$ 333,582	$ 317,754

(d) Reconciliation of net earnings

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

For the periods	*See notes Pages 22 and 23*	Year ended December 31, 2010	Three months ended March 31, 2010
Net earnings under Canadian GAAP		$ 15,075	$ 3,964
Differences increasing (decreasing) reported net earnings:			
Reclassification of non-controlling interests from liabilities	*(iii)*	27	13
Reclassification of securities	*(v)*	1,734	116
Employee compensation and benefits	*(vii)*	255	77
		2,016	206
Net earnings under IFRS		$ 17,091	$ 4,170

(e) Reconciliation of comprehensive income

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

For the periods	*See notes Pages 22 and 23*	Year ended December 31, 2010	Three months ended March 31, 2010
Comprehensive income under Canadian GAAP		$ 27,123	$ 28,201
Differences increasing (decreasing) reported comprehensive income:			
Differences in net earnings		2,016	206
Fair value of securities	*(iv)*	2,607	442
Reclassification of securities	*(v)*	(1,039)	54
		3,584	702
Comprehensive income under IFRS		$ 30,707	$ 28,903

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

(i) Accumulated currency translation adjustment

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

(ii) Changes in substantively enacted tax rates

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

(iii) Reclassification of non-controlling interests from liabilities

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

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

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

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

(vii) Employee compensation and benefits

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

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

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

13. FINANCIAL STATEMENT REVIEW

These interim financial statements have not been reviewed by the Company's auditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the discussion and analysis which follows pertains to the financial position of Guardian Capital Group Limited and its subsidiaries and consolidated entities ("Guardian") for the three months ended March 31, 2011 and the comparative period in the year 2010, as well as to certain prior annual and quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2010 Annual Report. This discussion and analysis has been prepared as of May 19, 2011.

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

The Adoption of IFRS has not had an impact on Guardian's operations, strategic decisions and cash flow. Information on the IFRS adjustments is provided in the Notes to Consolidated Financial Statements for the period ended March 31, 2011.

Additional information relating to Guardian Capital Group Limited ("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 the expectations reflected in such forward-looking statements will not be achieved. Undue reliance should not be place on these statements, as a number of factors could cause actual results to differ materially from Guardian's objectives, plans, expectations and estimates reflected in the forward-looking statements. Factors which could cause actual results to differ from expectations include, among other things, general economic and market conditions, including interest rates, business competition, changes in government regulations or in tax laws, and other factors.

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company. Guardian serves the wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: investment management; financial advisory; and corporate activities and investments. As at March 31, 2011, Guardian had $16.4 billion in assets under management and $8.1 billion of financial advisory assets under administration. Guardian's assets include a diversified portfolio of securities which, together with its investment in Bank of Montreal shares, had a fair value of approximately $411 million at the end of the quarter.

USE OF NON-IFRS MEASURES

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

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

For the three months ended March 31 ($ in thousands)	2011	2010
Net cash from operating activities, as reported	$ 1,463	$ 3,006
Net change in non-cash working capital items	3,188	994
Cash flow from operations before changes in non-cash working capital items	$ 4,651	$ 4,000

CONSOLIDATED FINANCIAL RESULTS

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

For the three months ended March 31	Three Months	
($ in thousands, except per share amounts)	2011	2010
Net revenues	$ 17,623	$ 15,668
Expenses	13,474	12,639
Operating earnings	4,149	3,029
Net gains on securities	784	994
Earnings before income taxes	4,933	4,023
Income tax expense (recovery)	300	(147)
Net earnings	$ 4,633	$ 4,170
Cash flow from operations before changes in non-cash working capital items	$ 4,651	$ 4,000
Diluted per share amounts		
Net earnings	$ 0.14	$ 0.12
Cash flow from operations before changes in non-cash working capital items	$ 0.14	$ 0.12

As at *($ in millions, except per share amounts)*	2011	2010	
	March 31	December 31	March 31
Assets under management	$16,423	$16,266	$14,482
Assets under administration	$ 8,118	$ 7,783	$ 7,152
Value of corporate holdings of securities	$ 411	$ 384	$ 391
Value of corporate holdings of securities per share, diluted	$ 12.42	$ 11.57	$ 11.76

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 values of assets managed, and variations in the rates of management fees charged. The following is a summary of the assets under management and supervision:

	2011	2010	
As at *($ in millions)*	March 31	December 31	March 31
Institutional	$15,062	$14,910	$13,275
Private wealth	1,234	1,229	1,089
International	127	127	118
Total	$16,423	$16,266	$14,482

Total assets under management ("AUM") at Guardian increased to $16.4 billion at the end of the first quarter of 2011, from $16.3 billion at December 31, 2010 and $14.5 billion at March 31, 2010. The increases have resulted from a combination of net new monies received from new and existing clients and positive performance by the financial markets.

The management fees for the first quarter of 2011 were $9.4 million, net of referral fee payments, an increase of approximately 18% from the $8.0 million a year earlier, as a result of the increased AUM at higher fee rates in the current period.

Institutional management fees earned in the quarter increased to $7.4 million from $6.2 million a year earlier, a 19% increase. Private wealth management fees earned in the quarter amounted to $1.4 million, an increase of 8% from $1.3 million a year earlier. Management fees earned from international clients were $0.6 million in the first quarter of 2011, compared to $0.5 million a year earlier.

Financial Advisory Revenues

Net sales commission revenue earned from the financial advisory business, which is generated from the sale of mutual funds, securities and insurance, as well as from continuing fees related to assets under administration, were approximately $2.9 million in the first quarter of 2011, 10% greater than the prior year. This increase is less than the 14% increase in assets under administration ("AUA") over the past year, as the increase in AUA is increasingly in assets providing lower initial commissions but higher "trailers", which provide a continuous flow of commissions.

Administrative Services Income

Administrative services income, composed substantially of registered plan and other fees earned in the financial advisory area, and also trust and corporate administration fees earned in the international area, amounted to $1.3 million for the first quarter, largely unchanged from the $1.3 million in 2010. These fees are not directly impacted by fluctuations in the financial markets.

Dividend and Interest Income

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

For the three months ended March 31 *(in thousands)*	**2011**	2010
Dividend income	**$ 3,755**	$ 3,608
Interest income	**273**	96
Total	**$ 4,028**	$ 3,704

Dividend and interest income increased over the past year, due to Guardian's increased investments in consolidated mutual funds, and an annual dividend received from a direct investment. In addition, interest income was higher as a result of additional capital invested and earning interest in regulated subsidiaries.

Net Gains on Securities

The following is a summary of Guardian's net gains on securities:

For the three months ended March 31 *(in thousands)*	**2011**	2010
Gains in consolidated mutual funds	**$ 204**	$ 85
Gains on securities directly held	**580**	909
Net Gains	**$ 784**	$ 994

The additional investments in consolidated mutual funds in 2011 increased the gains from those funds over the 2010 amounts. However, the timing of sales transactions in the directly-held portfolio produced additional gains in 2010.

Expenses

Guardian's operating expenses were $13.5 million in the first quarter of 2011, compared with $12.6 million in 2010, an increase of approximately 7%, compared with the 12% increase in net revenue in the period. The minor increase in interest expense reflects increases in borrowings and rates of borrowing costs.

NET EARNINGS AND CASH FLOW FROM OPERATIONS

For the three months ended March 31 *($ in thousands, except per share amounts)*	**2011**	010
Net earnings	**$ 4,633**	$ 4,170
Earnings per share, diluted	**$ 0.14**	$ 0.12
Cash flow from operations before changes in non-cash working capital	**$ 4,651**	$ 4,000
Cash flow from operations before changes in non-cash working capital per share, diluted	**$ 0.14**	$ 0.12

Net earnings for the first quarter of 2011 were $4.6 million, compared to $4.2 million a year earlier. Cash flow from operations for the quarter amounted to $4.7 million, compared to $4.0 million for 2010. The current differences between earnings per share and cash flow per share arise primarily due to the impact of amortization expenses and stock-based compensation, as well as the exclusion of gains or losses on sales of securities from the calculation of cash flow from operations.

LIQUIDITY AND CAPITAL RESOURCES

The strength of Guardian's statement of financial position has enabled Guardian to attract Associates, provide clients with a high comfort level, make appropriate use of borrowings, and develop its businesses. It has also allowed Guardian to maintain the appropriate levels of working capital in each of its areas of operations. The strong cash flow enables Guardian to meet all of its financial commitments, to finance the expansion of its businesses and to purchase the capital assets necessary for the development of those businesses. Guardian's total bank borrowings at March 31, 2011 amounted to $53.0 million, compared with $53.9 million at March 31, 2010. The total credit available, at attractive terms, under the three arrangements amounts to $66 million. We are confident that the strength of Guardian's balance sheet will continue to provide benefits in the future. Guardian's holdings of securities as at March 31, 2011 had a fair value of $411.1 million, or $12.42 per share, diluted, compared with $383.6 million, or $11.57 per share, diluted, as at December 31, 2010, and $390.5 million, or $11.76 per share, diluted, at March 31, 2010. The following is a summary of Guardian's securities holdings:

CORPORATE HOLDINGS OF SECURITIES

As at March 31 *($ in thousands, except per share amounts)*	**2011**	2010
Securities at fair value:		
Short-term securities	**$ 11,729**	$ 15,271
Mutual funds	**49,870**	42,892
Bank of Montreal shares	**312,042**	305,743
Other equity securities	**35,437**	25,843
Total securities at fair value	**409,078**	389,749
Promissory notes at amortized cost	**2,044**	1,765
Total securities holdings	**$ 411,122**	$ 391,514
Total securities holdings per share, diluted	**$ 12.42**	$ 11.76

Guardian's holdings of securities are managed independently of our clients' assets, except for those of our assets that are invested in Guardian's pooled funds, or mutual funds for which Guardian is an advisor.

CONTRACTUAL OBLIGATIONS

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

		Payments due by period			
As at March 31, 2011 *($ in thousands)*	**Total**	**Less than One year**	**One to three years**	**Three to five years**	**After five years**
Bank loans and borrowings	$53,044	$53,044	$ --	$ --	$ --
Client deposits	8,399	8,399	--	--	--
Accounts payable and other	13,184	13,184	--	--	--
Payable to clients	20,861	20,861	--	--	--
Operating lease obligations	3,097	1,164	1,499	434	--
Total contractual obligations	$98,585	$96,652	$1,499	$ 434	$ --

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

SUMMARY OF QUARTERLY RESULTS

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

Quarters ended *($ in thousands)*	**Mar 31, 2011**	Dec 31, 2010 (1)	Sep 30, 2010 (1)	Jun 30, 2010 (1)	Mar 31, 2010 (1)	Dec 31, 2009 (1)(2)	Sep 30, 2009 (1)(2)	Jun 30, 2009 (1)(2)
Net revenue	**$ 17,623**	$ 17,305	$ 16,051	$ 16,089	$ 15,668	$ 16,052	$ 15,848	$ 14,202
Net gains (losses) on securities	**784**	2,876	854	(1,329)	994	1,793	71	(50)
Net earnings	**4,633**	6,756	4,148	2,017	4,170	6,934	3,443	2,336
Shareholders' equity	**351,999**	331,856	331,410	312,984	333,291	317,784	306,572	276,428
(in $)								
Per average Class A and Common Share								
Net earnings								
- Basic	**$ 0.14**	$ 0.20	$ 0.12	$ 0.06	$ 0.12	$ 0.20	$ 0.10	$ 0.07
- Diluted	**0.14**	0.20	0.12	0.06	0.12	0.20	0.10	0.07
Shareholders' equity								
- Basic	**$ 10.85**	$ 10.16	$ 10.07	$ 9.54	$ 10.16	$ 9.37	$ 8.87	$ 8.00
- Diluted	**10.63**	10.01	9.93	9.39	10.01	9.19	8.72	7.88

(1) Certain reclassifications of 2009 and 2010 amounts have been made, to facilitate comparison with the March, 2011 amounts.
(2) 2009 results are presented in accordance with Canadian GAAP.

Management fees earned in the investment management segment are generally not subject to seasonal fluctuations. There is a degree of seasonality in the financial advisory segment, with some concentration of commission revenue in the first quarter of each year, relating to the traditional "RSP season". However, most of the increase in net revenue in the current quarter came from increases in management fees, as a result of the increases in assets under management.

After the declines in markets and economic activity during the latter part of 2008 and the first part of 2009, which had a significant dampening effect on Guardian's revenues, earnings and shareholders' equity, markets and revenues improved during the last three quarters of 2009 and stabilized in 2010, until the further improvement in the current quarter mentioned above. Those improvements also accounted for the 2009, 2010 and 2011 quarterly increases in shareholders' equity shown above. Included in management fees for the fourth quarter of 2009 were performance fees of approximately $1.0 million to which we became entitled at that time. No significant performance fees have been recorded subsequently.

Since gains and losses are recorded on disposal of available for sale securities when realized, and on changes in the value of held for trading securities, and such amounts can vary from quarter to quarter, the amounts included in net gains or losses from securities each quarter can fluctuate, as shown in the quarterly results shown above.

The net earnings for the fourth quarter of 2009 reflect the reduction in future taxes resulting from reduced Ontario income taxes substantively enacted in December, 2009. This reduction amounted to $2.0 million ($0.06 per share, diluted).

CRITICAL ACCOUNTING ESTIMATES

Guardian periodically assesses its assets for any impairment in their value. If it is determined that there has been a material impairment in the value of an asset which is other than temporary, the difference between current fair value and the original cost less any previous writedowns is included in Guardian's operating results. Included in this assessment are intangible assets and securities. Under this policy, in 2009, intangible assets amounting to $0.9 million, consisting of a computer software license, were written off, and are included in amortization in the fourth quarter 2009 results. For securities, such amounts are included in the category of "Net Gains (Losses) on Securities". Under this policy, writedowns of securities of $180,000 occurred during 2009. Guardian reviewed its assets at June 30, 2010, and concluded that $31,000 of writedowns were necessary at that time. Subsequent reviews have not resulted in any additional writedowns.

RISK FACTORS

The largest business segment at Guardian is investment management, in which clients look to Guardian to manage risks within their portfolios. Guardian applies many of the same risk management principles to its business as a whole. One of these principles is that risk can pose challenges as well as provide opportunities, depending upon the effectiveness of the way in which it is managed. Readers are encouraged to refer to note 12 to the Consolidated Financial Statements, contained in Guardian's first quarter 2011 Interim Report, for additional information on risk management.

Market Risk

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

Portfolio Value and Concentration Risks

Guardian's corporate holdings of securities are subject to price fluctuation risk. Guardian manages this risk through professional in-house investment management expertise, each of 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 $312.0 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.

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. During the recent economic situation, the Company reviewed the financial strength of all of its counterparties, and appropriately reduced its exposure to certain counterparties.

Interest Rate Risk

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

Liquidity Risk

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

Regulatory Change Risk

Changes to government regulations, including those related to income taxes, can have an effect on Guardian's business. Examples are the changes in future income tax rates, which have had significant effects on Guardian's income tax expense, and net earnings, in 2006, 2007 and 2009. Because there has been a downward trend in income tax rates, the effects on earnings have been positive, but negative effects could result if tax rates increase in the future. Additionally, Guardian has ensured that all processes are in place to deal with the harmonization of sales taxes in the provinces of Ontario and British Columbia.

Performance and Competition Risks

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 communicate appropriately with our clients to develop report on and comply with client mandates on a continuous basis.

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

ADOPTION OF IFRS

Guardian adopted IFRS effective January 1, 2011, with a transition date of January 1, 2010. The adoption of IFRS has not had a material impact on Guardian's operations, strategic decisions and cash flow. Guardian's most significant accounting policies under IFRS are provided in note 2 to Guardian's First Quarter 2011 Interim Consolidated Financial Statements, and note 13 to those statements presents reconciliations between Guardian's GAAP results and the 2010 IFRS results, including explanations of the adjustments resulting from the transition to IFRS.

Variations in equity

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

Variations in net earnings

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

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

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

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

OUTLOOK

With a competitive range of equity and fixed income strategies, diversified by degrees of risk and geographically, management feels that Guardian is well positioned to compete in the competitive institutional investment management market. Guardian's financial advisory business, through its wholly-owned subsidiary of Worldsource Wealth Management, experienced growth in new assets under administration in the first quarter of 2011, as management continues to execute on delivering improved technology and best practice management programs to its advisor base. Both the investment management and financial advisory businesses have the financial strength of Guardian's Balance sheet to support their patient, long term strategic business objective to become meaningful contributors to operating profit for Guardian. The ability to support long-term strategic decisions continues to allow Guardian to seek and attract top performing talent across its businesses.

GUARDIAN CAPITAL GROUP LIMITED
OFFICERS' CERTIFICATES

I, John Christodoulou, Chairman and Chief Executive Officer of Guardian Capital Group Limited (the "Company"), certify the following:

1. **Review**: I have reviewed the interim financial statements and interim MD&A (together, the "interim filings") of the Company for the interim period ended March 31, 2011.

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

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

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

5. **Design**: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the Company's other certifying officer and I have, as at the end of the period covered by the interim filings:

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

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

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

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

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

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

5.3 **Limitation on scope of design**: Not applicable.

6. **Reporting changes in ICFR**: The Company has disclosed in its interim MD&A any change in the Company's ICFR that occurred during the period beginning on January 1, 2011 and ended on March 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

May 19, 2011

[signed "John Christodoulou"]

John Christodoulou,
Chairman and Chief Executive Officer

GUARDIAN CAPITAL GROUP LIMITED
OFFICERS' CERTIFICATES

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

1. **Review**: I have reviewed the interim financial statements and interim MD&A (together, the "interim filings") of the Company for the interim period ended March 31, 2011.

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

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

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

5. **Design**: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the Company's other certifying officer and I have, as at the end of the period covered by the interim filings:

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

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

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

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

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

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

5.3 **Limitation on scope of design**: Not applicable.

6. **Reporting changes in ICFR**: The Company has disclosed in its interim MD&A any change in the Company's ICFR that occurred during the period beginning on January 1, 2011 and ended on March 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

May 19, 2011

[signed "C. Verner Christensen"]

C. Verner Christensen,
Senior Vice-President, Finance

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